Department for Infrastructure Annual Report and Accounts for the year ended 31 March 2017

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This publication is also available at www.infrastructure-ni.gov.uk

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DEPARTMENT FOR INFRASTRUCTURE

Resource Accounts for the year ended 31 March 2017

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PERFORMANCE REPORT

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

Overview

Accounting Officer's Statement

I am pleased to present the Department for Infrastructure's (DfI) first Annual Report and Accounts for the year ended 31 March 2017.

The new Department was established on 9 May 2016 as part of the NICS Restructuring Programme to reduce the number of Departments from 12 to 9 with an overriding purpose to connect people and opportunities through our infrastructure. It has drawn together diverse but related functions that have a positive impact on the daily lives of everyone living, working and visiting Northern Ireland. As such, we contribute to a number of the Executive's draft Programme for Government Outcomes – in particular those which relate to unlocking the economic potential of the region, to tackling disadvantage, to protecting the environment and in promoting the health and wellbeing of our citizens.

The creation of the new Department worked well with services to the public and other stakeholders experiencing no disruption during the transition. This is a considerable achievement given the scale of the task to bring together functions previously delivered by five departments into one.

The creation of the new Department was not the end of the journey. Against the backdrop of various challenges - including an uncertain political environment where we had no Minister for the last four weeks of the year, budget cuts, Brexit, departmental restructuring and the consequential impacts of the Voluntary Exit Scheme (VES) – we have commissioned a consolidation exercise to optimise both our use of resources and our capability to ensure we could deliver our Ministerial priorities. The outworking of this exercise has seen a re-brigading of our transport policy and strategy functions to realise greater synergies and encourage better ways of working. We have also launched a longer term improvement programme across the Roads and Rivers Group which will cover three areas - operational model, estate management and the use of technology. There will be a phased approach to delivery of the programme which may take up to four years to complete. In addition, NI Water continues to make efficiencies through its ambitious Achieving Customer Excellence programme, driving down its operating costs whilst maintaining exceptionally high standards of water quality and waste water treatment and achieving its highest ever customer service score. Similarly, a key element of Translink's plan to manage the financial pressures it faces is a programme of efficiency savings. This enabled Translink to realise £6 million of savings in its cost base during the financial year, while delivering an increased number of passenger journeys.

The Driver & Vehicle Agency is also taking forward a Business Transformation Programme which will enhance the services it provides to the public and improve its operational effectiveness, through providing digital channels for customers. The first phase of a new Driver Licensing System was implemented in November 2016, with on-line access becoming available during 2017-18. In addition, development has commenced on a new Commercial Transport IT system for the Bus and Taxi industries, along with a Compliance Roadside Data Capture IT systems to improve the efficiency of the enforcement function, to the benefit of the transport industry.

Whilst the Department continued to face severe financial constraints during the year, we were able to progress and deliver significant objectives. This included continued support to Translink and local community transport providers which contributed to the delivery of public transport services. We have also continued to progress plans for integrated transport hubs for Belfast and the North West; put in place infrastructure for the introduction of Belfast Rapid Transit next year through provision of bus lanes; and delivered two new vessels for use on the Strangford and Rathlin ferry services. In terms of promoting walking and cycling, “Exercise – Explore – Enjoy” a Strategic Plan for a 1,000km greenway network across Northern Ireland was published on 9 November 2016.

We have also continued to develop our road network through the completion of major road schemes such as the A31 Magherafelt Bypass and the A26 Dualling scheme. In addition, we have undertaken significant preparatory work on the Executive’s flagship road projects – the A5 Western Transport Corridor and the A6 Dualling schemes from Randalstown to Castledawson and Londonderry to Dungiven.

I am very grateful to DfI staff for their dedication and commitment to deliver services during such challenging times.

Peter May

Accounting Officer 28 June 2017

Purpose and Activities

The Department is responsible for much of the infrastructure that is essential for a modern society and for creating the capacity and connectivity needed to support economic growth. Our range of functions includes:

- regional strategic planning and development policy;
- planning policy and legislation;
- transport strategy, accessible and sustainable transport policy;
- provision, management and maintenance of all public roads;
- implementation of a range of sustainable transport and active travel projects;
- public transport policy and performance;
- road safety, vehicle and driver testing, driver licensing and enforcement;
- watercourse and coastal flooding;
- policy on water, sewerage services and drainage and management of the Department's shareholder interest in NI Water;
- developing the recreational and navigational potential of inland waterways; and
- Ports policy.

The Department's Budget 2016-17 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 2016-17 Opening Budget can be found on the Department of Finance website (www.finance-ni.gov.uk).

The Department's Business Plan for 2016-17 set out our vision and key objectives and targets for the year. It can be found on our website (www.infrastructure-ni.gov.uk).

Our vision is ***"Building for the Future".***

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

- Shaping the region and promoting economic growth;
- Developing our infrastructure in a sustainable way; and
- Connecting people to opportunities and 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 2016-17: the draft Programme for Government 2016-21 (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.

Draft Programme for Government 2016-21

The PfG is the most strategic document of the Executive, setting out the priorities that it will pursue across an Assembly mandate, and the most significant actions it will take to address them. As such, the PfG is the anchor document for all Departmental Plans.

Whilst the PfG 2016-21 was not finalised during the reporting period, we worked on the basis that the high level Outcomes and Indicators contained in the draft PfG (published for consultation on 28 October 2016) largely reflected the Executive's priorities.

Whilst the Department will make a contribution to many of the PfG Outcomes, our key contribution is to Outcome 2 (We live and work sustainably protecting the environment), Outcome 4 (We enjoy long, healthy and active lives) and Outcome 13 (We connect people and opportunities through our infrastructure). The Department leads on three indicators in support of these outcomes, namely:

- Indicator 23 (Average journey time on key economic corridors);
- Indicator 25 (% of all journeys made by walking, cycling and public transport); and
- Indicator 47 (Overall Performance Assessment - NI Water).

We developed and consulted on a draft PfG Delivery Plan which sets out in further detail the actions which the Department, working with and through its key delivery partners, will take forward to ensure progress against these indicators and delivery of the wider PfG outcomes. As the draft Delivery Plan is a live document we will continue to develop and refine it to ensure it remains consistent with the Programme for Government.

Departmental Business Plan 2016-17

In addition to its three draft PfG indicators, the Department had a further 62 business plan targets for delivery during 2016-17 as set out in its annual Business Plan.

Performance Summary

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

- **Green** - Achieved or on track for delivery;
- **Green / Amber** – Broadly achieved or 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.

While the PfG reporting and monitoring arrangements are currently being developed, many of the targets set within the Department's Business Plan relate to key projects and initiatives through which the Department will directly contribute to delivery of the Programme for Government outcomes and indicators.

In assessing year end performance, of the 62 targets 37 were assessed as "Green", 12 targets as "Green / Amber" and 13 targets had a "Red" rating. The Performance Analysis section at page 10 provides further information on targets that were not assessed as "achieved".

Key Issues and Risks

DfI was one of the nine Departments established on 9 May 2016 as part of the NICS Restructuring Programme to reduce the number of Departments. Given the magnitude of the change, the most extensive reorganisation of Departments since 1999, we faced major challenges to manage the transition whilst maintaining services to the citizen. This was further complicated by the consequential impacts of the 2015-16 Voluntary Exit Scheme which saw 490 members of staff exit component parts of the new Department, resulting in a significant loss of knowledge and expertise across a range of disciplines.

In addition, the trend of severe funding constraint across the public sector over recent years continued during 2016-17, with a particularly difficult resource budget outcome. This has had a negative impact which reduced delivery capacity and required the provision of a reduced routine road maintenance service during the year. In addition, road capital structural maintenance budgets were also constrained resulting in a sub-optimal resurfacing programme. Reduced road maintenance leads to the risk of long term deterioration of the network and the potential for increased risk to public safety.

Those corporate risks which were actively monitored by the Departmental Board throughout 2016-17 are set out in the Governance Statement at pages 39 to 56.

Despite these challenges, we created a strong and committed Department that continued to deliver a wide range of essential services to people living, working and visiting Northern Ireland. This included:

- Investment in more sustainable modes of travel which included:
  - The provision of 160 additional Park & Ride and Park & Share spaces, making a total of over 2,250 additional spaces since 2013;
  - Progress on the implementation of Belfast Rapid Transit, including the completion of the works on Upper Newtownards Road between Albertbridge Road and Sandown Road and on Divis Street / Falls Road between Millfield and Grosvenor Road;
  - Progress on plans for integrated transport hubs for Belfast and the North West;
  - The project to upgrade the Coleraine to Derry / Londonderry railway line which was substantially completed as scheduled by December 2016; and
  - Support of £5.9 million to provide rural transport services and transport services for people with disabilities.
- Support to Translink which helped maintain train and metro services;
- Delivery of two new vessels for use on the Strangford and Rathlin ferry routes;
- Procurement of a charge point management system for electric vehicle charge points in the Public Sector Estate;
- Promotion of walking and cycling as sustainable and healthy means of transport, including, for example, the publication of a Strategic Plan for Greenways, development of a Bicycle Network Plan for Belfast and a further Active School Travel programme which promotes walking and cycling to school;
- Improvements to connectivity across Northern Ireland through the completion of the A31 Magherafelt Bypass and the A26 Dualling scheme, as well as the progression of significant preparatory work in respect of the Executive's flagship road projects – the A5 Western Transport Corridor and the A6 Dualling schemes from Randalstown to Castledawson and Londonderry to Dungiven;
- Contributing to improved road safety through:
  - the testing, licensing and enforcement of drivers, vehicles and transport operators;
  - provision of more than £1 million funding for various road safety education and awareness projects. These included public information campaigns, education for children and young people and grants to the voluntary and community sector scheme

designed to influence road users' attitudes, behaviours and decision making when using the roads;
    - investment of around £88 million on the structural maintenance of our road and footway networks to keep them efficient and safe, including £10 million allocated to a Rural Roads Initiative; and
    - delivery of 65 Local Transport Safety Projects.
- Investment of £11 million on managing flood risk in an integrated and sustainable way through the maintenance of flood defence assets. 2016-17 also saw the successful relocation of Rivers Agency HQ from Belfast to Loughry College, Cookstown;
- Enabling NI Water to maintain high quality drinking water and have improved compliance with waste water treatment standards through the investment of over £147 million in water and sewerage infrastructure;
- Maintaining and enhancing the effectiveness of the planning system by:
    - supporting councils through the maintenance / development of strategic policy, legislation, guidance and oversight;
    - working with councils to develop a performance management framework to across a wide range of indicators, including quality and outcomes; and
    - considering options to replace the Northern Ireland Planning Portal with a system(s) that meets the needs of the Department and councils.
- Investment of over £400,000 to improve facilities at the Crumlin Road Gaol Visitor Attraction and Conference Centre, which was awarded the five star tourism rating by Tourism NI in January 2017.

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" traffic light system in assessing its Business Plan targets. 37 of the Department's 62 targets were assessed as "Green" (achieved).

