

**Department for Regional Development Annual Report and Accounts
for the year ended 31 March 2016**

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

On

1 July 2016

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DEPARTMENT FOR REGIONAL DEVELOPMENT

Resource Accounts for the year ended 31 March 2016

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PERFORMANCE REPORT

The Performance Report has been prepared in accordance with the Financial Reporting Manual (FReM).

Overview

Accounting Officer's Statement

I am pleased to present the Department for Regional Development's (DRD) Annual Report and Accounts for the year ended 31 March 2016.

Over the past year the Department has operated in an environment where we have faced unparalleled change and challenges, but also opportunities. Under what was the biggest reorganisation of central government in sixteen years, DRD played a full part in this change programme, working internally and with colleagues from across a number of departments to establish the Department for Infrastructure (DfI) as one of the nine new departments on 9 May 2016. By any measure, the bringing together of all the functions now found within DfI presented a significant programme of work, change and organisational challenge for management and staff that has ensured the smooth transition through to the establishment of the new department. Coupled to this change programme, the implementation of the NI Civil Service-wide Voluntary Exit Scheme brought its own challenges which saw over 300 staff leaving DRD, and with them a loss of knowledge and expertise to the Department.

I am most grateful to all those in DRD for the way in which they approached and met these challenges in the context of such significant change. DRD is one of the Executive's main delivery departments and makes a significant contribution to the Executive's objective to grow a balanced and sustainable economy improving the quality of life for everyone in Northern Ireland. During this process of change, there has been enhanced engagement across the Department to explain the approach and get ideas for how things might be done better.

In keeping with the public sector as a whole, the Department also faced continuing financial constraints on available public finances. Nevertheless, the Department was able to progress and deliver significant objectives. These included major road schemes including the A26 Dualling from Glarryford to A44 Drones Road junction and the A31 Magherafelt Bypass whilst significant ground work for both the A5 Western Transport Corridor and the A6 Dualling scheme from Londonderry to Dungiven was put in place so that both schemes are well placed to progress during this Assembly mandate. Support to Translink and local community transport contributed to the continued delivery of efficient public transport services to the public whilst, through our support to NI Water, our drinking water and waste water treatment standards have, again, surpassed the high targets set. In times of financial constraint, it

has been significant that the Department was able to secure almost £20 million of EU funding towards projects including the Coleraine to Londonderry and Knockmore to Lurgan railway tracks and towards the York Street Interchange in Belfast.

It is important now, going forward, that as an organisation under the new nine department NICS, we have a culture of learning and continuous improvement. Last year, we invited the Major Projects Authority to undertake a Project Assessment Review (PAR) on how we as a Department managed and oversaw major projects. It found much that was positive but also made a number of recommendations particularly about how we approach one-off major projects. These recommendations are now largely implemented.



Accounting Officer

24 June 2016

Purpose and Activities

The Department for Regional Development and its Arms Length Bodies maintain and develop infrastructure and deliver services that improve the quality of life for everyone in Northern Ireland. Our services are vital for everyone living, visiting and doing business in Northern Ireland. These include water and sewerage services, roads and footpaths, and public transport services.

Our range of functions include:

- Regional strategic planning and development policy;
- Transport strategy and sustainable transport policy;
- Provision and maintenance of all public roads;
- Implementation of a range of transportation projects;
- Public transport policy and performance;
- Certain policy and support work for air and sea ports; and
- Policy on water and sewerage services and management of the Department's shareholder interest in NI Water.

The Department's Budget 2015-16 settlement 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 2015-16 Budget can be found on our website (www.infrastructure-ni.gov.uk).

The Department's Business Plan for 2015-16 set out our vision and key objectives and targets for the year. It can be found on our website (www.infrastructure-ni.gov.uk/publications/department-regional-development-business-plan-2015-16).

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.

Planning Context

Three key Executive documents set out the planning context for the Department's purpose and activities as contained in our Business Plan for 2015-16: Programme for Government (PfG); the Investment Strategy for Northern Ireland 2011-21; and the Economic Strategy 2030. These documents are underpinned by the Regional Development Strategy 2035 which provides an overarching strategic planning framework spanning a 20 year horizon to facilitate the delivery of balanced sustainable growth across Northern Ireland.

Refocused Programme for Government 2015-16

The refocused Programme for Government sets out the Executive's plans and priorities for 2015-16. This reflected the decision to extend the Assembly Mandate for 2011-15 for a further year. The Department rolled forward the six commitments it was responsible for over the 2011-15 period into this extended Assembly mandate for 2015-16. These six commitments are fully integrated within the Department's Business Plan. The Balanced Scorecard element of the Plan sets out our objectives and targets for the year.

The Department is responsible for the delivery of six Programme for Government (PfG) commitments:

- Progress the upgrade of key road projects and continue to improve the strategic road network;
- For households, ensure no additional water charges during this Programme for Government;
- Upgrade the Coleraine to Derry/Londonderry railway line;
- Invest over £630m to promote sustainable modes of travel (by 31 March 2016). This represents a £130m target for 2015-16;
- By 2016 increase the percentage of children walking and cycling to schools participating in the Schools Active Travel Programme; and
- Ensure a high quality of drinking water and maintain compliance with waste water standards.

Departmental Business Plan 2015-16

In addition to its six PfG commitments the Department had a further 28 business plan targets for delivery during 2015-16 as set out in its annual Business Plan.

Performance Summary

The Department applies the following ratings in assessing its PfG commitments and 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, of the 34 targets 26 were assessed as 'Green' including for all six PfG commitments, six targets as 'Green/Amber' and two targets had a 'Red' rating.

The Department's assessment of its achievement of the Programme for Government commitments and on its Business Plan targets is set out under the Performance Analysis section at pages 10-13. This highlights those targets which were assessed as either 'not achieved' or 'broadly achieved'.

Key Issues and Risks

In common with all public sector organisations, the Department faced continuing constraints on available public finance with the budgetary outcome for the Department in 2015-16 posing significant problems which were without parallel in recent times. These pressures were particularly acute on the resource budget, leaving the Department with a considerable resource pressure impacting on how we do our business, and the extent and range of the services that we are able to provide, including day to day maintenance activities which are essential public services. In seeking to maintain NI Water and Translink as viable entities, these resource pressures fell disproportionately on TransportNI, with resultant cuts having the potential to impact on public safety. Following consideration of the public safety issues, the Minister at the time issued a Ministerial Direction for the provision of a skeleton road maintenance service, including winter service costs. The consequence of this Direction could have been a potential overspend of some £15 million on the Department's budget total. However, the Department was successful in receiving an allocation of £16.5 million for roads maintenance purposes from the Executive's November Monitoring process meaning the Department did not overspend against its budget totals.

An additional challenge for the Department was the implementation of the NI Civil Service-wide Voluntary Exit Scheme with 318 staff leaving the Department during 2015-16 with a further 25 leaving at the end of May 2016. With 343 leaving in total, this loss of knowledge and expertise across a range of disciplines needed to be closely managed so as to minimise the impact on service delivery.

In common with other NICS departments, the Department undertook a significant change programme to work to establish the Department for Infrastructure (DfI) as part of the wider NI Civil Service restructuring being undertaken as a result of the Stormont House Agreement. The work to establish the new Department sought to reduce the potential risk to the continuing work and functions of the inputting Departments, including DRD, and to secure the successful establishment of DfI.

Those corporate risks which were actively monitored by the Departmental Board throughout 2015-16 are set out in the Governance Statement at pages 36 to 51.

Despite the challenges facing the Department, there were a number of the key achievements in 2015-16, which included:

- Investing £136 million in more sustainable modes of travel which included:
 - The provision of 550 additional Park & Ride and Park & Share spaces, making a total of over 2000 additional spaces since 2013;
 - Progress on the implementation of Belfast Rapid Transit, including the completion of the works on the section of the route on the Falls Road between Grosvenor Road and Whiterock Road and the award of the contract for the Belfast Rapid Transit vehicles;
 - The commencement of Phase 2 of the project to upgrade the Coleraine to Derry/Londonderry railway line; and
 - Support of £5.0 million to provide rural transport services and services for people with disabilities.
- Support to Translink which helped grow train and metro services;
- Facilitating the installation of a further 54 e-car charge points in the Public Sector Estate, principally for workplace usage;
- Promotion of cycling as a sustainable and healthy means of transport, including, for example the development of a Cycling Network Plan for Belfast and commencement of three infrastructure schemes in the City with two further schemes at design stage;
- Improvements to connectivity across Northern Ireland through the completion of two major road schemes on the A8 Belfast to Larne and the A2 at Greenisland. Construction work also was advanced on the A26 Glarryford – A44 Dualling project and the A31 Magherafelt Bypass;

- Work to manage and maintain Northern Ireland's road network to keep it efficient and safe, investing over £54 million on the structural maintenance of our road and footway networks. As part of our ongoing commitment to improve road safety we delivered 88 Local Transport Safety Projects;
- Delivery of a pilot project to reduce energy requirements by replacing 15,000 conventional street lights with LED lights;
- Enabling NI Water to maintain high quality drinking water and have improved compliance with waste water treatment standards through the investment of over £140 million in water and sewerage infrastructure; and
- Securing £19 million of EU funding through the Connecting Europe Facility to support the delivery of upgrades to the railway tracks at Knockmore to Lurgan and Coleraine to Londonderry.

Performance Analysis

The Department's Business Plan is approved annually by the Minister. The Plan sets out the Department's vision, strategic objectives, and associated budget allocation and key targets. Progress against targets is reported to the Departmental Board on a quarterly basis, including progress and status of significant projects. Scrutiny of the progress against these targets is carried out in conjunction with regular monitoring reports to the Board on those key risks identified throughout the year in the Department's Corporate Risk Register, and through the monthly financial and human resources monitoring reports.

Quarterly reports are also provided to the Minister and, on a bi-annual basis, to the Department's Scrutiny Committee of the Assembly. The full end-year performance report is available on the Department for Infrastructure's website (www.infrastructure-ni.gov.uk)

As described under the Performance Summary at page 7, the Department applies the 'Red' 'Amber' 'Green' (RAG) traffic light system in assessing its PfG commitments and Business Plan targets. 26 of the Department's 34 targets were assessed as 'Green' or 'Achieved'.

The assessment of the Department's six PfG commitments (all achieved) and the assessment of those eight Business Plan targets (six as 'Green/Amber' or 'Broadly Achieved' and two as 'Red' or 'Not Achieved' is as follows:

Programme for Government Commitments

- **Progress the upgrade of key road projects and continue to improve the strategic road network.**

For 2015-16, the two milestones set for achievement of this commitment was to complete key road projects on the A8 Belfast to Larne road and the A2 Shore Road, Greenisland by 31 March 2016. The A8 Belfast to Larne dual carriageway was completed and officially opened by the Minister on 16 December 2015. The A2 Shore Road scheme opened to traffic on the 28 September 2015 and was officially opened by the Minister on 3 December 2015.

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

This commitment was fully achieved.

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

For 2015-16, the milestone set for achievement of this commitment in respect to Phase 2 of the scheme was for detailed design of signalling to be completed and signalling installation work underway to allow project completion by end 2016. Signalling works started on site in January 2016 and work on the passing loop is ongoing and on programme. Overall work is on target to be substantially complete by December 2016.

- **Invest over £630m to promote sustainable modes of travel (by 31 March 2016). This represented a £130m target for 2015-16.**

The Department invested £136 million during 2015-16 to provide a cumulative total of £642 million invested over the five year period up to 31 March 2016. This included expenditure on subsidised travel for vulnerable groups, such as senior citizens, subsidy towards rural transport services, and projects such as Belfast Rapid Transit, Park & Ride and Park & Share facilities, cycling projects and Active Travel Demonstrations.

- **By 2016 increase the percentage of children walking and cycling to schools participating in the Schools Active Travel Programme.**

For 2015-16, the milestone set for achievement of this commitment was for an average increase of 20% in the number of children travelling actively to school where intervention has taken place. Assessment has indicated that there has been a 30% increase in participation from those schools joining the programme in September 2014 and that schools participating since 2013 have continued to increase participation. It is anticipated that there will be an overall 20% increase by March 2016 but figures will not be available until October 2016, following collection and collating of data from the end of year three of the programme in June 2016.

- **Ensure a high quality of drinking water and maintain compliance with waste water standards.**

£140 million was invested in 2015-16, providing a cumulative total of £810.2 million, in water and sewerage services for the five year period to 31 March 2016. NI Water has surpassed its targets for drinking water quality and waste water treatment throughout the period.

Departmental Business Plan Targets with a 'Red' Rating – 'Not Achieved'

Achieve 80.5 million passenger journeys for bus and rail transport, of which 44.8 million are fare paying passengers by 31 March 2016: This target was not achieved. Whilst rail and Metro bus passenger journeys continued to grow, Ulsterbus passenger journeys fell. Translink re-instated a

number of services on 1 February 2016 which had previously been withdrawn, however passenger journey figures have not been met. The final figure was 79.3 million.

Finalise the Long Term Water Strategy by 30 September 2015 and publish a Strategy Implementation Plan by 31 December 2015: This target was not met. The NI Executive approved publication of *'Sustainable Water – A Long Term Water Strategy'* on 25 February 2016. Work on the Implementation Plan is ongoing.

Departmental Business Plan Targets with a 'Green/Amber' Rating – Targets 'Broadly Achieved'

Develop a strategic plan to protect the environment and address flood risk, through the Strategic Drainage Infrastructure Programme Board (throughout 2015-16): This target was partially achieved. Most work packages progressed well however there were some delays encountered. The first report on integrated investment planning issued in January 2016. A revised 'Living with Water' Programme delivery cost estimate was being prepared for submission to the Department of Finance.

Progress the delivery of the Belfast Transport Hub project to enhance the role of Belfast as a driver of economic growth, including the development and approval of an Outline Business Case: This target was partially achieved. The outline Business Case has been drawn up but, at 31 March 2016, was still to be submitted to the Department of Finance for approval.

Develop a draft Belfast Bicycle Network Plan (by 30 September 2015): This target was partially achieved. The draft Plan has been developed and has been consulted upon internally, across government and with key stakeholders. Formal public consultation is scheduled to take place following creation of the new Department for Infrastructure and following appointment of the new Minister in May 2016.

Implement three cycling infrastructure schemes in Belfast city centre (by 31 March 2016): This target was partially achieved. Construction of one of the schemes (Alfred Street/Upper Arthur Street) was completed in March 2016 with a second scheme (Durham Street/College Square North) well advanced. A third scheme (College Street/Queens Street) has also commenced. Work on the detailed design of two further schemes has also commenced.

Develop a Strategic Framework for Ports to set out their contribution to the Northern Ireland economy (by 31 December 2015): This target was progressed throughout the year with a draft Framework developed and shared with key stakeholders. Decision was taken to align this draft Framework with the emerging new Programme for Government and the Economic Strategy.

Establish a revised organisational structure and manpower model that reflects business need and enhanced capability (by August 2015): This target was partially achieved with significant work undertaken throughout the year to prepare for the establishment of the new Department for Infrastructure and manage the impact of the Voluntary Exit Scheme. The revised organisational structure and manpower model was largely in place in May 2016.

Financial Performance

The main features arising from the Department's financial performance in 2015-16 are as follows:

Public Transport

The Department paid NITHC/Translink £69.8 million in revenue support (including concessionary fare reimbursement of £42.4 million) and £48 million in capital support (£37.5 million on railways, £10.5 million on buses, bus workshops and garages). EU/TEN-T funding was secured by the Department for approximately £1.3 million of bus purchases and £10.7m of rail expenditure. The level of bus subsidy was materially reduced from over £10 million to £2.5 million. The Department remains NITHC/Translink's primary source of income.

Water and Sewerage

During 2015-16, the Department paid NI Water some £283 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 2015 Final Determination of December 2014. The NI Water Board felt unable to sign up to the Final Determination in February 2015 due to funding constraints. However, the Department is working with the Regulator and the Company to seek to deliver the best outcome for customers in line with the PC15 Determination.

In August 2015 NI Water paid a dividend of £24.7 million to the Department relating to the 2014-15 financial year. The Department also received £46.5 million in interest from NI Water during 2015-16.

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 £983.6 million, which includes £150 million issued on the vesting of the company. NI Water disposed of assets with a Net Book Value of £0.88 million.

TNI

In 2015-16, the TransportNI expenditure was some £315 million with some £58 million expended on staffing and administration costs and some £98 million expended on the provision of service and maintenance activities. In the main, this related to Roads Maintenance of £20 million, Street Lighting Energy and Maintenance of £16 million, Roads Drainage £20 million and Design Build Finance and

Operate (DBFO) contracts of £40 million. Maintenance spend was some £5 million down on the previous year and this reflects the continuing constrained resource funding position across Northern Ireland.

The total capital spend was some £148 million, including £40 million for Structural Maintenance Capital (total Structural Maintenance expenditure was £54 million), some £68 million for Strategic Road Improvement schemes and £20 million for Local Transport & Safety Measures and Network Development schemes.

£2.2 million was also realised from the disposal of assets which achieved the challenging target agreed with Asset Manage Unit to support the NI Executives 2015-16 Capital Realisation Target.

Financial Review

Resources

As set out in the Statement of Assembly Supply, the Department was voted Resource Estimate Provision of £753,700,000 for 2015-16. 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	Outturn	Variance
	(£000)	(£000)	(£000)
Request for Resources A	539,572	502,083	37,489
Request for Resources B	214,128	213,299	829

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 5 Services to other Departments	979	The movement in the holiday pay accrual was less than expected due to the number of staff who left on the voluntary exit scheme.
RfR A Line 7 Depreciation and Impairment costs	31,168	<p>The variance relates to an under-spend on depreciation and impairment on the non trunk road network.</p> <p>The AME depreciation on the non-trunk road network is derived from the output of the Coarse Visual Inspection (CVI).</p> <p>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.</p>
RfR A Line 8 Provisions	828	Mainly due to less than anticipated legal claims provisions.

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 £56,867,000. The main reasons for the variance are as follows:

Line	Variance Under/(Over) £000	Explanation
Investments	10,000	NI Water required fewer loan draw downs due to lower than forecast capital cash payments at year-end and higher than anticipated income receipts.
Changes in working capital	38,237	<p>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.</p> <p>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 2015-16 the interest was received prior to 31st March. Therefore the Department's Net Cash Requirement was reduced.</p> <p>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.</p>
Changes in payables due after 1 year	2,500	There was an increase in the level of Private Street deposits at 31 March 2016 which hadn't been anticipated.
Use of provisions	8,170	The value of land settlements was less than anticipated.

Movements in the Department's property, plant and equipment during the year are shown in **notes 6 and 7** to the accounts. The overall movement reflects net capital expenditure incurred in the year, together with the impact of revaluation and depreciation.

Reconciliation of Resource expenditure between Estimates, Accounts and Budgets

	£000
Net Resource Outturn (Estimates)	715,382
<i>Adjustments:</i>	
Less Consolidated Fund Extra Receipts (CFERs) in the Consolidated Statement of Comprehensive Net Expenditure	(960)
Add 'outside the vote' exchange gain	(687)
Net Operating Costs (Accounts)	713,735
Less capital grants paid to finance capital expenditure	(92,129)
Capital grant income	15,217
Non voted loans	(3,036)
Remove non budget exchange gain	687
Resource consumption of NI Water	173,671
Voted expenditure outside budget	(212,049)
Remove inter-departmental notional charges	(10,746)
Resource Budget Outturn (Budget)	585,350
<i>Of which:</i>	
Departmental Expenditure Limits (DEL)	450,603
Annually Managed Expenditure (AME)	134,747

During the year the Department recognised income of £7.3m for transport projects from the INTERREG IVA Programme and £1.3m from the European Sustainable Competitiveness Programme. Both of these programmes are co-financed by the European Regional Development Fund. TEN-T funding of £6.3m was also recognised.

A long term expenditure trend analysis is included on Page 78.

Key Relationships and Partnership Working

The Department continued to engage and work with a wide range of stakeholders and partners from within government and from the business, community, voluntary, and environmental sectors to ensure that all relevant perspectives inform our policy making and service delivery.

The Department works in partnership with many third parties to help deliver some of our key objectives. For example, around 180km of our trunk road network is operated and maintained by Design, Build, Finance & Operate (DBFO) Companies under two Public Private Partnerships. This includes the A1 from the border with the Republic of Ireland to Sprucefield; the A4/M1 from Ballygawley to Broadway; the A12 Westlink; the M2/M22 from York Street to Randalstown; plus the M3, M5, A8(M) and A101 link road.

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, under an agreement with councils, the Department continues to operate the off-street parking function on behalf of councils until October 2016. The Department has been in discussions to extend this agreement for a further three years. On 1 June 2015, the Department also became responsible for the enforcement of moving traffic offences in bus lanes and other bus priority measures in the greater Belfast area. Enforcement is carried out using both fixed and mobile CCTV cameras.

The Department had previously carried out a public consultation, in 2012, about a number of planned and potential administrative and operational changes to the Blue Badge Disabled Parking Scheme in Northern Ireland. During 2015-16, officials have been working to implement the recommendations from that consultation, including:

- changes to the Department's Blue Badge eligibility criteria arising from Personal Independence Payment;
- extending the eligibility criteria for a Blue Badge to include children between ages 2 and 3 with specific medical conditions;
- changing the application process for obtaining a Blue Badge to include an online facility; and
- an increase in the fee for a Blue Badge and replacement badges.

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

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

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 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 (ESB), Donnelly’s Cars, the Strategic Investment Board and 20 local councils. The consortium reported to the Office for Low Emission Vehicles in London as they oversee the work of the various Plugged in Places projects across the UK and worked with ESB to secure Ten-T funding from the European Union.

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 a bicycle strategy for Northern Ireland and is in the process of finalising a procurement process to recruit a new provider for the Active School Travel programme through to 2021.

Trends and Strategic Direction

Short Term

The Stormont House Agreement in December 2014 included a commitment to reduce the number of Northern Ireland Civil Service Departments from twelve to nine in time for the Assembly elections in May 2016. The Department for Infrastructure (DfI) was formed in May 2016 following the Fresh Start Agreement of November 2015, drawing together functions from several previous departments, including Roads, Water and public transport from the Department for Regional Development; Strategic Planning, Road Safety and the Driver and Vehicle Agency from the Department of the Environment; Rivers Agency from the Department of Agriculture and Rural Development; Inland waterways and sponsorship of Waterways Ireland from the Department of Culture, Arts and Leisure; and, Crumlin Road Gaol and the St Lucia site for the Office of the First and deputy First Minister.

As with the wider reorganisation of central government, the bringing together of these functions presented a significant programme of change and organisational challenges to ensure a smooth transition through to the establishment of the new Department. There has been extensive staff engagement and work by the incoming senior team to develop a strong corporate sense of the role of DfI and to begin the process of aligning the various cultures. This important work will continue throughout the coming weeks and months to help bed in the new departmental structure and alignment of functions under our new Minister.

The strategic context within which the new Department for Infrastructure will conduct its business in 2016-17 and beyond will be set out in the Executive's **Programme for Government 2016-2021** for the new Assembly mandate. This new Programme for Government is outcomes based and as such seeks to ensure a more strategic approach to the issues faced by the Executive. The Department will play its part in the development of this Programme for Government for the next five year period and will have a significant contribution to the wider executive agenda to help provide economic growth, tackle disadvantage and provide vital services for all.

The Assembly has also agreed a **one year budget** to cover 2016-17. The Department faces ongoing budgetary constraints particularly in relation to road maintenance. Additional funding from June 2016 Monitoring Round has assisted in alleviating some of the pressures.

The Department is making every effort to mitigate any impact through the identification of efficiencies and related savings.

Medium / Long Term

Looking further ahead, the Department will play its part in the Executive's plans and priorities for the period of the 2016-2021 Assembly mandate. The outlook for this period is one of continued constraints on funding in respect of the resource budget with capital funding remaining fairly constant. Alongside the Programme for Government and budget, the Executive is developing other key strategic documents. In particular, DfI will be influenced by two of these:

-The refreshed **Economic Strategy** will show how the Executive aims to improve the economic competitiveness of the Northern Ireland economy and its plans to grow a prosperous local economy over the short, medium and longer term.

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

Regional Development Strategy and Long Term Water Strategy

The Department for Infrastructure's future work will also be shaped by these two strategies.

- (i) The Regional Development Strategy (RDS) 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. An annual monitoring report is regularly produced detailing stakeholder Departments against RDS Guidelines. The most recent report has highlighted that the Reform of Local Government and the formation of the new councils has significantly changed the delivery environment of the Regional Development Strategy. Delivery of the Strategy's objectives therefore requires closer co-operation between central and local government. Engagement with councils and provision of support on delivery of these objectives continues.
- (ii) The Department has led the development of a Long Term Water Strategy for Northern Ireland. The Strategy promotes a sustainable approach across government to managing all our differing

water needs, as well as supporting economic growth and regional development without compromising the environment or increasing flood risk. This cross-Departmental Strategy helps progress the delivery of difficult cross-cutting policies, as well as providing strategic direction and a framework for long-term investment plans.

The Strategy, agreed by the Executive, will help support delivery of the outcomes in the forthcoming Programme for Government, as well as its European commitments. The Strategy will also inform future Social and Environmental Guidance for water and sewerage services which set out key investment priorities for the water industry.

The Strategy focuses on four high-level aims:

- i. to provide high quality sustainable supplies of drinking water to households, industry and agriculture;
- ii. to manage flood risk and drainage in a sustainable manner;
- iii. to achieve the environmental requirements of the Water Framework Directive in a sustainable manner; and
- iv. to provide sustainable water and sewerage services that meet customers' needs.

Full implementation of the Strategy will require significant financial investment over the 25 year period of the Strategy. An Implementation Action Plan will also be developed and agreed by stakeholders which will aim to maximise the benefits from public expenditure funding as and when it becomes available.

Executive's Flagship Projects

The Executive's 2016-17 Budget set out **four flagship projects** for which the Department for Infrastructure has lead responsibility. They are the improvement of the **A5** and **A6** roads, the development of the **Belfast Transport Hub** at Great Victoria Street, Belfast and the delivery of **Belfast Rapid Transit** as a public transport transformational project. Although the Executive only agreed a single year budget for 2016-17, the nature of some capital projects requires some certainty beyond that time span. The Budget has provided funding certainty for the four years going forward and on this basis work is continuing on all the schemes to ensure delivery.

The A5 Western Transport Corridor project will provide over 53 miles (85km) of new dual carriageway between Newbuildings and Aughnacloy, greatly improving access to the West and North West. Subject to the successful completion of statutory procedures, construction of a first phase of the A5, the Newbuildings to north of Strabane section, is due to commence in 2017 with an estimated completion date of 2019. The Department is also progressing two separate projects on the A6 route, which will

improve connectivity between Londonderry and Belfast; the Randalstown to Castledawson and the Londonderry to Dungiven schemes. The allocations for the A6 in the Executive's Budget Statement of December 2015 will enable the construction phase to commence this autumn on the Randalstown to Castledawson dualling scheme, subject to final approval of the business case.

Belfast Rapid Transit (BRT) is an innovative and ambitious project that will create a new and dynamic public transport system for Belfast. The BRT system will use high quality rapid transit vehicles which will provide a modern, comfortable environment for passengers in terms of space, security and on-board information. The system will also incorporate high quality halts with easy access to vehicles, real time information systems and off-vehicle ticketing to speed up the boarding process. The speed, reliability and comfort of the BRT services will provide an attractive alternative to private car use. The first phase, which is currently being implemented, and which will link east Belfast, West Belfast and Titanic Quarter via the city centre, is scheduled to go live in September 2018.

The project to construct a new Transport Hub at Great Victoria Street, Belfast aims to provide a state of the art, multi-modal transport interchange and to regenerate the area around Great Victoria Street rail station. We are progressing approval for the Outline Business Case to allow the project to progress to the planning and procurement stage.

Other Matters

Sustainability

Good stewardship of our environment is an important aspect of our work, and goes hand in hand with economic growth. 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 Statement which was endorsed by the Permanent Secretary.