12 Business Plan targets were assessed as "Green / Amber" (broadly achieved) and 13 were considered "Red" (not achieved). Further information is provided on each as follows:

Departmental Business Plan Targets with a "Red" Rating (not achieved)

Develop a Public Transportation Strategy Consultation Document (by 31 March 2017): As this is a new policy area requiring Ministerial approval, development of a public transportation strategy has been put on hold.

For Integrated Passenger Transport, complete design for first Service Delivery Area (by February 2017): Data from the Southern Health & Social Care Trust was not received until late March 2017 and further data from the Education Authority is still awaited.

For NI Water, agree operational plan and budget for 2017-18 (by March 2017): The plan requires Ministerial approval and was not obtained before dissolution of the Assembly. NI Water was informed of its indicative budget on 16 March 2017.

Finalise the Belfast Bicycle Network Plan (by March 2017): It was decided that the public consultation period on the draft plan be deferred until after the consultation on the draft PfG (October to December 2016). This impacted the Department's ability to finalise the plan as scheduled. A new target has been included in the Department's 2017-18 Business Plan.

Process 95% of complete driver licensing applications within 10 working days (throughout 2016-17): Issues relating to the introduction of the new driver licensing system resulted in application processing times stretching to 16 working days, including the production of reliable management information. DVA has been working with the supplier to address any outstanding defects and has introduced new working practices and procedures.

74% of fluvial defences in fair condition or better (throughout 2016-17): The outturn at year end was 65.1%. An inspection programme continues to identify the need to undertake vegetation clearance and repairs to defences. Whilst the target was not achieved, it is worth noting that year on year improvements are being delivered by delivering a rolling work programme (2015-16 position was 58%).

A6 Randalstown to Castledawson dualling scheme – Commence the construction phase (by October 2016): A Judicial Review was initiated on 27 September 2016. Leave was granted for a Judicial Review, in respect of one issue, in November 2016 and the hearing took place on 20 and 21 February 2017. The Judge dismissed the case on 28 March 2017 ruling in the Department's favour. An appeal has now been made by the applicant. The legal challenge resulted in the target not being met.

To complete policy research to provide an updated evidential context for a focused review of subject policies "Development in the Countryside" and "Renewable Energy" of the Strategic Planning Policy Statement (by 31 March 2017): Following Minister's approval of the business case on 6 December 2016, research consultants were procured for both policies and work commenced on 21 March 2017. Research will be completed by the end of the summer 2017.

To publish an Agreement of Service document for Councils in relation to Local Development Plan preparation (by 31 December 2016): Whilst a Service Standard has been drafted, discussions are on-going regarding the role of Planning and the wider Department in Local Development Plan (LDP) preparation.

Publish a new Accessible Transport Strategy for sign off by the Minister (by December 2016): Production of the Accessible Transport Strategy (ATS) has been delayed pending the outcome of the consultation process on the draft PfG Delivery Plan and agreement on actions that can be included in the ATS Delivery Plan. This is expected to be ready for Ministerial approval when a new Minister for Infrastructure is in place.

Deal with all challenges to Parking Charge Notices within 15 working days (throughout 2016-17): 28,553 challenges received and 21,006 were dealt with on time. This represents an outturn of 73.57%.

To fill business critical posts within eight weeks of application (throughout 2016-17): 52% of all vacancies were filled within the eight week target. The method of filling makes a difference to the overall process. For example, external methods (new competitions) take longer than internal methods (expressions of interest in vacant posts).

To achieve NICS sickness absence compliance targets (throughout 2016-17): Against a target of 85% - 60% of absences opened on time, 29% of absences closed on time and 60% of Return to Work interviews conducted on time. Against a target of 95% - 41% of certificates updated on time.

Departmental Business Plan Targets with a "Green / Amber" Rating (broadly achieved)

Translink Service Agreement Passenger Journey target (80m) (by 31 March 2017): Whilst the target of 80 million passenger journeys was not achieved the final end year outturn of 79.9 million journeys is less than 66,000 journeys short of target or less than 0.1%. It is worth noting that overall passenger journeys are up by more than 1.2 million on last year's outturn (78.7 million).

Progress implementation of Belfast Rapid Transit, in line with the programme plan, towards the scheduled operational date (of September 2018): This remains broadly on track as implementation work is progressing in line with the Programme Plan. Whilst there are some delays to infrastructure contracts, we remain confident of meeting the scheduled September 2018 operational date.

A Statistical report (provided by 31 December 2016) on the progress towards the following key Road Safety Strategy targets for 2020:

- **60% reduction (to 50 people) in the number of people killed in road collisions:** 2016 saw six fewer fatalities recorded than 2015. The 2017 figures at the end of March are at a lower level than they were in 2016 and 2015.
- **45% reduction (to 611) in the number of people seriously injured in road collisions:** In 2016 Serious injuries increased by 117 on the 2015 figures. This is the first significant increase recorded for serious injuries since 2009.
- **55% reduction (to 58 people) in the number of children (0-15) killed or seriously injured**

in road collisions: 2016 saw an increase in the number of children killed or seriously injured compared to the numbers recorded in 2015 (82 compared to 72).

- **55% reduction (to 165 people) in the number of young people (16-24) killed or seriously injured in road collisions:** 2016 saw an increase in the number of 16-24 year olds killed or seriously injured compared to 2015 (227 compared to 197)

Appoint 92% of practical driving test applications within 28 days or, on request, at a later date (throughout 2016-17): The outturn was slightly below target at 91.42%. Additional driving examiners have been appointed which will ensure the target is achieved in 2017-18.

89% of culverts in fair condition or better (throughout 2016-17): The outturn at year end was relatively close to the target with 87.52% of culverts in fair condition or better. Issues with the contractor resulted in the repair target being missed and thus the condition target not being achieved.

98% of sea defences in fair condition or better (throughout 2016-17): Again, outturn at year end was relatively close to the target with 97.40% of sea defences in fair condition or better. An extensive programme of vegetation clearance was undertaken but a number of tasks were not completed due to resource issues. Additional work was also identified as vegetation clearance progressed which had a negative impact on progress.

To complete a review of Permitted Development rights for telecommunications development, solar panels, electric vehicle charging and commercial establishments (by 31 March 2017):
Review is complete but further work is required, including engagement with local airports.

To submit a Planning Performance Management Framework for council agreement (by 31 March 2017): A delay in receiving the consultant's final report has caused slippage. The draft framework issued to councils on 12 May 2017. The intention remains that the framework will be effective from 1 April 2017.

To commence a DfI consolidation exercise by August 2016 and report to the Departmental Board for consideration within the 2016/17 period (by March 2017): Permanent Secretary wrote to Deputy Secretaries on 4 July 2016 to commission a consolidation exercise to optimise both the use of resources and capability to ensure we could deliver our Ministerial priorities. The outworking of this exercise has seen a re-brigading of our transport policy and strategy functions to realise greater synergies and encourage better ways of working. We have also launched a longer term improvement programme across the Roads and Rivers Group which will cover three areas - operational model, estate management and the use of technology (phased approach which may take up to four years to complete).

Financial Performance

The main features arising from the Department's financial performance in 2016-17 are as follows:

Roads and Rivers

In 2016-17, Roads & Rivers expenditure was some £376 million with around £65 million expended on staffing and administration costs and around £102 million on the provision of service and maintenance activities. In the main, this related to; Roads Maintenance of £22 million, Street Lighting Energy and Maintenance of £15 million, Roads Drainage £21 million, Design Build Finance and Operate (DBFO) contracts of £40 million and £3 million on the maintenance of watercourses, sea defences and management of drainage and flood defences. While Roads maintenance expenditure was some £2 million up on the previous year, it is well below the levels of prior years and continues to reflect the constrained resource funding position across Northern Ireland.

The total capital spend was some £186 million, including £74 million for Structural Maintenance Capital (total Structural Maintenance expenditure was £88 million), around £72 million for Strategic Road Improvement schemes, £13 million for Local Transport & Safety Measures and Network Development schemes, £8 million on Belfast Rapid Transport Infrastructure and £8 million on Rivers Capital projects (including major culvert upgrading in South and East Belfast and delivery of Phase 2 of the Connswater Community Greenway Project.

£1.4 million was realised from the disposal of assets.

Driver & Vehicle Agency

DVA operates as a Trading Fund under the provisions of the Driver & Vehicle Agency Trading Fund (Northern Ireland) Order 2016. This means that all expenditure must be recovered from the fees charged to customers or centrally funded by the Department to match the costs incurred for those defined activities. The Financial Provisions (Northern Ireland) Order 1993 permits the Trading Fund to establish and maintain reserves under Article 8(2), exercisable only with concurrence of the Department of Finance. Reserves are held to finance current operating requirements and future capital investment.

In 2016-17, DVA received income of £52 million, with operating expenditure totalling £43.7 million. £26.5 million was expended on staffing costs and other operating costs, such as accommodation and contracted out services which totalled £17.2 million. In addition, the Agency paid a dividend and interest to the Department of £1.2 million and £0.1 million respectively.

The total capital spend was some £1.5 million, including £1.3 million on property, plant and equipment and £0.2 million on intangible assets.

Waterways Ireland

During the year, DfI contributed £2.49 million resource and £1.08 million capital to the funding of Waterways Ireland, a North South Implementation Body responsible for the management, maintenance promotion and development, for recreational purposes, of the major waterways across the island of Ireland.

Public Transport

The Department paid the NI Transport Holding Company (NITHC) / Translink £64.4 million in revenue support (including concessionary fare reimbursement of £42.4 million) and £82.3million in capital support (£55.3 million on railways, £27 million on new buses, bus workshops and garages of which £10 million funding for new buses came from the Executive's First Step Stimulus package). 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 capital funding and one of its main sources of revenue income.

Water and Sewerage

During 2016-17, the Department paid NI Water some £285 million of revenue subsidy as third party consideration on behalf of customers. This was NI Water’s main source of income resulting from the Executive’s decision not to introduce domestic charging 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 but did not fully meet the levels set out in that Determination.

In August 2016 NI Water paid a dividend of £23.3 million to the Department relating to the 2015-16 financial year. The Department also received £46.9 million in interest from NI Water during 2016-17.

In addition, NI Water issued some £30 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 £1,013.6 million, which includes £150 million issued on the vesting of the company. NI Water disposed of assets with a Net Book Value of £0.44 million.

Financial Review

Resources

As set out in the Statement of Assembly Supply, the Department was voted Resource Estimate Provision of £784,182,000 in the Main Estimates for 2016-17. 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) Page 75):

Table 1

	Estimate (£000)	Outturn (£000)	Variance (£000)
Request for Resources A	567,911	607,863	(39,952)
Request for Resources B	216,271	216,102	169

Technical Excess

The department has incurred a technical Excess of £39,783,000. This Excess arose due to the Assembly being dissolved in January 2017 and therefore the process of approving 2016-17 Spring Supplementary Estimates and associated Budget Bill did not take place. Consequently, the Supply Estimate position shown in the Statement of Assembly Supply is the Main Estimates position. Had the Spring Supplementary Estimates and associated Budget Bill been approved by the Assembly to reflect changes to departmental budgets that had previously been agreed by the Executive or changes that could reasonably have been expected to have been agreed in the January Monitoring Round, this Excess would not have occurred.