Sustainable travel and transport measures have been promoted, with the continued operation of the Travelwise NI initiative, publication of the 'Northern Ireland – Changing Gear – A Bicycle Strategy for Northern Ireland', the establishment of a Cross-sectoral Cycling Group and the leadership of the Plugged in Places ecar project. The ecar project provided support for a new market for electric vehicles and delivered key infrastructure including 390 charge points across Northern Ireland. The project team also provided the oversight for the transfer of those assets to the electricity sector (ESB) in July 2015. Building on the success of this project, the Department is now beginning to develop an Ultra Low Emission Vehicle Strategy for Northern Ireland.

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.

The Department published 'Sustainable Water – A Long-Term water Strategy for Northern Ireland (2015-2040). The Strategy, which was endorsed by the Northern Ireland Executive, provides an overarching approach for the whole of the water sector in managing all of Northern Ireland's water needs. The Strategy seeks to fulfil our environmental commitments by reducing pollution and improving the quality of inland and coastal waters, as well as reducing the risk of flooding and supporting economic growth.

The Department launched the 'Living with Water Programme' to facilitate the development of a Strategic Drainage Infrastructure Plan for Belfast. The objectives of the plan are to protect against flood risk, enhance the environment and support economic growth by providing increased drainage and wastewater treatment capacity. This work is being overseen by a Board, which includes representatives from across central and local government. A key focus of the programme is to develop integrated and sustainable solutions that will, when implemented, achieve the objectives at reduced cost and disruption, whilst also securing the necessary community and stakeholder support. This approach aligns fully to the 'Sustainable Water – A Long-Term Water Strategy.

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;
- 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; and
- An annual progress report for 2014-15 was submitted to the Equality Commission in August 2015.

A five year review of the Equality Scheme and a review of the Disability Action Plan took place in March 2016. These will inform the new Equality Scheme, Audit of Inequalities Action Plan and DAP which are in development for the new Department, the Department for Infrastructure (DfI).

Corporate Social Responsibility Policy

The Department's Corporate Social Responsibility Policy has been in place since 2009. In September 2012, following a review, the Minister agreed to extend the policy for a further three years up to March 2016. The policy sets out the Department's commitment, in line with best practice in the public and private sectors, to be a socially and environmentally responsible organisation and a good employer.

The policy focuses on activities under four key themes of Community; Environment; Workplace; and Responsible Procurement. It also contains a detailed section on Charitable Partnerships, linked to the Community theme. The policy is reflected in the Human Resources and Corporate Services Business Plan which had a target to assist the Department to be socially and environmentally responsible organisation. During 2015-2016 staff participated in the Time to Read initiative organised by Business in the Community which helps to improve literacy skills in primary schools. The Department sponsored a number of active travel demonstrations and events to promote the health and well being of staff and organised fundraising for Charity Partnerships. Three corporate one-day volunteering events were also organised at Newry Hospice, Foyle Hospice and Oxfam Ireland, Belfast, involving a total of 37 staff.

Charitable Donations

The Department made no charitable donations during the year.



Accounting Officer

24 June 2016

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

The Stormont House Agreement contained a commitment to reduce the number of NICS departments from 12 to nine following the Assembly election of May 2016. The names and high level functions of the new departments have been agreed by Ministers and details can be found in The Departments Act (Northern Ireland) 2016 and The Departments (Transfer of Functions) Order (Northern Ireland) 2016 .The majority of staff working in the affected areas have moved with the function. The nine-departmental model constitutes a Machinery of Government change and all of the Department for Regional Development (DRD) will join the Department for Infrastructure (DfI) which will also be responsible for functions from the former Department of the Environment (DOE), the former Department for Agriculture and Rural Development (DARD), the former Department of Culture, Arts and Leisure (DCAL) and the Office for First Minister and Deputy First Minister.

The Minister

The Minister has overall political responsibility and accountability for all the Department's activities. During 2015-2016, the Department had two Ministers. Danny Kennedy, MLA, was appointed Minister for Regional Development on 16 May 2011 and remained as Minister through to 2 September 2015 when his ministerial party resigned from the Executive. There followed a period of ministerial appointments, resignations and reappointments which saw Michelle McIlveen, MLA appointed Minister for one day on each of 21, 23 and 30 September 2015, 7 and 14 October 2015 and then permanently from 21 October 2015 through to the end of the Assembly mandate on 5 May 2016.

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.

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 2015-16, the Board had five executive members 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.
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.
Non-executive Independent Board Member	- David Gray.
Non-executive Independent Board Member	- Robert Gilmore.

Departmental Accounting Boundary

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

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 2015-16, it was responsible for just over 26,000 kilometres of public roads, approximately 10,000 kilometres of footways, 5,800 bridges, 283,000 streetlights and 34 Park and Ride / Share car parks.

Governance, Policy and Resources

Managed by a Deputy Secretary, this Group is responsible for Public Transport budgets, performance monitoring, Accessible Transport and the Department's governance and sponsorship role of NITHC/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, finance, internal audit, equality issues and organisational development, including preparation for NI Civil Service restructuring.

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 subdivided 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 11 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 and Staff Report and in **note 3.2** 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.

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.

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 2015-16, 99% (98% 2014-15) of invoices for goods or services were paid within 30 days or contract terms, with 95% (94% 2014-15) paid within 10 days. See <https://www.finance-ni.gov.uk/publications/nics-prompt-payment-tables-2015-2016>

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 website¹ outlines to the public how to make a complaint and our Complaints Procedure.

The Department's Complaints Procedure 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 provided advice on how citizens can take such action.

In 2015-16, a total of 379 (402 2014-15) formal complaints were received. 368 of these complaints concerned roads related issues, 11 complaints related to information provided under the Freedom of Information Act / Environmental Information Regulations and none concerned equality issues.

In respect of roads related complaints, the Department has a target to respond to all formal complaints within 15 working days. In addition, senior managers are provided with monitoring reports² 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 the Executive Office. The information provided is published on its website³.

The Department's Equality Unit provides biannual reports to the Departmental Board, the Minister, previously to the Committee for Regional Development, and now to the Committee for Infrastructure to apprise of progress on fulfilment of our statutory obligations on equality of opportunity and good relations. This report includes details of any Section 75 complaints received and how they were dealt with. The process for equality related complaints can be seen on the Department's website⁴.

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. A review of the complaints handling process

¹ <https://www.infrastructure-ni.gov.uk/dfi-complaints-procedure>

² Reports available via information access requests to Department as indicated on the Department's Publication Scheme

³ <http://www.executiveoffice-ni.gov.uk/topics/making-government-work>

⁴ <https://www.infrastructure-ni.gov.uk/dfi-equality-complaints-procedure>

was carried out and the outcomes used as a basis for the provision of a complaints pathway for use in the Department for Infrastructure.

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 2015-16 resulted in a notional audit fee of £109,000 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 should be aware 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 19**, there are no remote contingent liabilities.

Events after the reporting period

25 staff who had previously made applications under tranche 5 of the Voluntary Exit Scheme in February 2016 and who had received conditional offers left on the 31st May 2016. These costs have been accrued for in the 2015-16 accounts.

The Stormont House Agreement contained a commitment to reduce the number of NICS departments from 12 to 9 following the Assembly election of May 2016. The Department for Infrastructure (DfI) was established on 9 May 2016. The new Department incorporates the functions previously provided by the former Department for Regional Development (DRD) along with some major functions previously provided by former departments; the Department of the Environment (DOE), Department for Agriculture and Rural Development (DARD), Department of Culture, Arts and Leisure (DCAL) and Office of the First Minister and deputy First Minister (OFMDFM). The DfI functions will cover roads, transportation, road safety, water, flood management, planning, driver licence and vehicle testing.

A court ruling was provided on 21st June 2016 in relation to a contractor legal claim. The judge found the Department to be in breach of a Regulation contained within the Public Contracts Regulations 2006

and that the contractor is entitled to an award for damages. However, no settlement figure was agreed. Negotiations will continue between the two parties. At this stage the amount that will be due to the contractor cannot be reliably estimated and it has been treated as a Contingent Liability in these financial statements.

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 (DoF) (formerly the Department of Finance and Personnel). 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 the Department of Finance, 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.

DoF 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 DoF 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 2015-16. 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. The Minister 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 2016 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 2015-16 included:
 - the Departmental Board, which I chaired, comprising executive and non-executive independent members;
 - weekly Business Review meetings;
 - a Departmental Audit and Risk Assurance Committee chaired by a non-executive independent board member;
 - a Finance Sub-Committee of the Board, which I chaired, to discuss and consider key strategic finance issues impacting on the Department;
 - a Major Projects Sub-Committee of the Board, which I chaired, to discuss and consider issues associated with existing and proposed major capital projects being undertaken by the Department;
 - 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.infrastructure-ni.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 2015-16, the Board had five executive members 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 2015-16 is provided within the Directors' Report at page 29.
12. During 2015-16 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;
- 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 recorded for the Board or any of its Sub Committees during 2015-16.
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 agreed and monitored progress against the 2015-16 Internal Audit Annual Plan throughout the year and considered 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; the Department's attendance before the Public Accounts Committee (PAC) Hearing on the NIAO Report: "*DRD: The Effectiveness of Public Transport in Northern Ireland*" and the Department's subsequent Memorandum of Reply to the PAC Report; and the Department's Corporate Risk Register. Advice was provided to the Departmental Board following each Committee meeting.

16. During 2015-16, the Chair of the Committee attended a meeting of both the NI Water and NITHC Audit Committees. His attendance at these meetings was found to be productive and insightful for all parties. Reciprocal invitations will be made to the Chairs of both the NI Water and NITHC Audit Committees to attend the DfI Audit and Risk Assurance Committee during 2016-17.
17. The Board is also supported by its **Finance Sub Committee**. The Sub Committee discussed and considered key strategic finance issues impacting on the Department and through this process assisted and enhanced strategic financial management and financial decision making. Advice was provided to the Departmental Board following each Sub Committee meeting.
18. The Board is also supported by its **Major Projects Sub Committee**. The Sub Committee discussed and considered issues associated with existing and proposed major capital projects being taken forward by the Department. This process helped to ensure that a strategic approach was taken to decisions around capital projects and ensured that the Board was made fully aware of any risks that would potentially impact on project delivery. It was recognised that some capital projects are the direct responsibility of ALBs which the Department oversees while others are delivered by the Department. The Sub Committee considered projects in both categories but ensured no duplication with work of ALB Boards/sub committees. Advice was provided to the Departmental Board following each Sub Committee meeting. The Sub Committee was responsible and accountable at all times and in all decisions to the Departmental Board as a whole.
19. The Terms of Reference for the Departmental Board and each of its three sub-committees are set out in the Department's Corporate Governance Framework which is available on the Department's website (www.infrastructure-ni.gov.uk).

20. 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 2015-16 (attendance / eligible to attend)			
	Departmental Board	Audit and Risk Assurance Committee	Finance Sub-Committee	Major Projects Sub-Committee
Peter May	11/11	5/5**	1/1	3/3
Andrew Murray	9/11	4/5**	1/1	2/3
John McGrath	11/11	5/5**	1/1	3/3
Michaela Glass	9/11	N/A	N/A	2/3
John McNeill	11/11	5/5**	1/1	3/3
David Gray*	10/11	5/5	1/1	N/A
Robert Gilmore*	11/11	5/5	N/A	3/3
Brigitte Worth*	N/A	5/5	N/A	N/A

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

Departmental Board Performance and Effectiveness

21. In accordance with the Corporate Governance in Central Government Departments: Code of Good Practice NI 2013, the Board would normally have carried out an annual review of its effectiveness during 2015-16. On discussion, the Board felt that whilst the material provided was largely of the requisite standard in terms of detail and quality, it felt that on occasions the right issues were not being given the right priority. Given, however, the proximity of the formation of the Department for Infrastructure, it was considered that a review would constitute nugatory work as the timing would also not allow for meaningful implementation of any recommendations before cessation of the DRD Board. This issue will be considered further following the formation of the DfI Board.
22. The Annual Reports of the Departmental Board and Audit and Risk Assurance Sub Committee are available on the Department's website (www.infrastructure-ni.gov.uk).

Oversight of Arms Length Bodies

NI Transport Holding Company (NITHC)

23. In addition, the Department continues to review its oversight of NITHC. A performance review meeting between the Minister and NITHC took place in December 2015 followed by a further meeting in January 2016. 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.
24. An Accountability meeting (which I chaired) took place in September 2015 between senior DRD officials and the NITHC Board. In addition, the Sponsor Division held regular monitoring meetings with the NITHC officials and reported on these at senior management level.

NI Water

25. 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, and a further version will be introduced to reflect the new Department for Infrastructure.
26. Quarterly Shareholder Meetings (which I chaired) took place during the course of the year between senior DRD officials and the NI Water Board. Bi-annual reports on the monitoring of NI Water’s performance were provided to the Departmental Board in the months of June and November in accordance with the Code of Good Practice NI 2013: Corporate Governance in Central Government Departments.
27. 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 is ongoing and is due to be completed in 2016-17. In addition, the Department undertook a review of the oversight arrangements which have been in place to manage the relationship with NI Water. As a result the

Department has streamlined the oversight arrangements and moved from Quarterly Shareholder Meetings to Bi-Annual Meetings which I will continue to chair. This will be reflected in the revised MSFM.

Long-term funding of Arms Length Bodies

28. The NITHC Board has signalled the need for assurance on indicative funding levels for 2016-17 and its obligations in the Service Agreement with the Department for Infrastructure, as part of the Directors' Going Concern statement for the Company's 2015-16 accounts. The five year Service Agreement between the Department and NITHC obligates the Department to play a role in ensuring that NITHC remains a going concern but also defines service levels and other planning assumptions for NITHC to work to.
29. The Department was unable to provide NI Water with the full Public Expenditure funding for 2016-17 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 2016-17 under PC15, to reflect the reduced funding levels given current and potential future funding constraints in the public sector.
30. The NI Water Board has formed a judgement in its Directors' Going Concern statement in its 2015-16 Annual Report and Accounts that the Company will be able to reach an agreement with the Utility Regulator and hence to apply adequate resources to continue in operational existence for the foreseeable future. As such, these conditions do not cast a significant doubt on the Company's ability to continue as a going concern.

Risk Management

31. 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".
32. 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.