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

The variances on the lines in SOAS 1 arose due to the Assembly being dissolved in January 2017 and therefore the process of approving 2016-17 Spring Supplementary Estimates (SSEs) and associated Budget Bill did not take place. The outturn is being compared against the Main Estimate which did not take account of additional funding received during the year and also additional income.

SOAS 1 Analysis of Net Resource Outturn by function: Comparison to SSE position, had they been voted, and Main Estimate position

	SSE	Main Estimate (SOAS 1)
	Net total Outturn compared with Estimate	Net total Outturn compared with Estimate
Request for Resources A:		
Departmental Expenditure in DEL		
1: Roads	(938)	4,586
2: Rivers	42	1,083
3: Road Safety Services	1,244	2,665
4: Driver and Vehicle Agency	-	254
5: Ferry services, air and sea ports	1,348	212
6: Railway services	1,081	11,402
7: Road passenger services	(2,525)	(27,476)
8: Inland Waterways	30	352
9: Planning and Policy	307	(1,499)
10: Reinvestment & Reform	43	(194)
11: EU Interreg	-	-
12: Central Policy and Other Services	268	662
Annually Managed Expenditure (AME)		
13: Depreciation and Impairment costs	(2,749)	(38,601)
14: Provisions	3,543	1,918
Non-Budget		
15: Waterways Ireland	49	27
16: Notional charges	463	4,657
Total	**2,206**	**(39,952)**
Request for Resources B:		
Departmental Expenditure in DEL		
1: Water Policy and Other Services	3	(329)
Non-Budget	**863**	
2. Northern Ireland Water Limited		498
Total	**866**	**169**
Resource Outturn	**3,072**	**(39,783)**

The following variance explanations would have been required if the SSE position had been voted.

Line	Variance Under/(Over) £000	Explanation
RfR A Line 3 Road Safety Services	1,244	Reallocation of spend to other areas within the department
RfR A Line 5 Ferry services, air and sea ports	1,348	The transfer of Rathlin Harbour to a local council did not take place as planned. As this was to be a gifted asset the Department sought estimate cover for a capital grant in line with guidance.
RfR A Line 14 Provisions	3,543	The Moving Traffic Offence bad debt provision was lower than anticipated due to fines being settled quicker than forecast. Also, the public liability provision has decreased.

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 Main Estimate Net Cash Requirement and Outturn Net Cash requirement is £61,530,000. This technical excess arose due to the Assembly being dissolved in January 2017 and therefore the process of approving 2016-17 Spring Supplementary Estimates (SSEs) and associated Budget Bill did not take place. The outturn is being compared against the Main Estimate which did not take account of additional funding received during the year and also additional income.

Had the SSE position been used the following variance explanations would have been required.

Line	Variance Under/(Over) £000	Explanation
Changes in working capital	26,330	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. Due to the unpredictable nature of when money will be received from the EU, cover was included in the SSE debtor figure in case it was not received before the year end. Some EU money was received. Creditors were more than anticipated due to timing of payments. Due to the large scale projects within the Department this figure can fluctuate year on year. Therefore the Department did not need to draw down as much cash as was anticipated.
Changes in payables due after 1 year	954	Payments to creditors were less than anticipated.
Use of provisions	3,818	There were delays in land settlements which means the payment happened later than planned.

Reconciliation of Resource expenditure between Estimates, Accounts and Budgets

	£000
Net Resource Outturn (Estimates)	**823,965**
Adjustments:	
Less Consolidated Fund Extra Receipts (CFERs) in the Consolidated Statement of Comprehensive Net Expenditure	(56,245)
Add 'outside the vote' exchange gain	(591)
Net Operating Costs (Accounts)	**767,129**
Less capital grants paid to finance capital expenditure	(84,261)
Capital grant income	51,745
Remove non budget exchange gain	591
Resource consumption of NI Water	183,606
Voted expenditure outside budget-NIW	(214,552)
Resource consumption of Waterways Ireland	3,891
Voted expenditure outside budget-Waterways Ireland	(3,523)
Remove inter-departmental notional charges	(14,290)
Resource Budget Outturn (Budget)	**690,336**
Of which:	
Departmental Expenditure Limits (DEL)	477,864
Annually Managed Expenditure (AME)	212,472

Long Term Expenditure Trends

As no Supply Estimate was presented to the Assembly for the 2015-16 year for the new Department for Infrastructure, the prior year comparatives in the SOAS for 2016-17 have been shown as zero. As there are no comparatives for budgetary outturn for previous years, a four year trend analysis has not been included in these accounts.

Key Relationships and Partnership Working

A key feature of the draft Programme for Government is a greater emphasis on collaborative working - not only across government, but across sectors. With this in mind, the Department engaged with a wide range of stakeholders and delivery partners including the business, community, voluntary, and environmental sectors, as well as local and central government and the wider public sector. This has helped inform our policy making and service delivery arrangements. For example:

- we work in partnership with local government in delivering an efficient and effective planning system which promotes economic growth, encourages greater community involvement and puts planning at the heart of the local place-shaping agenda, whilst ensuring the protection of the environment and promotion of sustainable development.
- Community Places, a not-for-profit voluntary organisation provides independent planning advice and support, principally to disadvantaged or marginalised individuals and communities;
- 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;
- there are eight Rural Community Transport Partnerships who deliver the Dial a Lift scheme across Northern Ireland. This transport scheme is specifically for those living in rural areas who are unable to or have difficulty in accessing local based services due to lack of transport and / or reduced mobility;
- Disability Action is the organisation currently responsible for operating the Disability Action Transport Scheme throughout Northern Ireland. This is a local urban transport service for people with disabilities or for those who find it difficult using mainstream public transport and is available in 29 urban areas across Northern Ireland. It is delivered in conjunction with Bridge Accessible Transport in Derry / Londonderry and the Rural Community Transport Partnerships throughout Northern Ireland;
- there are 14 Shopmobility schemes throughout Northern Ireland who hire out or lend mobility equipment including manual wheelchairs, powered wheelchairs & powered scooters to anyone who needs help with mobility to get around;
- Sustrans, the sustainable transport charity, delivers the Active School Travel programme on behalf of the Department and the Public Health Agency;
- around 180km of our trunk road network is operated and maintained by Design, Build, Finance & Operate (DBFO) companies under two Public Private Partnerships; and

- NSL enforces parking restrictions and ensures compliance with on and off street parking regulations which are in place to manage traffic, to reduce congestion and to improve road safety.

Trends and Strategic Direction

Short Term

Whilst the recent political situation has delayed agreement of the Executive's **draft Programme for Government 2016-21**, the Department will use it as the strategic context to conduct its business during 2017-18. The draft Programme for Government adopts an outcomes based approach 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 further development of this Programme for Government for the 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.

In the absence of a functioning Executive, the Secretary of State has approved an interim **one year Budget** to cover 2017-18. As a consequence of that Budget outcome, the Department faces ongoing budgetary constraints, particularly in relation to road maintenance and public transport.

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 taking forward the plans and priorities set out in the draft Programme for Government 2016-21. Alongside the Programme for Government and budget, two other Executive Strategies will influence the Department:

- The **draft Industrial Strategy** which, when finalised, 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; and
- The **draft Investment Strategy for Northern Ireland** which, when finalised, 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.

The Department for Infrastructure's future work will also be shaped by:

- 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. 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.

- The Department has led the development of **Sustainable Water - 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 sets 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 has also been developed and agreed by stakeholders. This Plan aims to maximise the benefits from public expenditure funding as and when it becomes available by setting short, medium and long-term targets.

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 to enable progression of these projects.

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 at the end of 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 – these are the Randalstown to Castledawson and Londonderry to Dungiven schemes. The allocations for the A6 in the Executive's Budget Statement of December 2015 fully funded the construction phase of the Randalstown to Castledawson scheme. Construction of this scheme had been programmed to commence in autumn 2016. However an application for Judicial Review was lodged in September 2016 challenging a section of the proposed scheme. The application was granted and the hearing took place in February 2017. The Judge dismissed the challenge on the 28 March 2017 and confirmed that the Statutory Orders were preserved. The appellant subsequently submitted an appeal against this decision on 9 May 2017. The hearing is scheduled to take place on 11 August 2017 with the judges expected to give their verdict on the same day. On 2 May 2017 the Department announced that construction work on the unchallenged sections would proceed.

The procurement process for the A6 Londonderry to Dungiven scheme commenced in February 2017. Subject to making the statutory orders and approval of the final business case, it remains possible that construction of the first phase of the scheme could commence in the first half of 2018.

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. The first Outline Business Case (OBC) to allow the project to progress to the planning and procurement stage has been completed and approved by the Department of Finance. Further detail on options & associated costs will be set out in OBC2, which is currently under development.

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.

The Department's strong focus on sustainability and protecting the environment is also outlined within Outcome 2 of the draft Programme for Government: "We live and work sustainably protecting the environment" and in the associated Delivery Plan. The Department will continue to work proactively with delivery partners to support an increase in the uptake of public transport, walking and cycling as sustainable transport modes. Key projects will include the delivery of flagship projects such as the Belfast Rapid Transit scheme and the Belfast Transport Hub. However, there are a range of other projects and initiatives through which the Department will seek to promote and support the uptake of sustainable transport modes. This includes progression of the North West Multi Modal Transport Hub, the continued development of park and ride facilities and the introduction of the integrated ticketing project.

The Department recognises that a balance needs to be struck in supporting mobility and accessibility to services whilst reducing the need for travel, where possible, and managing the negative impacts of traffic, especially congestion and poor air quality. This requires the sensitive planning of future transport infrastructure and services and their integration with land use planning. The Department has therefore established a new transport planning and modelling function with a key role to prepare local transport plans in conjunction with councils' local development plans.

Sustainable travel and transport measures are a key theme in "Making Life Better" – a whole system strategic framework for public health (2013-23) which underlines the detrimental or beneficial effects that transport modes can have on public health. It underscores the importance of significantly increasing the amount of walking and cycling in our travel. These active and sustainable modes of travel have been promoted, with the continued operation of the Travelwise NI initiative, the promotion of the 'Northern Ireland – Changing Gear – A Bicycle Strategy for Northern Ireland', the publication of 'Exercise – Explore – Enjoy': a Strategic Plan for Greenways and the leadership of the Plugged in Places ecar project.

The ecar project continues to provide support to the emerging market for plug in electric vehicles having previously delivered a network of charge points across Northern Ireland, now owned and operated by the Electricity Supply Board. To promote the use of electric vehicles for business use, the project oversaw the installation of 54 workplace charge points in the Public Sector Estate and procured a charge point management system for the participating departments and Trusts. Building on the success of this project, the Department is now beginning to develop an Ultra Low Emission Vehicle Strategy for Northern Ireland.