33. This approach allowed risks to be identified and managed at all levels and to be escalated as appropriate.
34. 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.
35. 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.
36. Corporate Risks actively monitored and managed by the Departmental Board throughout 2015-16 included:
- **Breach of Approved Departmental Spending Limits**

The 2015-16 Final Budget left the Department facing exceptionally difficult choices given the pressures on resource funding. In seeking to maintain NI Water and Translink as viable entities, cuts fell disproportionately on TransportNI. Following consideration of the public safety issues, the Minister at the time issued a Direction on 27 August 2015 for the provision of a skeleton road maintenance service, including winter service costs. This would have led to a potential overspend of some £15 million on the Department's budget total and to qualification of the Department's accounts. In the Executive's November monitoring process, the Department received an allocation of £16.5 million. As a consequence of the additional funding any potential breach of the Department's approved budget totals was averted.
 - **Failure to achieve savings/additional income and other funding**

As a consequence of the challenging 2015-16 Final Budget settlement for the Department and the consequential potential overspend, it was vital that business areas met or exceeded the savings and income targets set for each of them as part of the Department's

spending plan. Failure to meet these savings / income targets would have increased the budgetary pressure on the Department and increase the potential for overspend or force a further reduction in service delivery. Careful monitoring coupled with appropriate financial controls ensured that the overall targets were achieved.

- **Maintaining the Road Network (Routine Maintenance and Street Lighting)**

Due to resource budgetary constraints the Department was operating a limited routine maintenance service from April 2015, under a Ministerial Direction covering up to £15 million. Following November Monitoring, £16.5 million was received to fund the ministerial direction to enable backlogs in roads and street lighting maintenance to be addressed.

- **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 November 2015 to update her on how the Department and its Arms Length Bodies had prepared for the winter season 2015-16. The Major Emergency Response Plan and Departmental Business Continuity Plan were reviewed and amended to reflect the needs of the new Department for Infrastructure.

- **Human Resources**

Throughout the year the Department monitored the impact of the VES and the NICS Restructuring Programme on our staff and on business delivery. The work to establish the new Department for Infrastructure sought to reduce this potential risk by utilising staff in the project from a range of business areas, and implementing a programme of communication and engagement activities. The key risk facing the Department from a Human Resources perspective was in relation to the significant loss of professional experience that was expected to leave the Department within a very short period of time under the Voluntary Exit Scheme. The Department addressed this risk through the development of detailed restructuring plans, including the identification of business critical posts that were filled as a priority. This ensured that critical front-line services continued to be provided to the citizen.

37. As Northern Ireland's major infrastructure Department, it is also worth highlighting that we are responsible for the delivery of major capital projects. During 2015-16 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. 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. 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. The project has progressed well during the year and latest indicators suggest the project will be substantially complete by end of 2016.

- **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 (BRT) Programme Board. Key risks are escalated to the Departmental Risk Register as appropriate. The current primary risks relate to the delivery of interdependent projects and the scale of initial operating costs. NITHC is taking forward a replacement ticketing project which links to BRT and wider NITHC ticketing needs.

- **Belfast Transport Hub**

Work has progressed to produce a design for this major project. An initial Outline Business Case was approved by the NITHC Board before year end and this is currently being reviewed by the Department before review by the Department of Finance. A Gateway review has provided a satisfactory assessment of progress on the project. The project has been identified as a strategic priority by the Department of Finance. In the next year further design work, review of passenger forecasts and

outline and full planning applications are planned. This will inform a further Outline Business Case and tender documents for construction.

- **Strategic Road Improvement Programme**

Our policy and procedures for developing and delivering major road projects have been developed to identify and ameliorate risks. Our processes for bringing a scheme through the critical stages, such as the making of statutory orders and award of contract, where risks could materialise with greatest impact, 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.

38. 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 2015-16. 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

39. 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.
40. 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.
41. 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 2015-16

42. There were 26 whistle-blowing/wrongdoing cases reported to / detected by the Department in 2015-16. This included one whistle-blowing case reported directly to the Department relating to Translink. The Department notified the NI Audit Office of 14 cases of alleged, suspected or actual fraud, including two cases currently being investigated by the NICS Fraud Investigation Service. In eleven cases there was no suspicion of wrongdoing found.
43. During 2015-16, 85 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 £72k. 13 of the new cases related to the Department, 63 related to NI Water and 9 related to Translink.
44. 47 of the 63 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.
45. 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 a result of this type of fraud. However, to counter suspected unauthorised connections / meter tampering, NI Water established a Compliance Investigation Team (CIT) as part of the Metering and Billing Team on 1 January 2016. The primary function of the CIT is to provide assurance of compliance with NI Water legislation by conducting investigations into cases of suspected unauthorised connections perpetrated against NI Water works and meter tampering.
46. The CIT is managed by an experienced investigator. The team handles investigations on a case by case basis and in accordance with the NI Water's enforcement and prosecution policy. The CIT have made good progress to date in resolving both historical and new cases of non-compliance. This has resulted in a number of successful outcomes, including amicable resolution with customers setting up billing accounts.
47. 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 (which includes representatives from TransportNI, NI Water and NITHC) 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 cuttings lessons learned. The Group met on two occasions during 2015-16.

48. The Department and its arms length bodies continue their participation in the National Fraud Initiative counter fraud data matching exercise.

Effectiveness of Internal Control

49. For 2015-16, 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.
50. Of the 27 final Internal Audit reports completed in 2015-16, 15 received overall satisfactory opinions with three assignments receiving substantial opinions. Opinions were not relevant to four special exercises and five follow-up reviews were undertaken. Within these, there were a number of recommendations for improvement and there is regular review of implementation of these.
51. The Department also relies on the Department of Finance (DoF), formerly the Department of Finance and Personnel, Internal Audit to provide an inter-Departmental opinion for the services provided by DoF, including Account NI, IT Assist and HR Connect shared services. In 2015-16 an overall inter-Departmental assurance of satisfactory has been provided
52. 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 2015-16 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.
53. The NI Audit Office acts as the Department's external auditor, providing financial and value for money audits. In addition to annual accounts audits, the Department was the subject of one NI Audit Office investigation – "DRD: the effectiveness of public transport in Northern Ireland", published on 21 April 2015. The report was subject to further scrutiny by the Public Accounts Committee (PAC). The Department provided evidence to the Committee at its meeting on 29

April 2015. The PAC published its findings on 23 September 2015. The Department considered the findings of the report carefully and responded to it through a Memorandum of Reply which was laid in the Assembly on 27 November 2015. Monitoring of the actions to be taken by the Department and Translink emanating from the recommendations made in the PAC report is carried out through audit monitoring reports to the Department's Audit and Risk Assurance Committee.

Significant Internal Control Issues

54 None have been identified for 2015-16.

Progress on issues identified in the 2014-15 Governance Statement

55 The 2014-15 Governance Statement highlighted the extremely difficult financial pressures faced by the Department during 2014-15. While considerable efforts were made to live within our budget, two Ministerial Directions led the Department to breach its budget control total by £11.8 million during 2014-15. Although the Department breached its budget control total as a consequence of the Ministerial Directions, it did not breach the total set out in the Supply Estimates (SOAS 2). However, as the Department overspent by £12,941k on RFR A Line 2 (ferry services, air and sea ports) within SOAS 2, this was considered to be an irregular spend and hence the NIAO provided a qualified audit opinion on regularity.

56 The Department continued to face severe financial constraints in 2015-16. As set out in paragraph 59 below, a Ministerial Direction could have led to a potential overspend of some £15 million on the Department's budget total. Receipt of additional resource funding in November Monitoring meant, however, that the Department did not overspend against its existing budget totals for 2015-16. Financial constraints will, however, remain an issue for DfI in 2016-17.

Other Issues

Ministerial Directions

57 While not a control issue, the Minister for Regional Development issued me with two Ministerial Directions during 2015-16.

58 The first Direction was provided in May 2015 to enable Translink to proceed with Phase 2 of the Coleraine to Derry/Londonderry railway line upgrade. The Direction was approved by the Finance Minister. During 2014-15, it had become clear that the original estimate for Signalling

works produced in 2012 did not reflect the 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. Both myself, as Departmental Accounting Officer and the NITHC Accounting Officer had concerns about the value for money of the project, whilst recognising the policy imperative to move ahead. As the upgrade is a key Programme for Government commitment, Ministerial Direction was sought and received to proceed with the project. The project has progressed well during the year and is on target to be substantially complete by end of 2016.

- 59 The second Direction issued in August 2015 to cover a potential overspend of £15 million on the Department's budget total. The Direction was in response to potential public safety issues, whereby the Minister at the time authorised the provision of a skeleton road maintenance service, including winter service costs based on the need to safeguard public safety. The consequence of this Direction could have been a potential overspend of some £15 million on the Department's budget total should the Department not be successful in obtaining resources through the remaining 2015-16 monitoring rounds. In view of the Ministerial Direction and the likely resultant breach to the Department's control total, I wrote seeking DoF's, formerly DFP, approval on the Ministerial Direction. DoF did not approve this Direction. The Department sought funding to cover those activities relating to roads maintenance through the Executive's November monitoring process and was successful in receiving an allocation of £16.5 million for that purpose. As a consequence of the additional funding the Department did not overspend against its existing budget totals.

Personal Data Related Incidents

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

Departmental Remuneration Report

Remuneration policy

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The SCS remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. This was subsequently reduced to 10 points in 2014 and 9 points in 2015 to allow progression through the pay scales within a reasonable period of time.

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.

Salary and pension entitlements

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

Remuneration (including salary) and pension entitlements (this information is subject to audit)

Minister	2015-16				2014-15			
	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)
Michelle McIiveen 20/10/15- 31/03/16	17,000	Nil	4,000	21,000	N/A	N/A	N/A	N/A
Danny Kennedy 01/04/15- 02/09/15	16,000	Nil	3,000	19,000	38,000	Nil	8,000	46,000

**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.*

Officials	2015-16				2014-15			
	Salary £'000	Bonus Payment/ Benefits in kind £'000	Pension Benefits* (to nearest £1000)	Total £'000	Salary £'000	Bonus Payment/ Benefits in kind £'000	Pension Benefits * (to nearest £1000)	Total £'000
Peter May Permanent Secretary (from 17/11/14)	105-110	Nil	48	155-160	35-40 (105-110 full year equivalent)	Nil	14	50-55
John McGrath Deputy Secretary – Finance, Resources & Water Policy	95-100	Nil	40	135-140	95-100	Nil	31	125-130
Dr Andrew Murray Deputy Secretary of TransportNI	85-90	Nil	44	130-135	85-90	Nil	32	115-120

John McNeill Departmental Director of Finance <i>(from 02/01/15)</i>	70-75	<i>Nil</i>	26	95-100	15-20 <i>(65-70 full year equivalent)</i>	<i>Nil</i>	3	20-25
Michaela Glass Director of Human Resources and Corporate Services	60-65 <i>(65-70 Full year Equivalent)</i>	<i>Nil</i>	24	80-85	55-60 <i>(65-70 full year, full time equivalent)</i>	<i>Nil</i>	18	70-75
David Gray Non-Executive Director	5-10	<i>Nil</i>	<i>N/A</i>	5-10	5-10	<i>Nil</i>	<i>N/A</i>	5-10
Robert Gilmore Non-Executive Director	5-10	<i>Nil</i>	<i>N/A</i>	5-10	0-5	<i>Nil</i>	<i>N/A</i>	0-5

**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.*

2015-16		2014-15	
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
110-115	£27,271 4	105-110	£27,271 3.9

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 2015-16 was £110k-£115k (2014-15: £105k-£110k). This was 4 times (2014-15: 3.9) the median remuneration of the workforce, which was £27,271 (2014-15: £27,271).

The median total remuneration has not changed since the 2014-15 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.

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 (1 April 2015 to 2 September 2015) and Michelle McIlveen MLA (20 October 2015 to 31 March 2016) during the financial year. His and her salaries and allowances are paid by the Northern Ireland Assembly and have been included as a notional cost in this resource account. These amounts do 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 2015-16 or 2014-15. The SCS pay settlement does not allow for bonuses.

Pension Benefits (this information is subject to audit)

Ministers	Accrued pension as at 31 March 16 or leaving date	Real increase in pension at pension age	CETV at 31 March 16 or leaving date	CETV at 31 March 15 or Start date	Real increase in CETV
	£000	£000	£000	£000	£000
Michelle McIlveen	0-5	0-2.5	19	13	3
Danny Kennedy	5-10	0-2.5	90	82	4

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 20.6% 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. Prior to October 2015, the CETV factors were calculated using a net discount rate of 3%, which was the rate set by HM Treasury for the major public service pension

schemes. Following the completion of the 2014 funding valuation of the AMPS the assumptions used to calculate the scheme's factors were reviewed. The AMPS is not covered directly by the financial assumptions set by HM Treasury for other public service pension schemes, and the Trustees instead decided to adopt the financial assumptions used in the scheme's funding valuation to calculate CETVs (a net discount rate of 3.5%) rather than the HM Treasury rate. This has led to a reduction in CETVs in general and a difference between the closing CETVs reported in 2014-15, and the opening CETVs reported in 2015-16.

Pension Entitlements (this information is subject to audit)

Officials	Accrued pension at pension age as at 31 March 2016 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 2016 or at date of leaving £'000	CETV at 31 March 2015 or at date of commencement £'000	Real increase in CETV £'000	Employer contribution to partnership pension account (nearest £100)
Peter May Permanent Secretary	45-50 pension plus 60-65 lump sum	2.5-5.0 pension plus 0-2.5 lump sum	781	666	61	Nil
John McGrath Deputy Secretary – Finance, Resources & Water Policy	45-50 pension plus 140-145 lump sum	0-2.5 pension plus 5-7.5 lump sum	1,021	995	37	Nil
Dr Andrew Murray Chief Executive of TransportNI	40-45 pension plus 75-80 lump sum	0-2.5 pension plus 0-2.5 lump sum	940	847	43	Nil
John McNeill Departmental Director of Finance	25-30 pension plus 25-30 lump sum	0-2.5 pension plus 0-2.5 lump sum	491	437	22	Nil
Michaela Glass Director of Human Resources and Organisational Change	20-25 pension plus 60-65 lump sum	0-2.5 pension plus 0-2.5 lump sum	365	324	14	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, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements have also moved 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.

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Increases are applied from April and are determined by the CPI figure for the preceding September. The CPI in September 2015 was negative (-0.1%) and HM Treasury has announced that there will be no increase to public service pensions from April 2016. Therefore public service pensions will remain at their current level.