Belfast Rapid Transit will be a transformational public transport project for Belfast and is an Executive Flagship Project of regional significance. The project is being delivered by the Department in partnership with Translink and the service is scheduled to commence in September 2018. Belfast Rapid Transit is a key element for the sustainable growth of Belfast, by encouraging modal shift from the private car to public transport, using the latest diesel electric hybrid rapid transit vehicles. It will contribute to the successful delivery of major strategies for the city including the Belfast Agenda, City Centre Regeneration and Investment Strategy and the Air Quality Action Plan.

We have also continued to provide capital funding to Translink to replace some of its older buses with new ones which comply with European emissions legislation. During 2016-17 we provided Translink £17.5 million capital funding to enable the purchase of 85 new buses.

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. In addition, our North South Body, Waterways Ireland, is committed to the conservation of biodiversity as demonstrated in its Heritage Plan 2016-20. The Strategic Objectives of the Heritage plan includes "*promoting the integrated management, conservation, protection and sustainable use of the inland navigable waterway asset*".

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.

"Sustainable Water – A Long-Term water Strategy for Northern Ireland (2015-40)" 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 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 people with a disability and encourage the participation of people with a disability 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. How the Department proposes to fulfil these obligations is set out in its Equality Scheme. A new Scheme is currently in development and will be published following consideration of the responses to the recent public consultation exercise. Further actions are being included in an Audit of Inequalities Action Plan and Disability Action Plan which are also under development.

In accordance with the draft Equality Scheme:

- all new policies have been screened to assess impacts on equality of opportunity and good relations and were subject to a full equality impact assessment as necessary;
- quarterly Section 75 screening reports were published; and
- bi-annual progress reports on the implementation of the Department's draft Equality Scheme, draft Audit of Inequalities Action Plan and draft Disability Action Plan commitments were submitted to the Departmental Board.

Annual progress reports for 2015-16 were submitted to the Equality Commission in September 2016. The reports covered the period up to 8 May 2016 when functions transferred to DfI as part of the NICS Restructuring Programme.

Corporate Social Responsibility Policy

The Department's Corporate Social Responsibility Policy was developed in April 2016 and covers a three year period. It 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 three key themes of Community; Environment; and Workplace volunteering. It also contains a section on Charitable Partnerships, linked to the Community theme. The policy was 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. 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 organised at Newry Hospice, Foyle Hospice and Oxfam Ireland, Belfast, involving a total of 50 staff. As well as these three volunteering days there were two team building volunteering events arranged – one for senior staff and one for our Water and Drainage Policy Division.

Charitable Donations

The Department made no charitable donations during the year.

Accounting Officer 28 June 2017

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

DfI is one of nine Northern Ireland departments created on 9 May 2016 as a result of the NICS Restructuring Programme which was an outworking of the Stormont House Agreement. The names and high level functions of the nine departments are set out in the Departments Act (Northern Ireland) 2016 and the Departments (Transfer of Functions) Order (Northern Ireland) 2016.

The Minister

The Minister has overall political responsibility and accountability for all the Department's activities. Chris Hazzard, MLA, was appointed Minister for Infrastructure on 25 May 2016 and remained in post through to 2 March 2017 when the election for a new Assembly took place.

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 was held by Peter May from the creation of the Department on 9 May 2016.

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 2016-17, the Board had nine executive members and three non-executive independent board members. The appointment terms of the non-executive independent board members were up to 30 November 2016, 31 December 2016 and 31 December 2017. In the autumn of 2016, the Permanent Secretaries Group discussed changes to the composition of departmental boards. Consequently, it was decided not to renew or appoint a replacement for the members whose terms finished on 30 November and 31 December 2016 and the member whose term was due to finish on 31 December 2017 resigned with effect from 31 December 2016 and was not replaced.

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

Permanent Secretary	- Peter May.
Deputy Secretary for Planning, Water & DVA	- Fiona McCandless
Deputy Secretary for Roads and Rivers	- Andrew Murray.
Deputy Secretary for Transport and Resources	- John McGrath.
Chief Executive of DVA	- Paul Duffy (to 31 October 2016).*
Director of Rivers Agency	- David Porter (to 31 October 2016).*
Director of Human Resources and Organisational Change	- Michaela Glass.
Director of Finance	- Stewart Barnes (from 26 November 2016). - *John McNeill (to 25 November 2016).*
Director of Strategy, Communications & Change	- Tom Kennedy (from 1 February 2017). - *Moira Doherty (to 31 January 2017)*
Non-executive Independent Board Member	- David Gray (to 31 December 2016).
Non-executive Independent Board Member	- Robert Gilmore (to 31 December 2016)
Non-executive Independent Board Member	- Marie Mallon (to 30 November 2016)

* following review of Executive Board membership.

Departmental Accounting Boundary

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

The Department comprised three Core Groups, each managed at Deputy Secretary level:

1. Roads & Rivers;
2. Planning, Water & DVA; and
3. Transport & Resources.

Roads & Rivers

Responsible for the overall performance and operations of TransportNI and Rivers Agency. This includes the efficient organisation and management of both operational entities.

TransportNI's role is to improve, maintain and manage the road network in Northern Ireland in order to facilitate, in a sustainable way, the safe movement of people, goods and services for the social and economic benefit of all people in Northern Ireland.

Rivers Agency aims to reduce the risk to life and damage to property from flooding from rivers and the sea and to undertake watercourse and coastal flood management in a sustainable manner.

Planning, Water & DVA

Responsible for the Department's planning functions, policy in respect of drainage and water & sewerage services and management of the Department's shareholder interest in NI Water. The Group also includes the Driver and Vehicle Agency.

Day to day responsibility for the management and operation of the Driver and Vehicle Agency sits with the DVA Chief Executive. In addition, the Chief Executive has been appointed as Agency Accounting Officer with responsibilities set out in their letter of appointment and an Agency Framework Document.

Transport and Resources

Responsible for road safety and vehicle regulation; the development of transportation policy; the delivery of strategic transport planning, policy and legislation. The Group also has responsibility for EU funding and future relations matters, sustainable travel (walking and cycling) and Inland Waterways.

In addition, the Group provides a wide range of corporate support services across the Department and leads on governance arrangements for the Northern Ireland Transport Holding Company / Translink. It also manages the relationship with other transport providers such as Urban and Rural Transport, Harbours and Airports.

Entities outside the Departmental Boundary

The following bodies are outside the Departmental resource accounting boundary:

- Driver & Vehicle Agency
- Northern Ireland Water;
- Northern Ireland Transport Holding Company; and
- Waterways Ireland.

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 typically 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. Normally, a Supplementary Estimate is also produced to seek authority for additional resources and / or cash to that sought in the Main Estimate. However, in the absence of an Executive / Assembly one was not produced. The Estimate is structured on an objective and function basis.

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.

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 two reportable breach of the Data Protection Act. The incidents were 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 during the economic downturn. This remains a target for Departments.

In 2016-17, the Department, including its Agency (DVA), paid 98% of invoices for goods or services within 30 days or by contract terms (99% 2015-16). 92% were paid within 10 days (95% 2015-16). For further details please visit www.finance-ni.gov.uk/publications/nics-prompt-payment-tables-2016-17

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. The Department has a target to respond to all formal complaints within 15 working days and our website[1] outlines to the public how to make a complaint using our complaints procedure.

In 2016-17, a total of 190 formal complaints were received (379 2015-16). 143 of these complaints concerned roads related issues, 14 related to information provided under the Freedom of Information Act / Environmental Information Regulations and none concerned equality issues. The outcomes of complaints about the handling of information access requests are reported to the Departmental Board on a biannual basis.

The Department's Equality Unit provides biannual reports to the Departmental Board, the Minister and 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 website[2] .

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. For example, the Department has introduced a Public Information Portal (PIP) which enables customers to report faults relating to roads directly to the local maintenance offices. The Department has also introduced a Customer Charter to set a standard for service delivery and for responding to correspondence.

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 2016-17 resulted in a notional audit fee of £123,000 and is included in the administration costs in the Statement of Comprehensive Net Expenditure.

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[1] www.infrastructure-ni.gov.uk/dfi-complaints-procedure

[2] www.infrastructure-ni.gov.uk/dfi-equality-complaints-procedure

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

No important events affecting the Department have occurred since the financial year-end.

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). 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 Infrastructure's Governance Statement for 2016-17. 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 draft Programme for Government indicators. 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 Infrastructure to undertake a scrutiny role; to advise and assist in the formulation of policy and legislation; and to advise on Departmental budgets. It is worth noting that we, like all departments, have not had a Minister in post since 2 March 2017 when the election for a new Assembly took place.

3. As Departmental Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Infrastructure'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 Driver & Vehicle Agency (DVA) is an Executive Agency of the Department with responsibilities that include driver and commercial transport licensing, vehicle and driver testing, compliance and roadside enforcement. DVA is constituted as a Trading Fund which has been designated as a Public Corporation by the Office of National Statistics. The Agency's Chief Executive has been appointed as its Accounting Officer with responsibility for day to day management of its operations and to ensure regularity and propriety is adhered to. A Governance Statement has been prepared by the DVA Accounting Officer which is published through the Agency's annual report and accounts.

5. In addition, the Department delivers water & sewerage and public transport services through two associated arms length bodies: NI Water; and NITHC. NI Water's legal status is that of a company, with the Department being its sole shareholder, and it is classified as a non-departmental public body for Public Expenditure purposes. 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.

6. The Department also co-sponsors Waterways Ireland, a North South Body, with the Irish Government's Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs. It is responsible for the management, maintenance, development and restoration of navigable waterways throughout the island of Ireland. Waterways Ireland does not have a Board and there is no legislative provision to create one. Following a recommendation in the St Andrew's Agreement, the North South Ministerial Council considered a review of the working arrangements for North South Bodies. Whilst the Ministerial Council decided not to create a Board for Waterways Ireland, it asked for governance arrangements to be strengthened. This has been delivered through the development of a service level agreement between Waterways Ireland and its sponsor departments. Its key features include a bi-annual assurance process and bi-monthly meetings between sponsor departments and Waterways Ireland's Chief Executive and Senior Managers. Its Chief Executive is the Accounting Officer for the Body.

Governance Structures

7. 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.

8. This system of internal control was in place for the year ended 31 March 2017 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.

9. Key elements of the Department's system of internal control in 2016-17 included:

- the Departmental Board, which I chaired, comprising executive and non-executive independent members (non-executive independent members until 31 December 2016);
- weekly Business Review meetings;
- a Departmental Audit and Risk Assurance Committee chaired by an independent non-executive (was an independent board member until 31 December 2016);
- 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 option to convene a Finance Sub-Committee of the Board, to meet as necessary, to discuss and consider key strategic finance issues impacting on 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).

10. The Department's Corporate Governance Framework is available on its website (www.infrastructure-ni.gov.uk).

Departmental Board Structure and Remit

11. 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.

12. The Departmental Board followed corporate governance best practice. For 2016-17, the Board had nine executive members and three non-executive independent board members. The appointment terms of the non-executive independent board members run to 30 November 2016, 31 December 2016 and 31 December 2017. In the autumn of 2016, the Permanent Secretaries Group discussed changes to the composition of departmental boards. Consequently, it was decided not to renew or appoint a replacement for the member whose term finished on 31 December 2016 and the member whose term was due to finish on 31 December 2017 resigned with effect from 31 December 2016.

13. The composition of the Departmental Board during 2016-17 is provided within the Accountability Report at page 31.

14. During 2016-17 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 performance against 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.

15. 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 2016-17.

16. 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 around risk control and governance; reviewing the reliability and integrity of each business area's assurance statements in order to meet the Board and Accounting Officer's assurance needs. The Committee's composition includes three independent members, one of whom is Chair. Meetings are also attended by the Head of Internal Audit and representatives from the NI Audit Office.

17. During the year, the Audit and Risk Assurance Committee considered a range of internal audit issues. For example, the Committee agreed and monitored progress against the 2016-17 Internal Audit Annual Plan and also considered the Head of Internal Audit's Annual Report. The Committee received routine updates on fraud and whistle-blowing cases; NI Water and NITHC Audit Committee business; NI Audit Office audits (both financial and value for money); progress reports on the implementation of Internal Audit recommendations and the Department's Corporate Risk Register. A report was provided to the Departmental Board following each Committee meeting. During 2016-17, 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 have been made to the Chairs of both the NI Water and NITHC Audit Committees to attend the DfI Audit and Risk Assurance Committee. Indeed, the Chair of NI Water Audit Committee attended the February 2017 DARAC meeting.

18. The Board is further supported by its **Major Projects Sub Committee** which is responsible and accountable to the Board as a whole**.** The Sub Committee discussed and considered issues associated with current and proposed major capital projects being taken forward by the Department. This process helped to ensure that a strategic approach was applied to decisions and ensured that the Board was alerted to any risks that could impact on project delivery. Although some capital projects are the direct responsibility of the Department's ALBs, the Sub Committee

ensured there was no duplication with work of ALB Boards / sub committees. Advice was provided to the Departmental Board following each Sub Committee meeting.

19. It is also worth noting that the Department's Corporate Governance Framework includes an option to convene a **Finance Sub-Committee**, to meet as required, to discuss and consider key strategic finance issues. It did not meet during 2016-17 as financial matters were managed by the Department's Senior Management Team. The ongoing need for the sub-committee will be reviewed during 2017-18.

20. 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).

21. 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. A number of senior civil service moves took place throughout the 2016-17 year, with the result that Board membership also changed over the course of the year.

Name of Board Member	**Meetings Attended during 2016-17** (attendance / number of meetings)			
	Departmental Board	**Audit & Risk Assurance Committee**	**Finance Sub-Committee**	**Major Projects Sub- Committee**
Peter May	10/10	5/5**	0/0	3/4
Fiona McCandless	8/10	3/5**	N/A	2/4
Andrew Murray	10/10	3/5**	0/0	3/4
John McGrath	6/10	3/5**	0/0	2/4
Paul Duffy	5/5	N/A	N/A	4/4
David Porter	5/5	N/A	N/A	3/4
Michaela Glass	4/10	N/A	N/A	2/4
John McNeill	3/5	2/4**	0/0	0/2
Stewart Barnes	4/5	1/1	0/0	1/2
Moira Doherty	6/8	0/1	N/A	1/1
Tom Kennedy	2/2	N/A	N/A	N/A
David Gray*	7/7	5/5	0/0	N/A
Robert Gilmore*	7/7	5/5	N/A	3/3

Name of Board Member	Meetings Attended during 2016-17 (attendance / number of meetings)			
	Departmental Board	**Audit & Risk Assurance Committee**	**Finance Sub-Committee**	**Major Projects Sub- Committee**
Marie Mallon	6/6	N/A	N/A	N/A
Brigitte Worth*	N/A	4/5	N/A	N/A
Julie Thompson***	N/A	N/A	N/A	2/4

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

Departmental Board Performance and Effectiveness

22. In accordance with the Corporate Governance in Central Government Departments: Code of Good Practice NI 2013, the Board carried out a review of its effectiveness during 2016-17. It found that overall, the picture is of a cohesive Board working effectively, clear on the strategic priorities and focusing on the right issues in a timely fashion. Some opportunities for development were identified throughout the body of this review, which included ensuring appropriate time is available to think strategically about future infrastructure needs and ensuring members avail of development opportunities. Steps will be taken to address these two points.

23. The Annual Report of the Departmental Audit and Risk Assurance Sub Committee is available on the Department's website (www.infrastructure-ni.gov.uk).

Oversight of an Executive Agency

24. As an Executive Agency, DVA had its own separate governance structures in place. This includes the appointment of its Chief Executive as Agency Accounting Officer with responsibility for day to day management of its operations and to ensure regularity and propriety is adhered to and in line with the Agency Framework Document. The Agency has a Strategic Management Board and an Audit and Risk Committee. All significant matters are reported in accordance with the Department's Corporate Governance Framework.

Oversight of Arms Length Bodies

25. During 2016-17, the Department reviewed its governance arrangements with its two major arms length bodies – NI Water and NITHC / Translink. With the overarching principle of less governance with no less assurance, this led to more streamlined governance arrangements with both bodies which reflect the maturity of the relationships and recognise the ability / experience of their Boards and Executive Teams. The new governance arrangements will be reviewed in 2017-18 to ensure they are appropriate and fit for purpose.

NI Transport Holding Company

26. A performance review meeting between the Minister and NITHC took place in December 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.

27. An Accountability meeting (which I chaired) took place in November 2016 between senior DfI 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

28. DfI 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) is set out in a MSFM. The MSFM was reviewed during the year, to reflect the new streamlined governance arrangements, which resulted in a reduction of the frequency of the shareholder meetings from quarterly to bi-annual, along with the restructuring of a number of other meetings and papers required. The MSFM was signed off on 31 January 2017.

29. Shareholder Meetings (which I chaired) took place during the course of the year between senior DfI 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 May and November in accordance with the Code of Good Practice NI 2013: Corporate Governance in Central Government Departments.

Long-term funding of Arms Length Bodies

30. Against the backdrop of another year where the group has operated at a loss, the NITHC Board, as part of the Directors' Going Concern statement for the Company's 2016-17 accounts, has signalled the need for assurance on indicative funding levels for 2017-18 and beyond and its obligations in the Service Agreement with the Department for Infrastructure. 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.

31. 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 Department has formal structures in place to convene discussion between all stakeholders involved in the delivery of water and waste water services, including to enable consideration of any adjustment to the outputs required as a result of funding reductions.

32. The NI Water Board has been advised of the continuing pressure on Public Expenditure, and they have considered the going concern position accordingly. However, the Department has monitored NI Water's performance outputs and has supplied adequate funding to enable NI Water to provide the expected services. As such, these conditions do not cast a significant doubt on the Company's ability to continue as a going concern. NI Water has stated that the 2016-17 year has been a very good outcome for the company, with strong results in its key performance indicators and financial out turn. The Department acknowledges this and recognises the ability of the company to continue its good performance and deliver the outcomes and services as required by the Utility Regulator within the funding envelope provided.

Oversight of North South Implementation Body

33. Waterways Ireland is a North South Ministerial Council Implementation Body which the Department co-sponsors with the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs in the South. A service level agreement is in place between Waterways Ireland and its sponsor departments.

34. During 2016-17 Waterways Ireland provided the Department with bi-annual assurance statements. Six bi-monthly meetings took place between sponsor departments (senior management) and Waterways Ireland's Chief Executive and Senior Managers.

35. Waterways Ireland has its own Audit Committee which meets quarterly. All Audit Reports for discussion are issued to sponsor departments in advance of each meeting. Minutes of each Audit Committee are also shared with sponsor departments once agreed by the committee. The Independent Chair of the Audit Committee provides an annual assurance to sponsor departments in respect of Waterways Ireland.

Risk Management

36. 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".

37. 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.

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

39. 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.

40. 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.

41. Corporate Risks actively monitored and managed by the Departmental Board throughout 2016-17 included:

- **Adverse Impact on Department and Services due to planned exit from EU**
  Throughout the year, we have managed the implications for the Department following the UK's decision to leave the EU. An Interdepartmental Co-ordinating Group was established to support the Executive in determining and managing the implications for Northern Ireland. The Department is represented on the Group at Grade 3 level and we have established a Brexit Planning Team to support him in this role. The ICG has met regularly since its establishment and the Department has contributed to various papers and discussions on the impact that Brexit will have on Northern Ireland, including legislative implications.

  We have engaged with colleagues in Whitehall, other Devolved Administrations and the South throughout the process. In addition, we have engaged with a range of sectoral stakeholders to help better understand the implications of Brexit.

- **Environmental Compliance**
  The Department has an obligation to comply with environmental legislation and standards. EU environmental policy, developments and decisions and how these would impact on NI were regularly monitored throughout the year. Continued engagement with EU took place via central government regarding environmental challenges. The NI position on Water Framework Directive (WFD) Article 9 water pricing was published in Executive's River Basin Management Plans. Public drinking water was regularly monitored to assure drinking quality. Experts were embedded within Rivers who assessed and identified mitigating measures regarding the maintenance and operation of flood alleviation schemes.

  Dedicated resources, including an Environmental Compliance Working Group, were put in place to ensure planning functions were compliant with obligations under relevant EU Directives, Legislation and Regulations. A Service Level Agreement between DfI and Shared Environmental Services was agreed to undertake Habitat Regulation Assessment for regionally significant planning applications and expertise engagement was sought to assist with obligations under the Habitats Directive. A Memorandum of Understanding between DfI and the Department of Agriculture, Environment and Rural Affairs established a framework within which respective groups work together to continue co-operation and environmental support for strategic planning function. Associated risk registers for Transport Projects and Strategic Road Improvement Schemes recorded specific environmental risk and appropriate mitigating measures. Partial compliance with EC Roadworthiness Directive 2009/40 E was achieved with full compliance dependant on future funding.

- **Planning Portal**

  In order to maintain and enhance planning functions, a new IT Planning system agreed by both Councils and the Department is to be in place before the existing contract expires in 2019. The Pre-discovery stage of this exercise has been completed and all Councils have agreed to proceed to the Discovery phase. A project team and a Planning Portal Governance Board have been established and assistance from Enterprise Shared Services (ESS) secured to oversee this project.

- **Road Maintenance – Impact of reduced funding**

  The Department continually strives to ensure the NI road network remains in a safe and stable condition despite insufficient capital and resource funding. TransportNI has robust policies which set out Routine Maintenance Standards for Safety and has adopted a risk based approach to reduce standards to align with reduced funding. An independently assessed Structural Maintenance Funding Plan sets out the financial requirements to maintain the network in a steady set. The Department secured £8 million capital and £5 million resource in June monitoring and a further £15 million in October monitoring.