Employee contribution rates for all members for the period covering 1 April 2016 – 31 March 2017 are as follows:

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – Classic members or classic members who have moved to alpha	Contribution rates – All other members
From	To	From 01 April 2016 to 31 March 2017	From 01 April 2016 to 31 March 2017
£0	£15,000.99	3.8%	4.6%
£15,001.00	£21,210.99	4.6%	4.6%
£21,211.00	£48,471.99	5.45%	5.45%
£48,472.00	£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 14.7% (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 0.5% 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.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-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. The actuarial factors used to calculate CETVs changed during the 2015-16 year and, consequently, CETV figures increased even without any further pension accrual. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

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 2016.

A) Staff Report (this information is subject to audit)

Staff Costs

Staff costs comprise:

				2015-16	2014-15
				£000	£000
	Permanent staff	Others	Minister	Total	Total
Wages and salaries	57,826	260	33	58,119	63,703
Social security costs	4,191	-	4	4,195	4,527
Other pension costs	11,982	-	7	11,989	11,121
Other staff costs*	9,945	-	-	9,945	
Total net costs	83,944	260	44	84,248	79,351
Analysed as:					
RfR A				83,039	78,354
RfR B				1,209	997
				84,248	79,351
Analysed as:					
Administration costs – continuing operations				64,769	70,076
Minister’s costs (notional)				44	50
Per Consolidated Statement of Comprehensive Net Expenditure				64,813	70,126
Programme costs – continuing operations				10,152	219
Capitalised				9,283	9,006
				84,248	79,351

Permanently employed staff includes the salary cost of the Department’s Special Advisor (in post from 8th June 2015 to 2nd September 2015) which falls within the pay band range £59,627 to £91,809 (2014-15: £59,037 - £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 DOF Superannuation and Other Resources Accounts as at 31 March 2016.

For 2015-16, employers’ contributions of £11,922,357 were payable to the NICS pension arrangements (2014-15:£11,060,268) at one of four rates in the range 20.8% to 26.3% 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 alpha from April 2015. For 2016-17, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 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 £29,438 (2014-15: £29,774) 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 14.7% (2014-15: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition employer contributions of £1,294, 0.5% (2014-15: £1,921, 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.

5 people (2014-15: 11 people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £13,263.52 (2014-15: £10,474.43).

*Other staff costs relate to the Voluntary Exit Scheme

Average number of persons employed

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

Objective	2015-16					2014-15
	Total	Permanent staff	Others	Minister	Special Advisor	Total
A	1,701	1,690	10	1	-	1,881
B	22	22	-	-	-	22
Staff engaged on capital projects	248	248	-	-	-	261
Total	1,971	1,960	10	1	-	2,164

Staff Composition

The actual staff numbers as at 31 March 2016 can be broken down as follows:

	2015-16		
	Male	Female	Total
Minister	-	1	1
Senior Civil Service	9	3	12
Other Employees	1,395	459	1,854
Total	1,404	463	1,867

Reporting of compensation and exit packages for all staff

Exit package cost band	2015-16			2014-15		
	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	-	11	11	-	2	2
£10,000 - £25,000	-	183	183	-	3	3
£25,000 - £50,000	-	134	134	-	3	3
£50,000 - £100,000	-	8	8	-	1	1
Total number of exit packages	-	336	336	-	9	9
Total resource cost £	-	8,683,259	8,683,259	-	235,264	235,264

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. 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. The above figures do not include staff who have left in May 2016 under the Voluntary Exit Scheme as the breakdown was not available.

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.

External Consultancy costs

£297,837 (£318,618 2014-15) was spent on external consultancy during 2015-16 year.

Senior Civil Service pay band

Actual staff numbers of Senior Civil Service by pay band for the Department as at 31st March 2016 are as follows:

Pay band – assessed each pay period		Actual staff numbers as at 31 March 2016
From	To	
£66,850	£78,275	9
£85,951	£100,091	2
£110,191	£132,007	1
£148,652	£178,709	0
		12

Employees

People Plan

The Department's People Plan was developed for 2015-16 with key issues identified as:

- Voluntary Exit Scheme – managing the exit of 359 staff (including 16 career break staff) and supporting those remaining;
- Performance and Development – managing performance and providing opportunities for personal development;
- Engagement and Innovation – enabling all parts of the organisation to contribute to the future and to think differently about how to deliver services in a better way; and
- The Department for Infrastructure – contributing to the creation of the Department for Infrastructure and ensuring that people understand their role in it.

Progress on the Plan brought before the Departmental Board with the end year position reflecting that actions in the four main areas were complete.

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; and
- creating 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 continues to invest in the development of staff capabilities, with both internal and external opportunities provided throughout the year. An upgrade to HRConnect during 2015-16 has allowed the Department to provide a catalogue of over 40 different eLearning packages which staff can complete at a time of their choosing.

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.

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 2015-16, the Department's combined sickness absence target for industrial staff and non-industrial staff was 7.5 working days lost. This 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 2016. While the target was not achieved, the latest available statistics suggest an outturn for the Department of 9.5 days lost (provisional) (9.4 2014-15). 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.

Statement of Assembly Supply

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FRM) 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 2015-16

		2015-16			2014-15				
		£000			£000				
		Estimate			Outturn			Net Total Outturn compared with Estimate: saving/(excess)	
Request for Resources	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total	Net Total
A	SOAS1	572,940	33,368	539,572	535,126	33,043	502,083	37,489	21,313
B	SOAS1	285,379	71,251	214,128	284,550	71,251	213,299	829	963
Total resources	SOAS2	858,319	104,619	753,700	819,676	104,294	715,382	38,318	22,276
Non-operating Accruing Resources	SOAS3			(47,128)			(46,956)	(172)	(419)

Net cash requirement 2015-16

		2015-16			2014-15		
		£000			£000		
		Estimate		Outturn		Net Total Outturn compared with Estimate: saving/(excess)	
	Note	Estimate		Outturn		Outturn	
Net cash requirement	SOAS 3	762,888		706,021		56,867	
							749,423

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 2015-16		Outturn 2015-16	
		£000		£000	
	Note	Income	Receipts	Income	Receipts
Total	SOAS 4	128	<i>128</i>	960	<i>216</i>

Explanation of variances between Estimate and Outturn are given in SOAS 1 'Analysis of net resource outturn by function' and the Management Commentary. A Key to Request for Resources is also given in **SOAS1**.

The notes on pages 69 to 80 and on pages 89 to 125 form part of the financial statements.

SOAS 1

Analysis of Net Resource Outturn by function

							2015-16	2014-15		
							£000	£000		
							Outturn	Estimate		Outturn
									Net total Outturn compared with Estimate, adjusted for virements	Prior Year Outturn
Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net Total	NET TOTAL	Net total Outturn compared with Estimate			
Request for Resources A:										
Departmental Expenditure in DEL										
1: Roads	63,892	132,759	43,941	240,592	(17,945)	222,647	226,382	3,735	3,735	171,094
2: Ferry services, air and sea ports	50	464	938	1,452	(999)	453	756	303	57	629
3: Railway services	-	38,479	30,184	68,663	(5,203)	63,460	65,280	1,820	-	53,830
4: Road passenger services	4,688	39,619	11,353	55,660	(1,586)	54,074	52,008	(2,066)	-	62,652
5: Services to other Departments	4,027	231	-	4,258	(47)	4,211	5,190	979	979	5,464
6: EU Interreg	-	-	9,684	9,684	(7,263)	2,421	2,726	305	305	778
Annually Managed Expenditure (AME)										
7: Depreciation and Impairment costs	5,781	131,819	-	137,600	-	137,600	168,768	31,168	31,168	146,901
8: Provisions	368	6,104	-	6,472	-	6,472	7,300	828	828	6,954
Non-Budget										
9: Notional charges	10,745	-	-	10,745	-	10,745	11,162	417	417	11,591
Total	89,551	349,475	96,100	535,126	(33,043)	502,083	539,572	37,489	37,489	459,893
Request for Resources B:										
Departmental Expenditure in DEL										
1: Water Policy and Administration	1,228	-	-	1,228	-	1,228	1,254	26	26	1,060
Non-Budget										
2: Northern Ireland Water Limited	-	283,322	-	283,322	(71,251)	212,071	212,874	803	803	211,108
Total	1,228	283,322	-	284,550	(71,251)	213,299	214,128	829	829	212,168
Resource Outturn	90,779	632,797	96,100	819,676	(104,294)	715,382	753,700	38,318	38,318	672,061

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

	Variance Under/(Over) £000	Explanation
RfR A	37,489	The variance primarily relates to an underspend on depreciation on both the trunk and the non trunk road network.
RfR B	829	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 Financial Review on Page 16

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.

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.

SOAS 2 Reconciliation of Outturn to Net Operating Cost

		2015-16		2014-15	
		£000		£000	
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	SOAS1	715,382	753,700	38,318	672,061
Non-supply income (CFERs)	SOAS4	(960)	(128)	832	(1,313)
Unrealised exchange losses on Non Estimate related EU Receivables		(687)	-	687	34
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure		713,735	753,572	39,837	670,782

SOAS 3

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	753,700	715,382	38,318
Capital				
Acquisition of property, plant and equipment		145,094	147,121	(2,027)
Investments		46,000	36,000	10,000
Non-operating Accruing Resources				
Proceeds of asset disposals		(47,128)	(46,956)	(172)
Accruals to cash adjustments				
Depreciation and revaluation	3,4	(183,630)	(149,414)	(34,216)
New provisions and adjustments to previous provisions	3,4	(10,800)	(6,469)	(4,331)
Other non-cash items	3,4	(11,162)	(11,550)	388
Changes in working capital other than cash	SOAS 3.1	41,545	3,308	38,237
Changes in payables falling due after more than one year	17	6,798	4,298	2,500
Use of provision	18	22,471	14,301	8,170
Net Cash Requirement		762,888	706,021	56,867

SOAS 3.1 Movements in working capital used in the Reconciliation of Resources to Net Cash Requirement

		2015-16 £000
	Note	
Increase/(decrease) in inventories	14	189
Increase/(decrease) in receivables	16	8,646
Adjustments to movements in receivables		
Movement in CFER related receivables	16	(743)
Consolidated Fund receivable written off	16	-
Movement in provision for bad debts		1,080
Transfer of car parks net debt to General Fund		245
(Increase)/decrease in payables less than 1 year	17	(14,851)
Adjustments to movements in payables less than 1 year		
Movement in bank	15	-
Increase/(decrease) in amounts due to the Consolidated Fund	17	8,742
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		3,308

SOAS 4 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 2015-16		Outturn 2015-16		
	Note	Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts not classified as Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		128	<i>128</i>	195	<i>195</i>
Operating income and receipts – excess Accruing Resources		-	-	-	-
Subtotal		128	<i>128</i>	195	<i>195</i>
Exchange gain		-	-	-	-
Exchange loss – Capital		-	-	-	-
Non-operating income and receipts – excess Accruing Resources		-	-	21	<i>21</i>
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		-	-	744	-
Total income payable to the Consolidated Fund		128	<i>128</i>	960	<i>216</i>

SOAS 5 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2015-16 £000	2014-15 £000
Operating income	5	105,254	111,138
Operating income netted off resource expenditure		-	-
Adjustments for transactions between RfRs		-	-
Gross income		105,254	111,138
Income authorised to be used as Accruing Resources	SOAS 1	104,294	109,825
Operating income payable to the Consolidated Fund	SOAS 4	960	1,313

SOAS 6 Non-operating income – Excess Accruing Resources

Non-operating income – Excess Accruing Resources

2015-16	2014-15
£000	£000
-	-

Other Assembly Accountability Disclosures (this information is subject to audit)

(i) Losses and special payments

Losses Statement

	2015-16	2014-15
Total number of losses	48	38
Total value of losses £000	894	1,408

These cases include abandoned claims, stores and plant losses, losses of pay, allowances and superannuation benefits, other cash losses, exchange losses and fruitless payments.

Details of cases over £250,000

The Department incurred losses relating to penalty charge notice debt of £425,966 (2014-15: £785,766) 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).

Special Payments

	2015-16	2014-15
Total number of special payments	1,198	940
Total value of special Payments £000	4,737	6,093

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

(ii) Business activities attracting fees and charges

			2015-16	2014-15
			£000	£000
	Income	Cost	Surplus/(deficit)	Surplus/(deficit)
Car Parks	(10,350)	12,396	(2,046)	1,863
Strangford Ferry	(1,108)	2,207	(1,099)	(1,082)
Total	(11,458)	14,603	(3,145)	781

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

The off-street element of car parking services was transferred to local council under the local government reform scheme.

The financial target for car parking services in 2015-16 is 100% (2014-15: 100%) recovery of the full cost of providing, updating and maintaining the services. The actual percentage recovery achieved was 83% (2014-15: 112%). The cost recovery has reduced due to a combination of parking income being lower than forecast and a slight increase in costs incurred.

The financial target for the ferry service in 2015-16 is 40% (2014-15: 40%) recovery of the full cost of providing and maintaining the service. The actual percentage recovery achieved was 50% (2014-15: 50%). The cost of recovery for the ferry service has increased due to a reduction in fuel and maintenance costs incurred.

(iii) Remote Contingent Liabilities

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 IAS37 but are required to be disclosed for Assembly reporting and accounting purposes.

Long term expenditure trends

The following tables and graphs reflect the Departmental spend shown in the Statement of Assembly Supply (SOAS) (page 68).