- **Maintaining Water and Sewerage Services**

  As a result of budget uncertainty over the PC 15 period, there is a risk that NI Water will fail to maintain high quality drinking water and improve compliance with waste water standards. To guard against this, the Department established a PC15 Monitoring Plan and closely monitored performance against the plan, seeking additional funding if required and discussing at Departmental and Group level. The Department engaged with DoF, NI Water and the Regulator regarding budget requirements and supported NI Water in making additional efficiencies. There was timely and robust reporting of required financial resources including in-year monitoring.

  A Consequent Written Agreement and a Memorandum of Understanding were agreed with the Utility Regulator. Engagement took place with NI Water, the Regulator and relevant stakeholders on adjustment to year one and two PC15 outcomes given the shortfall between Price Control and Public Expenditure funding levels. 2016-17 Charges Scheme, Subsidy

Memorandum of Understanding and NI Water Budget and Operating Plan were agreed. The 2017-18 NI Water Budget and Operating Plan was also approved by the Minister.

42. As Northern Ireland's major infrastructure Department, it is also worth highlighting that we are responsible for the delivery of major capital projects. During 2016-17 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 was substantially completed as per the revised deadline and budget.

- **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 the Hub. An initial Outline Business Case was approved by the Department and the Department of Finance. A second OBC is now being considered by the Department in advance of the award of a contract for construction.

- **Derry / Londonderry Train Station**
  Translink purchased the old Waterside Train Station in Derry / Londonderry in order that it can construct a new station on the site. Translink is now progressing the project to procurement stage.

- **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.

- **East Belfast Flood Alleviation scheme**
  Work on the East Belfast Flood Alleviation scheme was substantially completed during 2016-17. We have been working in partnership with Belfast City Council and the Connswater Community Greenway Trust to deliver this scheme which was a significant investment of £12 million to alleviate the impact of flooding to nearly 1,700 homes. The scheme has been subject to high water levels during periods of wet weather and is already demonstrating the value of such infrastructure by protecting people and property from flooding.

- **Driver Licensing IT System**
  The Replacement Driver System is a key project to replace a 30 year old system which is used to produce Northern Ireland driving licences. The new system went live in November 2016, with a further phase planned for 2017-18 to introduce a number of number of online services to allow customers to view their driving licence, track the status of an online application and request either a renewal or duplicate of an ordinary driving licence.

43. 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 2016-17. The Department also received end-year Assurance Statements from the Chief Executives of DVA, NI Water, NITHC / Translink and Waterways Ireland.

Fraud, Bribery, Wrongdoing and Whistle-blowing

44. The Department takes a zero tolerance approach to fraud. We have put in place an Anti Fraud Policy and Fraud Response Plan to outline our approach to tackling fraud, define staff responsibilities and the actions to be taken in the event of suspected fraud occurring. Fraud, wrongdoing and whistle-blowing updates in respect of the Department and its arms length bodies are routinely reported to the Departmental Audit and Risk Assurance Committee.

45. The Governance and Control Framework on the Department's intranet site links our Whistleblowing 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 for dealing with whistleblowing and suspected wrongdoing cases, including cases of suspected fraud. The Department's Whistleblowing Policy provides assurance to staff and members of the public that it is safe to speak up if they are concerned about something. Additionally, a confidential 24/7 Fraud Hotline is available.

46. Reports of whistleblowing and allegations of wrong doing and suspected / actual fraud were routinely reported to the NI Audit Office in 2016-17. In terms of alleged, suspected or actual fraud, 24.5% of the cases reported related to the Department (including the Driver Vehicle Agency), 67.4% to NI Water, 2.1% to Translink and 6% to Waterways Ireland. For business areas previously within in DRD, the downward trend in the reported number of suspected and actual frauds continued with a 65% reduction in the number of cases reported compared to 2014-15. The number of metal thefts reported has also continued to fall following preventative measures established through legislation a number of years ago.

47. Almost 97% of the cases reported by NI Water related to instances of suspected water fraud. This 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. In response to this type of fraud NI Water established a Compliance Investigation Team in January 2016 for the purpose of securing more successful outcomes. Additional revenue of £23.7k was secured by NI Water, with the potential for a further £96.7k. NI Water also secured three prosecutions, resulting in fines ranging from £250 - £800 per offence. In two cases, culprits were also ordered to pay NI Water's legal costs of some £900 and in one case, compensation amounting to £12.8k.

48. We have also established an Anti Fraud Group which includes representatives from all areas of the Department and its arms length bodies. The Group has committed to considering fraud prevention initiatives, heightening fraud awareness and promoting an anti-fraud culture. To enhance fraud awareness, over 96% of departmental staff undertook fraud awareness training in 2016-17.

49. In addition, the Department and its arms length bodies continued to participate in the National Fraud Initiative counter fraud data matching exercise in 2016-17. A programme of investigations is being progressed in line with agreed timescales in relation to blue badges, payroll & pensions, trade creditors, taxi licensing and concessionary fares.

Effectiveness of Internal Control

50. For 2016-17, 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.

51. Of the 50 Internal Audit reports issued in 2016-17, 37 received overall satisfactory opinions and two received overall limited opinions. Opinions were not relevant to five special exercises and six follow-up reviews which were undertaken. Within these, there were a number of recommendations for improvement and there is regular review of implementation of these. The NICS wide review of the management of IT Security and Information Risk received an overall "limited" opinion. The review considered the governance structures, processes, roles and responsibilities which underpin the Information Assurance Framework. While a number of instances of good practice were identified, the review highlighted significant issues that impacted systemically across all departments. The review of TransportNI Street Lighting also received a limited opinion in 2016-17. However, as part of the 2017-18 Audit Plan, a follow up review has now been completed and the opinion revised to satisfactory.

52. The Department also relies on DoF's Internal Audit Branch to provide an inter-departmental opinion for the services it provides including Account NI, IT Assist and HR Connect shared services. In 2016-17 an overall inter-departmental assurance of satisfactory has been provided.

53. In addition, the Department relies on the external auditors of NI Water, NITHC and Waterways Ireland to provide an opinion on each organisation's Regularity and Financial Statements. All three have delivered an unqualified opinion in relation to the 2016-17 accounts and included a clear regularity opinion. The Internal Audit units within each organisation have also provided satisfactory audit opinions, in overall terms, in respect of the adequacy and effectiveness of the risk management, control and governance processes.

54. The NI Audit Office acts as the external auditor for the Department, providing financial and value for money audits. In addition to the annual accounts audit, the Department was the subject of one NI Audit Office investigation – a Value for Money audit was carried out on Rivers Agency Flood Risk Management. Its report "The Rivers Agency: Flood Prevention and Management" was published in September 2016. Whilst its finding were largely positive, it made a number of key recommendations for future improvement and the Department has developed an action plan to address these.

2017-18 Budget Position

55. The Northern Ireland Assembly was dissolved as from 26 January 2017 for an election which took place on 2 March, on which date Ministers also ceased to hold office. An Executive was not formed following the election within the period specified in the legislation. As a consequence, a Budget Act is not yet in place for 2017-18. In the absence of a budget for 2017-18 determined by an Executive, Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 provides for the Permanent Secretary of the Department of Finance to issue cash to departments from the NI Consolidated Fund. These powers are an interim measure designed to ensure that services can be maintained until such times as a budget is agreed and a Budget Act passed.

Significant Internal Control Issues

Grant Payments to Waterways Ireland

56. The establishing legislation for North South Bodies requires each to have an annual Corporate Plan approved by the North South Ministerial Council. In addition, any grants paid to the bodies require approval by the relevant Finance Minister (North or South).

57. Unfortunately, the Executive and North South Ministerial Council were unable to agree the 2017 Business Plan Guidance which consequently impacted on the ability of North South Bodies, including Waterways Ireland, to have agreed plans in place from 1 January 2017. Whilst Minister of Finance approval was obtained to pay grants of £1.1 million from 1 January 2017 to 31 March 2017, payments to Waterways Ireland from this date are considered irregular in the absence of an agreed corporate plan.

Excess Vote

58. The Department has incurred a technical Excess Vote of £39,783,000 on the Resource Outturn and £61,530,000 on the Net Cash Requirement. This Excess arose due to the Assembly being dissolved in January 2017 and therefore the process of approving 2016-17 Spring Supplementary Estimates and associated Budget Bill did not take place. Consequently, the Supply Estimate position shown in the Statement of Assembly Supply is the Main Estimates position. Had the Spring Supplementary Estimates and associated Budget Bill been approved by the Assembly to reflect changes to departmental budgets that had previously been agreed by the Executive or changes that could reasonably have been expected to have been agreed in the January Monitoring Round, this Excess would not have occurred.

Breach of Capital Budget Control (DVA)

59. There has been a technical breach of the capital budget control total of £0.9 million. This mainly relates to the set up of part of the loans and Public Dividend Capital (PDC) in the Department (Note 12) to reflect the investment in DVA. Normally the set up of loans and PDC would be a budget neutral transaction because the Department would transfer assets into a Trading Fund in return for the loans and PDC to the same value. However, DfI did not hold the assets relating to the 'enforcement' function due to the way the assets had historically been accounted for and this has now caused a technical budget breach. No cash was exchanged by DfI for these loans and PDC. As such there is no impact on the Net Cash Requirement or the Estimates position in the DfI 2016-17 financial statements. As this is purely a budget breach DoF has advised that the issue will be viewed as a technical breach.

Progress on issues identified in the 2015-16 Governance Statements

60. There were no significant internal control issues identified in the 2015-16 Governance Statements from legacy Departments on functions for which DfI is now responsible.

Other Issues

Ministerial Directions

61. No Ministerial Directions were issued during 2016-17.

Personal Data Related Incidents

62. The Department has had two reportable breaches of the Data Protection Act. These incidents were reported to the Information Commissioner who decided not to take formal regulatory action.

Remuneration and Staff Report

a. 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. The minimum point has been removed in each year from 2014 to 2016 (the scales now have 8 pay points) 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	2016-17				2015-16			
	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)**
Chris Hazzard *25/05/16-02/03/17*	29,419	*Nil*	4,000	33,419	*N/A*	*N/A*	*N/A*	*N/A*
Michelle McIlveen *DRD Minister 01/04/16-05/05/16*	3,677	*Nil*	1,000	4,677	17,000	*Nil*	4,000	21,000

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	2016-17				2015-16			
	Salary £'000	**Benefits in kind (nearest £100)**	**Pension Benefits* (nearest £1000)**	**Total £'000**	**£'000**	**Benefits in kind (nearest £100)**	**Pension Benefits* (nearest £1000)**	**Total £'000**
Peter May Permanent Secretary	110-115	*Nil*	60	170-175	105-110	*Nil*	48	155-160
John McGrath Deputy Secretary – Transport & Resources	100-105	*Nil*	38	135-140	95-100	*Nil*	40	135-140
Dr Andrew Murray Deputy Secretary – Roads and Rivers	85-90	*Nil*	37	125-130	85-90	*Nil*	44	130-135
Fiona McCandless Deputy Secretary – Planning, Water and DVA	85-90	*Nil*	41	125-130	*N/A*	*N/A*	*N/A*	*N/A*
John McNeill Departmental Director of Finance	70-75	*Nil*	7	75-80	70-75	*Nil*	26	95-100

Officials	2016-17				2015-16			
	Salary £'000	**Benefits in kind (nearest £100)**	**Pension Benefits* (nearest £1000)**	**Total £'000**	**£'000**	**Benefits in kind (nearest £100)**	**Pension Benefits* (nearest £1000)**	**Total £'000**
Stewart Barnes Acting Departmental Director of Finance (*from 25/11/16*)	25-30 *(65-70 Full year equivalent)*	*Nil*	59**	85-90	*N/A*	*N/A*	*N/A*	*N/A*
Michaela Glass Director of Human Resources and Corporate Services	*65-70*	*Nil*	40	105-110	60-65 *(65-70 Full year equivalent)*	*Nil*	24	80-85
Moira Doherty Director of Strategy, Communications and Change (*from 01/04/16 to 31/01/17)*	55-60 *(65-70 Full year equivalent)*	*Nil*	27	80-85 *(95-100 Full year equivalent)*	*N/A*	*N/A*	*N/A*	*N/A*
Tom Kennedy Director of Strategy, Communications and Change (*from 01/02/17)*	10-15 *(70-75 Full year equivalent)*	*Nil*	5	15-20 *(75-80 full year equivalent)*	*N/A*	*N/A*	*N/A*	*N/A*
David Porter Director of Rivers Agency *(from 01/04/16 to 31/10/16)*	35-40 *(65-70 full year equivalent)*	*Nil*	18	55-60 *(85-90 full year equivalent*)	*N/A*	*N/A*	*N/A*	*N/A*
Paul Duffy Chief Executive DVA *(from 01/04/16 to 31/10/2016)*	35-40 (*65-70 full year equivalent)*	*Nil*	21	60-65 *(85-90 full year equivalent*)	*N/A*	*N/A*	*N/A*	*N/A*
David Gray Non-Executive Director *(until 31/12/16)*	5-10	*Nil*	*N/A*	5-10	5-10	*N/A*	*N/A*	5-10

Officials	**2016-17**				2015-16			
	Salary £'000	**Benefits in kind (nearest £100)**	**Pension Benefits* (nearest £1000)**	**Total £'000**	**£'000**	**Benefits in kind (nearest £100)**	**Pension Benefits* (nearest £1000)**	**Total £'000**
Robert Gilmore Non-Executive Director *(until 31/12/16)*	5-10	*Nil*	*N/A*	5-10	5-10	*N/A*	*N/A*	N/A
Marie Mallon Non-Executive Director (*from 09/05/16 to 29/11/16*)	0-5	*Nil*	*N/A*	0-5	*N/A*	*N/A*	*N/A*	*N/A*

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

***Pension benefit is high due to staff member temporarily promoted in the year.*

2016-17		2015-16	
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	**£27,644** **4.1**	110-115	£27,271 4

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 2016-17 was £110k-£115k (2015-16: £110k-£115k). This was 4.1 times (2015-16: 4) the median remuneration of the workforce, which was £27,644 (2015-16: £27,271).

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 ex-gratia payments.

The Department for Infrastructure was under the direction and control of Michelle McIlveen MLA (1 April 2016 to 5 May 2016) and Chris Hazzard MLA (25 May 2016 to 2 March 2017) during the financial year. Their 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 2016-17 or 2015-16. The SCS pay settlement does not allow for bonuses.

Pension Benefits (this information is subject to audit)

Ministers	**Accrued pension at pension age as at 31/3/17** **£000**	**Real increase in pension at pension age** **£000**	**CETV at 31/3/17** **£000**	**CETV at 31/3/16** **£000**	**Real increase in CETV** **£000**
Chris Hazzard	0-2.5	0-2.5	3	-	-
Michelle McIveen *DRD Minister to 05/05/2016*	0-2.5	0-2.5	20	19	-

Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2016 (AMPS). In 2011 the Assembly passed the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) establishing a Panel to make determinations in relation to the salaries, allowances and pensions payable to members of the Northern Ireland Assembly. In April 2016 the Independent Financial Review Panel issued The Assembly Members (Pensions)

Determination (Northern Ireland) 2016 which introduced a Career Average Revalued Earnings scheme for new and existing members. Existing members born on or before 1 April 1960 retain their Final Salary pension arrangements under transitional protection until 6 May 2021. The new scheme is named Assembly Members' Pension Scheme (Northern Ireland) 2016 and replaces the 2012 scheme.

As Ministers are Members of the Legislative Assembly they also accrue an MLA's pension under the AMPS (details of which are not included in this report). Pension benefits for Ministers under transitional protection arrangements are provided 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. Pension benefits for all other Ministers are provided on a career average (CARE) basis.

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 9% 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 14.4% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach normal pension age for their section of the Scheme. Ministers under transitional protection arrangements may retire at age 65. Ministers in the CARE scheme have a pension age aligned to their State Pension Age.

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 office holder service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations

2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

Pension Entitlements (this information is subject to audit)

Officials	Accrued pension at pension age as at 31/3/17 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/17 £'000	CETV at 31/3/16 £'000	Real increase in CETV* £'000	Employer contribution to partnership pension account (nearest £100)
Peter May Permanent Secretary 0-2.5 pension plus 0-2.5 lump sum	50-55 pension plus 60-65 lump sum	2.5-5.0 pension plus 0-2.5 lump sum	851	780	34	NIL
John McGrath Deputy Secretary – Transport and Resources	45-50 pension plus 145-150 lump sum	0-2.5 pension plus 5-7.5 lump sum	1,052	1,021	34	NIL
Dr Andrew Murray Deputy Secretary – Roads and Rivers	45-50 pension plus 75-80 lump sum	0-2.5 pension plus 0-2.5 lump sum	1,020	940	37	NIL
Fiona McCandless Deputy Secretary – Planning, Water and DVA	20-25 pension plus 50-55 lump sum	0-2.5 pension plus 0-2.5 lump sum	363	323	20	NIL
John McNeill Departmental Director of Finance	25-30 pension plus 25-30 lump sum	0-2.5 pension plus decrease 0-2.5 lump sum	520	491	6	NIL
Stewart Barnes Acting Departmental Director of Finance (*from 25/11/16*)	25-30 pension plus 75-80 lump sum (based on acting up)	2.5-5 pension plus 7.5-10 lump sum	510	454	52	NIL

Officials	**Accrued pension at pension age as at 31/3/17 and related lump sum**	**Real increase in pension and related lump sum at pension age**	**CETV at 31/3/17**	**CETV at 31/3/16**	**Real increase in CETV***	**Employer contribution to partnership pension account**
Michaela Glass Director of Human Resources and Organisational Change	20-25 pension plus 65-70 lump sum	0-2.5 pension plus 0-2.5 lump sum	404	364	22	NIL
Moira Doherty Director of Strategy, Communications and Change *(to 31 January 2017)*	15-20 pension plus 40-45 lump sum	0-2.5 pension plus 0-2.5 lump sum	228	212	11	NIL
Tom Kennedy Director of Strategy, Communications and Change *(from 1 February 2017)*	30-35 pension plus 95-100 lump sum	0-2.5 pension plus 0-2.5 lump sum	690	683	5	NIL
David Porter Director of Rivers Agency	15-20 pension plus 40-45 lump sum	0-2.5 pension plus 0-2.5 lump sum	244	233	8	NIL
Paul Duffy Chief Executive of DVA	25-30 pension plus 65-70 lump sum	0-2.5 pension plus 0-2.5 lump sum	417	402	10	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 reviewed annually in line with changes in the cost of living. Prior to 2011, pensions were reviewed 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 were eligible for membership of the nuvos arrangement or they could 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 reviewed annually in line with changes in the cost of living.

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 reviewed annually in line with changes in the cost of living.

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2016 was 1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2017.

Employee contribution rates for all members for the period covering 1 April 2017 – 31 March 2018 are as follows:

Scheme Year 1 April 2017 to 31 March 2018

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 1 April 2016 to 31 March 2017**	**From 1 April 2016 to 31 March 2017**
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,422.99	4.6%	4.6%
£21,423.00	£51,005.99	5.45%	5.45%
£51,006.00	£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 8% and 14.75% (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 2008 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. 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

In 2016-17, the Special Adviser received an exit package in accordance with the Code Governing the Appointment of Special Advisers issued under the Civil Service (Special Advisers) Act (Northern Ireland) 2013.

b. Staff Report (this information is subject to audit)

Staff Costs

Staff costs comprise:

				2016-17 £000	2015-16 £000
	Permanent staff	**Others**	**Minister**	**Total**	Total
Wages and salaries	69,727	582	33	70,342	80,233
Social security costs	6,844	-	4	6,848	5,783
Other pension costs	14,407	-	5	14,412	16,646
Other staff costs	328	-	-	328	12,352
Total net costs	**91,306**	**582**	**42**	**91,930**	**115,014**
Analysed as:					
RfR A				90,484	113,805
RfR B				1,446	1,209
				91,930	**115,014**
Analysed as:					
Administration costs – continuing operations				67,465	73,851
Minister's costs (notional)				42	44
Per Consolidated Statement of Comprehensive Net Expenditure				67,507	73,895
Programme costs – continuing operations				13,934	30,839
Capitalised				10,489	10,280
				91,930	**115,014**

Permanently employed staff includes the cost of the Department's Special Adviser who was paid in the pay band £59,627 to £91,809 (2015-16: £59,627 - £91,809). The 2016-17 pay award for Special Advisors is currently outstanding.

The Northern Ireland Civil Service pension schemes are unfunded multi-employer defined benefit schemes but the Department for Infrastructure 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 Allowances Annual Report as at 31 March 2017.

For 2016-17, employers' contributions of £14,366,220 were payable to the NICS pension arrangements (2015-16: £15,843,160) at one of three 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 2017-18, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 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 £26,632 (2015-16: £29,438) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 8% to 14.75% (2015-16: 3% to 14.7%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition employer contributions of £743, 0.5% (2015-16: £1,294, 0.5%) of pensionable pay, were payable to the NICS Pension schemes 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.

13 people (2015-16: 10 people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £47,068 (2015-16: £23,152).

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the department as well as in agencies and other bodies included within the consolidated departmental Annual Report and Accounts.