	2013-14 £000	2014-15 £000	2015-16 £000
DEL admin and Resource	266,367	249,705	252,394
DEL capital grants	32,848	45,801	96,100
AME admin and resource	148,409	153,855	144,072
Non budget	217,019	222,682	222,816
Non budget capital grants	-	18	
Total per SOAS 1	664,643	672,061	715,382

Of which

DEL			
Salaries (excluding capitalised salary costs)	69,865	70,345	65,020
Voluntary Exit Scheme	-	-	9,945
Subsidies	83,566	73,255	77,107
PFI service charge and interest	38,820	39,274	39,368
Depreciation and impairment costs	10,585	17,401	11,814
Other	63,531	49,430	49,140
DEL grants			
Grants	32,848	45,801	52,159
Grant of car parks to councils	-	-	43,941
AME			
Depreciation and impairment costs	140,416	146,901	137,600
Provisions	7,993	6,954	6,472
Non budget			
Subsidies/grants to NI Water	277,646	279,964	283,322
Dividend and interest income from NI Water	-72,744	-68,855	-71,251
Notional costs	12,117	11,591	10,745

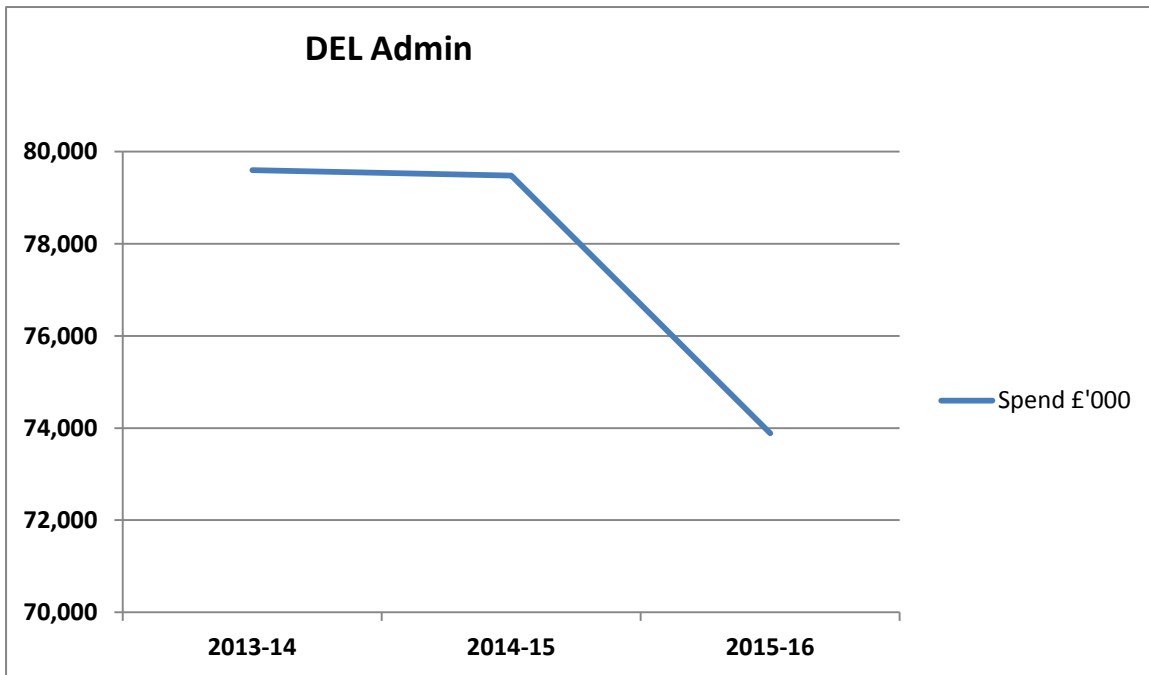
Total salary costs

	2013-14 £000	2014-15 £000	2015-16 £000
Total DRD salary costs (excluding VES)	79,110	79,351	74,303

Capital spend (estimates outturn)

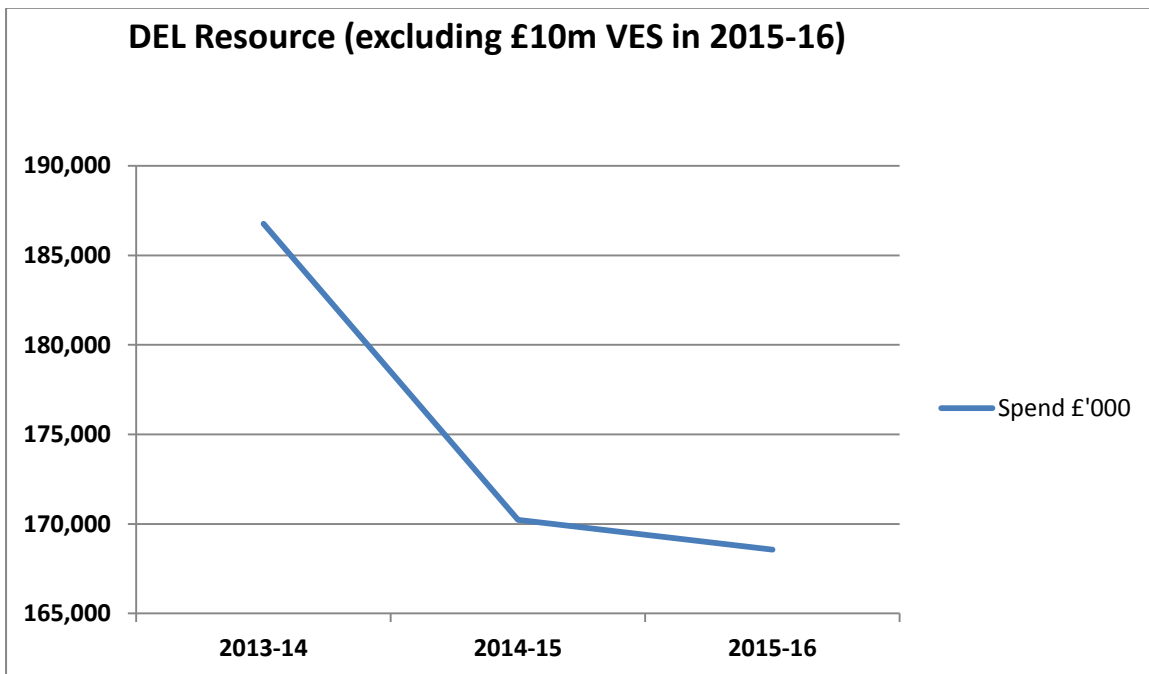
	2013-14 £000	2014-15 £000	2015-16 £000
Capital spend (excluding capital loans to NI Water)	216,348	224,124	147,121

Departmental DEL Admin expenditure (excludes NIW)



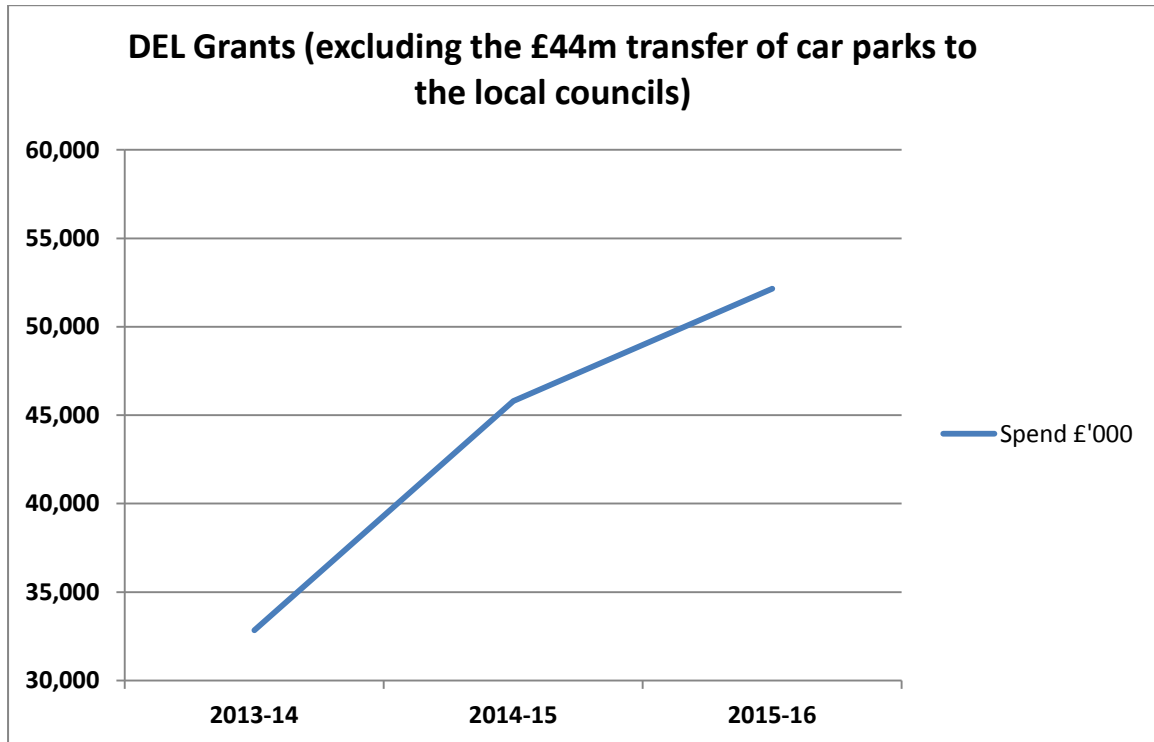
Between 2014-15 and the current year there has been a reduction in salaries of approximately £5m due to the staff who have left throughout the year on the Voluntary Exit Scheme.

Departmental DEL resource expenditure (excludes NIW)



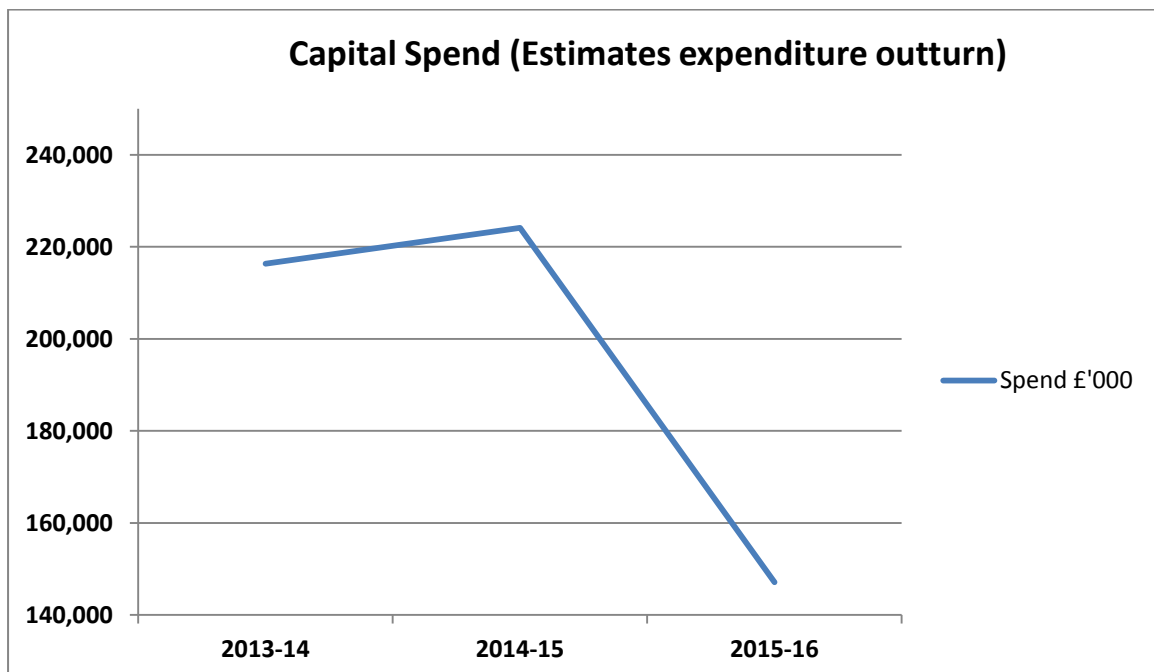
After removing the one-off costs of £10m associated with the voluntary exit scheme in 2015-16 the department's resource costs continue to reduce due to the budgetary constraints. Resource spend is approximately £18m lower than the 2013-14 levels. The main area of reduction is in the road maintenance expenditure.

Departmental DEL grants



The increase in grant expenditure since 2013-14, excluding the transfer of car parks to the local councils on 1st April 2015, largely reflects the Department's contribution to public transport improvements e.g. the Coleraine to Derry rail line upgrade and the Enterprise and Drogheda Viaduct improvements.

Departmental capital spend (excludes NI Water spend and loans to NI Water)



The significant decrease in capital spend mainly reflects the lower budget available for roads structural maintenance. This spend is approximately half of the levels it was in 2013-14. There are other reductions due to the timing of major road schemes and on local transport safety measures.

Accounting Officer

24 June 2016

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 31 March 2016 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Assembly Supply and the related notes and the information in the Remuneration and Staff Report and the Assembly Accountability Report that is described in these reports 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.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2016 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 31 March 2016 and of its net operating cost 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 (formerly Department of Finance and Personnel) directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability Report to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Performance Report and Accountability 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 parts of the Remuneration and Staff Report and Assembly Accountability 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's guidance.

Report

I have no observations to make on these financial statements.



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

28 June 2016

FINANCIAL STATEMENTS

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 2016

		31 March 2016 £000	31 March 2015 £000
	Note		
Dividend and Interest Income from NI Water	5	(71,273)	(68,855)
Income from car park receipts and penalty charge notices	5	(10,187)	(17,305)
Other Operating Income	5	(23,794)	(24,978)
Total Operating Income		(105,254)	(111,138)
Current grants and other current expenditure	3,4	529,623	479,795
Depreciation and amortisation of fixed assets:	3,4	149,414	164,302
Staff Costs	3,2	74,965	70,345
Notional Charges	3	10,702	11,541
Provision Expenses	3,4	6,469	6,955
Other Operating Expenditure	3,4	8,448	9,708
Total Operating Expenditure		779,621	742,646
Net Operating Expenditure		674,367	631,508
Finance Expense	4	39,368	39,274
Net Expenditure for the year		713,735	670,782

Other Comprehensive Net Expenditure

		2015-16 £000	2014-15 £000
	Note		
Items that will not be reclassified to net operating costs:			
Net (gain)/loss on revaluation of Property, Plant and Equipment (PPE)	6	2,601,038	1,071,764
Net (gain)/loss on revaluation of intangibles	7	(4)	(7)
Items that may subsequently be reclassified to net operating costs:			
Adjustment to Property, Plant and Equipment (PPE) opening balance	6,7	(15,556)	(52,131)
Developer's Contributions	6	(50,242)	(21,500)
Total Comprehensive Net Expenditure for the year ended 31 March 2016		3,248,971	1,668,908

The notes on pages 89 to 125 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 2016

		31 March 2016 £000	31 March 2015 £000
	Note		
Non-current assets:			
Property, plant and equipment	6	24,625,383	27,211,398
Intangible assets	7	1,850	607
Financial assets	12	1,655,250	1,619,250
Total non-current assets		26,282,483	28,831,255
Current assets:			
Assets classified as held for sale	13	286	14
Inventories	14	2,924	2,735
Trade and other receivables	16	47,974	39,326
Cash and cash equivalents	15	10,849	2,851
Total current assets		62,033	44,926
Total assets		26,344,516	28,876,181
Current liabilities:			
Trade and other payables	17	(159,321)	(144,470)
Provisions	18	-	(5)
Total current liabilities		(159,321)	(144,475)
Non-current assets plus/less net current assets/liabilities		26,185,195	28,731,706
Non-current liabilities:			
Provisions	18	(34,069)	(42,874)
Other payables	17	(318,425)	(322,723)
Total non-current liabilities		(352,494)	(365,597)
Assets less liabilities		25,832,701	28,366,109
Taxpayers' equity:			
General fund		15,665,826	15,546,278
Revaluation reserve		10,166,875	12,819,831
Total taxpayers' equity		25,832,701	28,366,109

Accounting Officer

The notes on pages 89 to 125 form part of the financial statements.



24 June 2016

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 2016

		2015-16 £000	2014-15 £000
	Note		
Cash flows from operating activities			
Net operating cost		(713,735)	(670,782)
Adjustments for non-cash transactions	3.1	210,697	182,887
(Increase)/decrease in trade and other receivables	16	(8,646)	2,765
<i>less movements in receivables relating to items not passing through the Net Operating Cost</i>			
Increase/(decrease) in amounts due from Consolidated Fund		-	-
Movement in provision for bad debt		(1,080)	(196)
Transfer of debtors to local councils		(245)	-
Increase in other capital receivables			
(Increase)/decrease in inventories	14	(189)	14
Increase/(decrease) in trade and other payables	17	10,553	(6,021)
<i>less movements in payables relating to items not passing through the Net Operating Cost</i>			
(Increase)/decrease in amounts due to Consolidated Fund		(8,742)	3,941
Decrease/(increase) in amounts due to capital retentions/accruals		(21)	147
Movement in Creditor passing through General Fund		-	-
Use of bad debt provision	18	(762)	(1,172)
Use of other revenue provisions	18	(4,374)	(5,324)
Net cash outflow from operating activities		(516,544)	(493,741)
Cash flows from investing activities			
Purchase of property, plant and equipment		(154,708)	(219,978)
Purchase of intangible assets	7	(1,455)	(218)
Proceeds of disposal of property, plant and equipment	6	2,903	1,081
Proceeds of disposal of intangibles	7	-	-
Investment additions	12	(36,000)	(36,000)
Net cash outflow from investing activities		(189,260)	(255,115)

Cash flows from financing activities

From the Consolidated Fund (Supply) – current year	714,217	744,570
From the Consolidated Fund (Supply) – prior year	-	-
From the Consolidated Fund (non-Supply)	-	-
From EU/TENS – capital grant receipts	-	-
Developer contributions	-	-
<i>Net financing</i>	714,217	744,570
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	8,413	(4,286)
Receipts due to the Consolidated Fund which are outside the scope of the Department’s activities	-	-
Payments of amounts due to the Consolidated Fund	(415)	(401)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	7,998	(4,687)
Cash and cash equivalents at the beginning of the period	15 2,851	7,538
Cash and cash equivalents at the end of the period	15 10,849	2,851

The notes on pages 89 to 125 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.

For year ended 31 March 2016

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £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
Non-cash charges - notional cost		11,486	-	11,486
Non-cash charges - auditor's remuneration	3	106	-	106
Transfers between reserves		78,534	(78,534)	-
Property, plant and equipment additions funded by non-cash contributions from developers	6,7	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 Assembly Funding - drawn down		744,570	-	744,570
Net Assembly Funding - deemed		7,442	-	7,442
Supply (payable)/receivable	17	(2,589)	-	(2,589)
CFERs - other		(341)	-	(341)
CFERs - Excess 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

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2015		15,546,278	12,819,831	28,366,109
Adjustment to Opening Balance		-	15,556	15,556
Restated balance at 1 April 2015		15,546,278	12,835,387	28,381,665
Changes in taxpayers' equity for 2015-16				
Net gain/(loss) on revaluation of property, plant and equipment		-	(2,601,037)	(2,601,037)
Net gain/(loss) on revaluation of intangible assets		-	4	4
Car park debtors transferred to the local councils		(244)	-	(244)
Non-cash charges - notional cost	3,3.2	10,636	-	10,636
Non-cash charges - auditor's remuneration	3	110	-	110
Transfers between reserves		67,479	(67,479)	-
Property, plant and equipment additions funded by non-cash contributions from developers	6,7	50,241	-	50,241
Comprehensive net expenditure for the year		(713,735)	-	(713,735)
Total recognised income and expense for 2015-16		(585,513)	(2,668,512)	(3,254,025)
Net Assembly Funding - drawn down		714,217	-	714,217
Net Assembly Funding - deemed	17	2,589	-	2,589
Supply (payable)/receivable	17	(10,785)	-	(10,785)
CFERs - other	SOAS 4	(195)	-	(195)
CFERs - Excess Accruing Resources	SOAS 4	(21)	-	(21)
CFERs - Trans European Networks capital funding		(744)	-	(744)
CFERs - revenue exchange losses/gains		-	-	-
Balance at 31 March 2016		15,665,826	10,166,875	25,832,701

The notes on pages 89 to 125 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 2015-16 Government Financial Reporting Manual (FReM) issued by Department of Finance (DoF) (formerly the Department of Finance and Personnel). The accounting policies contained in the FReM apply 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 is judged to be most appropriate to the particular circumstances of the Department for Regional Development for the purpose of giving a true and fair view has been selected. The particular policies adopted by the department are described below. They have been applied consistently in dealing with items that are considered material 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 as defined in the FReM, interpreted for Northern Ireland.

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. DRD aims to have land and buildings revalued by LPS every five years. The last such valuation was 31 March 2011 and the next one will be at 1 April 2016 with indices used to update the valuation as at 31 March 2016;
- 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;

- 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. Due to the limited range of new scheme information available in the 2014-15 year, it was not possible to update these unit rates. However, the Revaluation of Network Assets (Roads & Bridges) was completed 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; and
- 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

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 programme. 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 DOF 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 recognised in the Statement of Comprehensive Net Expenditure so as to match them with the expenditure towards which they are intended to contribute.

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 DOF.

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 2016 applied to the untaken leave balance at 31 March 2016 as recorded in the payroll system.

Pensions

Past and present employees are covered by the provisions of the Northern Ireland Civil Service Pension Scheme 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 Northern Ireland Civil Service Pension Scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Northern Ireland Civil Service Pension Scheme. 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 classic, 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. 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

A new pension scheme, alpha, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements have also moved 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 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 1.37% in real terms. In past years, the Department settled some or

all of its liability in advance by making a payment to the DOF 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 (-1.55% applied to cash flows of general provisions between 0 and 5 years)
- medium term (-1% after 5 and up to 10 years)
- long term (-0.8% 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 DOF) 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

The International Accounting Standards Board have issued new and amended standards that are effective for the first time in 2015-16;

IFRS 13 – Fair Value Measurement; and
IAS 36 - 'Impairment of assets' on recoverable amount disclosures.

Their adoption has not had any significant impact on the amounts reported in these financial statements.

The IASB 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 ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out but a decision has yet to be made by the Executive. 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. ALBs 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.

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

2. Statement of Operating Costs by Operating Segment

During 2015-16 the Department's operating segments reflected the basis of monthly financial reporting to the Departmental Board.

The financial information presented to the Board was 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.

During 2015-16 the Department comprised of two Core Groups – TransportNI and Governance, Policy and Resources. However, when reporting to the Departmental Board the financial information was broken down into the following groups:

TransportNI (TNI)

During 2015-16 TransportNI had two reportable segments:

TransportNI – Transport Projects Division

The Group was responsible for regional development, transport planning and sustainable transport.

TransportNI – Roads Unit

It was responsible for maintaining, managing and improving the road network to keep it safe, effective and reliable.

Governance, Policy and Resources

This was further broken down as follows:

Public Transport Services

The Group was responsible for transport policy, strategy and legislation and certain responsibilities for air and sea ports.

It was 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.

Water

The Group was 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.

						2015-16
						£000
	TNI Transport Projects	TNI Roads Unit	Public Transport Services, Transport Policy, Strategy and Legislation	Water	Corporate* Services	Total
Gross Expenditure	954	368,613	132,662	284,550	32,211	818,990
Income	(52)	(19,344)	(14,526)	(71,251)	(82)	(105,255)
Net Expenditure	902	349,269	118,136	213,299	32,129*	713,735

						2014-15
						£000
	TNI Transport Projects	TNI Roads Unit	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

* The Corporate Services costs for 2015-16 includes the Voluntary Exit costs of approximately £10m.

2.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

	2015-16					2014-15				
	£000					£000				
	TNI Transport Projects	TNI Roads Unit	Public Transport Services, Transport Policy, Strategy and Legislation	Water	Total	TNI Transport Projects	TNI Roads Unit	Public Transport Services, Transport Policy, Strategy and Legislation	Water	Total
Total net expenditure reported for operating segments	902	349,269	118,136	213,299	681,606	4,648	317,670	112,805	212,168	647,291
Corporate Services					32,129					23,491
Total net expenditure per Statement of Comprehensive Net Expenditure					713,735					670,782

3. Other administration costs

	2015-16 £000	2014-15 £000
Rentals under operating leases:		
Other operating leases	5	50
Rent of land and buildings	50	50
Non-cash items		
<i>Notional charges:</i>		
Accommodation	4,415	5,253
Land and Property Services	652	443
NIAO auditors' remuneration	109	106
Other	5,526	5,739
<i>Depreciation and amortisation of property, plant and equipment:</i>		
Property, plant and equipment	1,212	1,024
Intangible assets	137	145
Impairment of fixed assets	-	-
Revaluation charge to Statement of Comprehensive Net Expenditure	4,541	(37)
Loss on disposal of property, plant and equipment	1	-
<i>Provisions:</i>		
Provided in year	368	338
Borrowing costs (unwinding of discount on provisions)	-	-
Bad debts expense	-	-
Profit/loss on exchange rates	-	9
Other expenditure	10,768	11,321
Less: Own work capitalised	(1,818)	(2,108)
Total	25,966	22,333

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

	2015-16	2014-15
	£000	£000
Staff costs (see Note 3.2)	44	50
Non-staff administration costs (see Note 3)	16,961	13,011
Programme costs – RfR A (see Note 4)	149,639	169,826
Non cash capital grant for transfer of car parks	44,053	-
Non-cash transactions (Statement of Cash Flows)	210,697	182,887
Adjust for capital provisions (see note 18)	102	9,963
Exchange (loss)/gain	687	(34)
Non cash proceeds for transfer of car parks	(44,053)	-
Non-cash transactions (Statement of Assembly Supply)	167,433	192,816

3.2 Staff Costs

Staff costs comprise:

				2015-16	2014-15
				£000	£000
	Permanent staff	Others	Minister	Total	Total
Wages and salaries	57,826	260	33	58,119	63,703
Social security costs	4,191	-	4	4,195	4,527
Other pension costs	11,982	-	7	11,989	11,121
Other Costs*	9,945	-	-	9,945	-
Total net costs	83,944	260	44	84,248	79,351
Of which:					
Charged to Administration				64,813	70,126
Charged to Programme				10,152	219
				74,965	70,345
Charged to Capital				9,283	9,006
				84,248	79,351

A breakdown of the above costs into permanent staff, Minister's costs and others can be found in the Staff Report within the Accountability Report.

*Other costs relate to the Voluntary Exit Scheme.

4. Programme costs

	2015-16 £000	2014-15 £000
RfR A		
Current grants and other current expenditure *	246,301	199,802
Rentals under operating leases	10	299
Exchange loss/(gain)	(582)	48
PPP service charge	17,594	17,067
PPP interest on loan	21,774	22,207
Own work capitalised	-	-
Non-cash expenditure:		
Depreciation and amortisation of property, plant and equipment	141,802	163,398
Impairment of property, plant and equipment	305	5
Revaluation charges to Statement of Comprehensive Net Expenditure	1,417	(233)
Loss on disposal of property, plant and equipment	14	39
Profit on disposal of property, plant and equipment	-	-
Provision for bad debts	1,842	1,368
Provisions – provided in year	4,259	5,249
Total programme costs – RfR A	434,736	409,249
RfR B		
Current grants and other current expenditure	283,322	279,993
Rentals under operating leases	-	-
PFI charges: off-statement of financial position contracts	-	-
Non-cash expenditure	-	-
Total programme costs – RfR B	283,322	279,993
Total programme costs	718,058	689,242

*Includes £44m in relation to the transfer of the off street car parks (except Park & Ride and Park & Share car parks) to the 11 new district councils under Local Government Act (Northern Ireland) 2014.

5. Income

	2015-16 £000			2014-15 £000		
	RfR A	RfR B	Total	RfR A	RfR B	Total
Administration income						
Other	61	-	61	125	-	125
	<u>61</u>	<u>-</u>	<u>61</u>	<u>125</u>	<u>-</u>	<u>125</u>
Programme income						
Car park receipts and penalty charge notices income*	10,187	-	10,187	17,305	-	17,305
Recoverable works	3,146	-	3,146	2,671	-	2,671
Dividend Income from NI Water	-	24,736	24,736	-	23,543	23,543
Loan Interest from NI Water	-	46,537	46,537	-	45,312	45,312
Developers Contributions	318	-	318	1,290	-	1,290
EU grant income – CFER income	745	-	745	972	-	972
EU grant income – Accruing Resources income	14,101	-	14,101	16,561	-	16,561
Other Grant Income	280	-	280	335	-	335
Other	5,143	-	5,143	3,024	-	3,024
	<u>33,920</u>	<u>71,273</u>	<u>105,254</u>	<u>42,158</u>	<u>68,855</u>	<u>111,013</u>
Total income	<u>33,981</u>	<u>71,273</u>	<u>105,254</u>	<u>42,283</u>	<u>68,855</u>	<u>111,138</u>

*On the 1st April 2015, Off-Street Car parks, (except Park & Ride and Park & Share car parks) transferred to the 11 new district councils under Local Government Act (Northern Ireland) 2014. Car park income has reduced as a result.

6. 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 2015	173,704	30,388,461	66,442	1,577	1,995	30,632,179
Opening revaluation adjustment	-	15,989	-	-	-	15,989
Additions	4,597	133,149	757	312	6,851	145,666
Developer Contributions	2,424	47,818	-	-	-	50,242
Disposals *	(45,029)	-	(1,536)	(100)	(6)	(46,671)
Transfers	(19,189)	16,295	-	-	-	(2,894)
Revaluations	(17,625)	(2,969,747)	(1,126)	3	-	(2,988,495)
Reclassification	-	-	-	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(5,765)	-	(2,018)	(7)	-	(7,790)
Impairment	-	-	(305)	-	-	(305)
At 31 March 2016	93,117	27,631,965	62,214	1,785	8,840	27,797,921
Depreciation						
At 1 April 2015	8,200	3,361,934	49,998	649	-	3,420,781
Opening revaluation adjustment	-	434	-	-	-	434
Charged in year	1,009	138,744	3,018	243	-	143,014
Disposals	(1,629)	-	(593)	(100)	-	(2,322)
Transfers	-	-	-	-	-	-
Backlog depreciation	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(587)	-	(1,324)	(2)	-	(1,913)
Revaluation	(5,047)	(380,973)	(1,073)	(363)	-	(387,456)
At 31 March 2016	1,946	3,120,139	50,026	427	-	3,172,538
Carrying Amount at 31 March 2016	91,171	24,511,826	12,188	1,358	8,840	24,625,383
Carrying Amount at 1 April 2015	165,504	27,026,527	16,444	928	1,995	27,211,398
Asset financing:						
Owned	91,171	24,169,485	12,188	1,358	8,840	24,283,042
On-statement of financial position of PFI contracts	-	342,341	-	-	-	342,341
Carrying Amount at 31 March 2016	91,171	24,511,826	12,188	1,358	8,840	24,625,383

*Includes £44m in relation to the transfer of the off street car parks (except Park & Ride and Park & Share car parks) to the 11 new district councils under Local Government Act (Northern Ireland) 2014.

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

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 2016	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 2016, using the ‘Baxter Index’ for construction in England, Wales and Northern Ireland and revalued unit rates for roads and structures. For 2015-16 a provisional index to 31 December 2015 was applied, as this was the most up to date available at the time of the production of the valuation.

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. Due to the limited range of new scheme information available in the 2014-15 year, it was not possible to update these unit rates. However, the Revaluation of Network Assets (Roads & Bridges) was completed in 2015-16.

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

The valuation of plant and machinery and furniture and fittings has been indexed to 31 December 2015 using the appropriate indices as outlined in the above table.

DRD aims to undertake professional revaluations of land and buildings every five years. A full professional valuation of land for schemes was due as at 31 March 2016 but will be carried out by Land and Property Services (LPS), a directorate within DOF, as at 1 April 2016 in accordance with RICS

Valuation - Professional Standards (updated January 2014). As such, land and buildings have been valued in the 2015-16 financial year using LPS indices as at 31 March 2016.

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

At 1st April 2015, Donaghadee Harbour was transferred to the new district councils under the Local Government Act (Northern Ireland) 2014.

7. 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 2015	443	193	108	194	938
Adjustment to opening balance	-	1	-	-	1
Additions	323	89	(4) *	1,047	1,455
Disposals	(40)	(3)	(21)	-	(64)
Revaluations	4	(3)	1	-	2
Reclassification	-	-	-	-	-
Transfers	-	-	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	-	(58)	-	(40)	(98)
At 31 March 2016	730	219	84	1,201	2,234
Depreciation					
At 1 April 2015	248	45	38	-	331
Adjustment to opening balance	-	-	-	-	-
Charged in year	75	49	13	-	137
Disposals	(41)	(3)	(21)	-	(65)
Transfers	-	-	-	-	-
Backlog depreciation	-	-	-	-	-
Reclassification	-	-	-	-	-
Revaluation	2	(4)	-	-	(2)
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	-	(17)	-	-	(17)
At 31 March 2016	284	70	30	-	384
Carrying Amount at 31 March 2016	446	149	54	1,201	1,850
Carrying Amount at 1 April 2015	195	148	70	194	607
Asset financing:					
Owned	446	149	54	1,201	1,850
On-statement of financial position PFI contracts	-	-	-	-	-
Carrying Amount at 31 March 2016	446	149	54	1,201	1,850

*Reversal of 2014-15 accruals

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

8. Impairments

An impairment expense of £305,264 (2014-15: £5,000) in relation to plant & machinery has been accounted for through the Statement of Comprehensive Net Expenditure.

9. Capital and other commitments

9.1. Capital commitments

	31 March 2016	31 March 2015
	£000	£000
Contracted capital commitments at 31 March not otherwise included in these financial statements	80,189	110,681

9.2 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 2016	31 March 2015
	£000	£000
Obligations under operating leases comprise:		
Land & Buildings:		
Not later than one year	7	8
Later than one year and not later than five years	17	25
Later than five years	-	-
Total	24	33
Office Equipment:		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	-	-

9.3. Commitments under PPP contracts

9.3.1 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.

9.3.2 On Statement of Financial Position (SoFP)

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.

Total obligations under on-Statement of Financial Position PPP contracts for the following periods comprise

	31 March 2016	31 March 2015
	£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	452,769	481,341
	595,628	624,200
<i>Less</i> interest element	(285,230)	(307,003)
Total	310,398	317,197

9.3.3 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 on Statement of Financial position PPP transactions was £17,593,854 (2014-15: £17,067,986) and the payments to which the Department and its agencies are committed, analysed by the period during which commitment expires is as follows:

	31 March 2016	31 March 2015
	£000	£000
Not later than one year	20,377	19,627
Later than one year and not later than five years	90,292	84,916
Later than five years	634,489	656,673
	745,158	761,216

9.3.4 Off Statement of Financial Position PPP contracts

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

9.4 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 extended the arrangement until 31 March 2016 in line with Executive policy. A replacement Subscription Agreement came into effect from 1 April 2016 and runs until 2021. 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 £983.56 million (31 March 2015: £947.56 million) including the £150 million issued at vesting (**note 12**).

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.

10. Financial guarantees

10.1 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.

10.2 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 since been made which extended the provision of subsidy to 2017. 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 2016-17 this is estimated to be £286m. The Water and Sewerage Services Act (Northern

Ireland) 2016 also introduced a power to extend the ability to pay this subsidy further by subordinate legislation, should the Executive decide to do so.

11. 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:

					2015-16	2014-15
	From Interest £000	At Fair Value £000	From Subsequent Measurement Currency Translation £000	Provision for Bad Debt £000	Net gain/(loss) £000	Net gain/(loss) £000
Loans and receivables	-	-	582	(1,842)	(1,260)	(1,416)
Total	-	-	582	(1,842)	(1,260)	(1,416)

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.

12. Investment in Northern Ireland Water

	Loan Stock & Ordinary Shares £000	Loan on vesting £000	Long-term loan £000	Total £000
Balance at 1 April 2014	671,690	150,000	761,560	1,583,250
Additions	-	-	36,000	36,000
Balance at 1 April 2015	671,690	150,000	797,560	1,619,250
Additions	-	-	36,000	36,000
Balance at 31 March 2016	671,690	150,000	833,560	1,655,250

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 2016 the company had issued further loan notes of £834 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 2015	1,193,387
Turnover for year ended 31 March 2015	425,598
Surplus/profit for the year (before financing)	193,094
Net assets at 31 March 2016	1,274,395
Turnover for the year ended 31 March 2016	413,525
Surplus/profit for the year (before financing)	163,429

13. Assets held for sale

	31 March 2016	31 March 2015
	£000	£000
At 1 April 2015	14	27
Transfers in	2,911	862
Transfers out	(17)	(15)
Disposals	(2,622)	(860)
Total	286	14

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 2016.

14. Inventories

	31 March 2016	31 March 2015
	£000	£000
Inventories	2,924	2,735
Work in progress		
	2,924	2,735

15. Cash and cash equivalents

	Cash and bank balances	Bank Overdraft	Net
	£000	£000	£000
Balance at 1 April 2015	2,851	-	2,851
Net change in cash and cash equivalents	7,998	-	7,998
Balance at 31 March 2016	10,849	-	10,849

	31 March 2016	31 March 2015
	£000	£000
The following balances at 31 March were held at:		
Commercial banks and cash in hand	10,849	2,851
Total	10,849	2,851

The net balance comprises:

	31 March 2016	31 March 2015
	£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 17)	64	262
Amounts issued from the Consolidated Fund for Supply but not spent at year end (see Note 17)	10,785	2,589
Cash due to be received from the Consolidated Fund:		
Consolidated Fund Extra Receipts prepaid to the Consolidated Fund (see Note 16)	-	-
Amounts not issued by the Consolidated Fund for Supply but spent at the year end (see Note 16)	-	-
	10,849	2,851

The Department is a signatory on the following bank accounts:

- DRD Insurance Account – Amey Lagan Roads LTD/DRD
- Highway Mgmt (City) Ltd & Department for Regional Development.

Department funds do not go through these accounts and so have not been included in the Departmental Annual Resource Accounts.

16. Trade receivables and other current assets

	31 March 2016 £000	31 March 2015 £000
Amounts falling due within one year:		
Trade receivables	3,045	3,448
Other receivables	1,376	788
Prepayments and accrued income	4,903	4,280
VAT	7,500	10,811
EU/TEN-T grants receivable - Accruing Resource	27,926	17,519
EU/TEN-T grants receivable - CFER*	3,224	2,480
	47,974	39,326
Amounts due from the Consolidated Fund in respect of Supply	-	-
	47,974	39,326

*EU/TEN-T grants receivable £3,224k (2014-15: £2,480k) 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:

	2016 £000	2015 £000
Balance at 1 April	8,198	8,002
Increase in provision	678	1,368
Use of provision	(762)	(1,172)
Balance at 31 March	8,114	8,198

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.

17. Trade payables and other current liabilities

	31 March 2016 £000	31 March 2015 £000
Amounts falling due within one year:		
Bank overdraft (Note 15)	-	-
Trade payables	5,391	7,011
Accruals and deferred income	134,967	127,843
Other taxation and social security	-	-
Other payables	4,890	4,285
Amounts issued from the Consolidated Fund for Supply but not spent at year end	10,785	2,589
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – EU grants / TEN-T Grants		
– Received	-	226
– Receivable	3,224	2,480
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – other		
– Received	64	36
– Receivable	-	-
	159,321	144,470
Amounts falling due after more than one year:		
Other payables	8,027	5,526
Imputed loan on PPP contracts	310,398	317,197
	318,425	322,723

18. Provisions for liabilities and charges

	Land Acquisition for Schemes	Early Retirement Provisions	Legal Claims	Total
	£000	£000	£000	£000
Balance 1 April 2015	38,301	5	4,573	42,879
Provided in year	3,514	(5)	4,632	8,141
Provisions not required written back	(3,412)	-	-	(3,412)
Provisions utilised in year *	(9,165)	-	(4,374)	(13,539)
Balance 31 March 2016	29,238	-	4,831	34,069

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	-	-	-	-
Later than one year and not later than five years	29,238	-	4,831	34,069
Later than five years	-	-	-	-
Balance 31 March 2016	29,238	-	4,831	34,069

*In addition to the above provisions there was £762k of bad debt provisions utilised.

	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 £000	Early Retirement Provisions £000	Legal Claims £000	Total £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.

18.1 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.

18.2 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.

18.3 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 19**.

The legal claims provision includes unsettled public/employer claims (£4,820,000) and unfair dismissal claims (£11,000) at the year end.

18.4 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 19**.

19. Contingent liabilities disclosed under IAS 37

At March 2016 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 £4,499,691. A contingent liability exists for possible dismissal cases and compensation payments in relation to these cases are estimated at £143,499.

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

There are also possible contingent liabilities at 31st March 2016 of £1,030,000 in relation to Contractor Legal cases.

There are is a possible contingent liability of £3,680,000 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 of the potential liability 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.

20. 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.

The Department of Finance (formerly the Department of Finance and Personnel) 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.

21. Entities within the departmental boundary

There are no other entities within the Departmental boundary in 2015-16.

22. Local Government Reform

On the 1st April 2015, Off-Street Car parks, (except Park & Ride and Park & Share carparks) and Donaghadee Harbour transferred to the 11 new district councils under Local Government Act (Northern Ireland) 2014. 334 car parks transferred at a Net Book Value of £44m.

23. Events after the Reporting Period

The Stormont House Agreement contained a commitment to reduce the number of NICS departments from 12 to 9 following the Assembly election in May 2016. The names and high level functions of the new departments have been agreed by Ministers and details can be found in The Departments Act (Northern Ireland) 2016 and The Departments (Transfer of Functions) Order (Northern Ireland) 2016. In the majority of cases staff working in the affected areas moved with the function. The 9-departmental model constitutes a Machinery of Government change and the functions of the Department for Regional Development transferred to the Department for Infrastructure (DfI) in May 2016. Parts of the following departments also transferred to DfI: Department of the Environment, Department of Culture Arts and Leisure, Office of the First Minister and Deputy First Minister and Rivers

Agency from the Department of Agriculture.

25 staff who had previously made applications under tranche 5 of the Voluntary Exit Scheme in February 2016 and received conditional offers left on the 31st May 2016. These costs have been accrued for in the 2015-16 accounts.

A court ruling was provided on 21st June 2016 in relation to a contractor legal claim. The judge found the Department to be in breach of a Regulation contained within the Public Contracts Regulations 2006 and that the contractor is entitled to an award for damages. However, no settlement figure was agreed. Negotiations will continue between the two parties. At this stage the amount that will be due to the contractor cannot be reliably estimated and it has been treated as a Contingent Liability in these financial statements.

Date of authorisation for issue

The Accounting Officer authorised these financial statements for issue on 28 June 2016.

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. The current 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 entered into a five year Service Agreement with NITHC in October 2015 for the provision of public passenger transport services. This Agreement includes a series of Key Performance obligations and associated targets for NITHC and the Department is responsible for 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. The new Causeway Coast and Glens Council has responsibility for the appointment of Commissioners for Coleraine Port whilst responsibility for Donaghadee Harbour transferred from the Department 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.