	2016-17					Restated 2015-16
Objective	**Total**	**Permanent staff**	**Others**	**Minister**	**Special Advisor**	Total
A	**2,012**	1,989	21	1	1	**2,525**
B	**24**	24	-	-	-	**22**
Staff engaged on capital projects	**274**	274				**248**
Total	**2,310**	**2,287**	**21**	**1**	**1**	**2,795**
Of which:						
Core Department	**2,310**	**2,287**	**21**	**1**	**1**	**2,636**
Agencies	**-**	**-**	**-**	**-**	**-**	**159**

Staff Composition

The actual staff numbers as at 31 March 2017 can be broken down as follows:

	2016-17			Restated 2015-16		
	Male	**Female**	**Total**	Male	Female	Total
Minister	**-**	**-**	**-**	-	1	1
Senior Civil Service	**13**	**6**	**19**	12	5	17
Other Employees	**1,772**	**607**	**2,379**	1,868	710	2,578
Total	**1,785**	**613**	**2,398**	1,880	716	2,596

Reporting of compensation and exit packages for all staff

	2016-17			Restated 2015-16		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	-	1	1	-	13	13
£10,000 - £25,000	-	5	5	-	224	224
£25,000 - £50,000	-	16	16	-	174	174
£50,000 - £100,000	-	6	6	-	24	24
£100,000 - £150,000	-	-	-	-	1	1
Total number of exit packages	**-**	**28**	**28**	**-**	**436**	**436**
Total resource £'000	**-**	**1,146**	**1,146**	**-**	**12,006**	**12,006**

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.

In 2016-17, the Special Adviser received an exit package in accordance with the Code Governing the Appointment of Special Advisers issued under the Civil Service (Special Advisers) Act (Northern Ireland) 2013.

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

£244,184 (£415,060 2015-16) was spent on external consultancy during 2016-17 year.

Senior Civil Service pay band

Actual staff numbers of Senior Civil Service by pay band for the Department as at 31st March 2017 are as follows:

Pay band – assessed each pay period		Actual staff numbers as at 31 March 2017
From	**To**	
£66,961	£79,058	15
£88,596	£101,092	3
£114,047	£133,327	1
£153,933	£180,496	-
		19

Employees

People Plan 2016-17

The one year People Plan provided a framework that helped provide opportunities to increase engagement at all levels, nurture talent and manage performance properly. The main areas under the Departmental vision were:

- Strong visible leadership and shared understanding of purpose;
- Nurture talent and manage performance;
- Support for health and wellbeing.

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. The Department is committed to the principles of "Investors in People" and retained its IiP status after the formation of DfI in 2016.

Employee Involvement/ Engagement

The Department places considerable reliance on the involvement of its employees. It keeps staff informed of plans and developments through the monthly newssheet, 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 provides an opportunity for staff to learn about the work of business areas across the department as well as experiences of their peers both inside and outside the working environment.

The Department has established a Staff Engagement Forum. Membership of the Forum is representative of all staff within the Department, including non-industrial and industrial staff, given the diverse structure within the organisation. Membership also includes Departmental TUS colleagues. The aim of the Forum is to:

- discuss and communicate with members on any key issues affecting staff and the Department;
- provide a means for staff to contribute to the development of a DfI Communications and Engagement Strategy and, once implemented, to monitor progress against the Action Plan;
- provide our staff with an opportunity to have their opinions heard in how the Department is run and the issues that concern them; and
- provide mutual support for DfI staff and the DfI Board in taking forward the business of the new Department for Infrastructure and to help gain cooperation from colleagues across the Department.

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

Although there was no agreed DfI Ministerial Sickness Absence Target in place for 2016/17, NISRA statistics at 31 March 2017* indicate that the combined annual sickness absence outturn for industrial staff and non-industrial staff was 11.0 working days lost. This compares to an NICS outturn of 12.4 working days lost for the same period.

The NICS focus on absenteeism has progressed from sickness absence targets to compliance targets.

The latest compliance figures for the Department for 2016-17 are as follows:

Action Required	Target Rate	Compliance Rate
Absence recorded on first day	85%	60%
Absence closed on day of return to work	85%	29%
Return to Work Interviews conducted within 2 days of return	85%	60%
Certificates updated within 2 weeks from first day of absence or certificate due date	95%	41%

*figures not yet validated by NISRA

Statement of Assembly Supply

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

As a result of departmental restructuring during 2016-17, the prior year comparative figures in the IFRS-based primary statements have been restated in accordance with FReM accounting requirements. However, the prior year comparatives for the Statement of Assembly Supply have not been restated as this statement is indelible. As no Supply Estimate was presented to the Assembly for the 2015-16 year for the Department for Infrastructure, the prior year comparatives in the SOAS for 2016-17 have been shown as zero.

Summary of Resource Outturn 2016-17

								2016-17 £000	2015-16 £000
				Estimate			Outturn		Outturn
Request for Resources	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total Outturn compared with Estimate: saving/ (excess)	Net Total
A	SOAS1	589,091	(21,180)	567,911	629,043	(21,180)	607,863	(39,952)	-
B	SOAS1	286,533	(70,262)	216,271	286,364	(70,262)	216,102	169	-
Total resources	SOAS2	875,624	(91,442)	**784,182**	915,407	(91,442)	**823,965**	**(39,783)**	**-**
Non-operating Accruing Resources	SOAS3			-			-	-	-

Net cash requirement 2016-17

				2016-17 £000	2015-16 £000
	Note	Estimate	Outturn	Net Total Outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement	SOAS3	**783,698**	**845,228**	**(61,530)**	**-**

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 2016-17 £000		Outturn 2016-17 £000	
	Note	**Income**	**Receipts**	**Income**	**Receipts**
Total	SOAS4	**-**	-	**61,362**	*61,621*

Explanation of variances between Estimate and Outturn are given in SOAS 1*'Analysis of net resource outturn by function'* and the Performance Report on page 19. A Key to Request for Resources is also given in **SOAS1**.

Technical Excess

The department has incurred a technical Excess of £39,783,000 on the Resource Outturn and an excess of £61,530,000 on the Net Cash Requirement. This arose due to the Assembly being dissolved in January 2017 and therefore the process of approving 2016-17 Spring Supplementary Estimates and associated Budget Bill did not take place. Consequently, the Supply Estimate position shown in the Statement of Assembly Supply is the Main Estimates position. Had the Spring Supplementary Estimates and associated Budget Bill been approved by the Assembly to reflect changes to departmental budgets that had previously been agreed by the Executive or changes that could reasonably have been expected to have been agreed in the January Monitoring Round, this would not have occurred.

SOAS 1 Analysis of Net Resource Outturn by function

									2016-17 £000	2015-16 £000
						Outturn			Estimate	Outturn
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net Total	NET TOTAL	Net total Outturn compared with Estimate	Net total Outturn compared with Estimate, adjusted for virements*	Prior Year Outturn
Request for Resources A:										
Departmental Expenditure in DEL										
1: Roads	60,312	135,268	-	195,580	(16,386)	179,194	183,780	4,586	4,586	-
2: Rivers	-	15,273	-	15,273	(197)	15,076	16,159	1,083	1,083	-
3: Road Safety Services	4,919	4,436	-	9,355	(3,091)	6,264	8,929	2,665	2,665	-
4: Driver and Vehicle Agency	-	2,954	1,600	4,554	(759)	3,795	4,049	254	254	-
5: Ferry services, air and sea ports	-	595	927	1,522	(511)	1,011	1,223	212	212	-
6: Railway services	-	33,028	55,939	88,967	-	88,967	100,369	11,402	11,402	-
7: Road passenger services	4,326	39,503	27,168	70,997	-	70,997	43,521	(27,476)	(27,476)	-
8: Inland Waterways	130	193	-	323	-	323	675	352	352	-
9: Planning and Policy	2,013	5,451	-	7,464	(200)	7,264	5,765	(1,499)	(1,499)	-
10: Reinvestment & Reform	-	686	-	686	-	686	492	(194)	(194)	-
11: EU Interreg	-	-	-	-	-	-	-	-	-	-
12: Central Policy and Other Services	4,597	180	-	4,777	(36)	4,741	5,403	662	662	-
Annually Managed Expenditure (AME)										
13: Depreciation and Impairment costs	1,267	205,682	-	206,949	-	206,949	168,348	(38,601)	(38,601)	-
14: Provisions	(29)	4,811	-	4,782	-	4,782	6,700	1,918	1,918	-
Non-Budget										
15: Waterways Ireland	-	-	3,523	3,523	-	3,523	3,550	27	27	-
16: Notional charges	14,291	-	-	14,291	-	14,291	18,948	4,657	4,657	-
Total	**91,826**	**448,060**	**89,157**	**629,043**	**(21,180)**	**607,863**	**567,911**	**(39,952)**	**(39,952)**	**-**
Request for Resources B:										
Departmental Expenditure in DEL										
1: Water Policy and Other Services	1,462	-	-	1,462	-	1,462	1,133	(329)	(329)	-
Non-Budget										
2. Northern Ireland Water Limited	-	284,902	-	284,902	(70,262)	214,640	215,138	498	498	-
Total	**1,462**	**284,902**	**-**	**286,364**	**(70,262)**	**216,102**	**216,271**	**169**	**169**	**-**
Resource Outturn	**93,288**	**732,962**	**89,157**	**915,407**	**(91,442)**	**823,965**	**784,182**	**(39,783)**	**(39,783)**	**-**

***No virement applied for as there was already an excess vote.**

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

	Variance Under/(Over) £000	Explanation
RfR A	(39,952)	This Excess arose due to the Assembly being dissolved in January 2017 and therefore the process of approving 2016-17 Spring Supplementary Estimates (SSEs) and associated Budget Bill did not take place. The outturn is being compared against the Main Estimate which did not take account of additional funding received during the year and also additional income. Had the SSE position been used an excess vote would not have occurred.
RfR B	169	Not material

Explanations of variances between Estimate and outturn are given in Note SOAS1 and in the Performance Report on page 19.

Key to Request for Resources

RfR A

Supporting the economy by planning, developing and managing safe and sustainable transportation networks, promoting airport and harbour services, addressing regional imbalance in infrastructure 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 facilitates the provision of sustainable, high quality water and sewerage services.

As no Supply Estimate was presented to the Assembly for the 2015-16 year for the new Department for Infrastructure, the prior year comparatives in the SOAS for 2016-17 have been shown as zero.

SOAS 2 Reconciliation of Outturn to Net Operating Cost

		2016-17 £000			2015-16 £000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	SOAS1	**823,965**	**784,182**	**(39,783)**	**-**
Non-supply income (CFERs)	SOAS4	(56,245)	-	56,245	-
Non-voted expenditure		-	1,500	1,500	
Unrealised exchange losses on Non Estimate related EU Receivables		(591)	-	591	-
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure		**767,129**	**785,682**	**18,553**	-

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	**784,182**	**823,965**	**(39,783)**
Capital				
Acquisition of property, plant and equipment		187,050	236,015	(48,965)
Investments		45,000	34,957	10,043
Non-operating Accruing Resources				
Net Book Value of asset disposals		-	-	-
Accruals to cash adjustments				
Depreciation and revaluation	3,4	(209,914)	(233,017)	23,103
New provisions and adjustments to previous provisions (Capital)	3,4	(21,000)	(7,788)	(13,212)
New provisions and adjustments to previous provisions (Revenue)	3,4	(6,700)	(4,773)	(1,927)
Other non-cash items	3,4	(18,948)	(14,882)	(4,066)
Changes in working capital other than cash	SOAS 3.1	15,322	(3,194)	18,516
Changes in payables falling due after more than one year	17	7,262	6,523	739
Use of provision	18	1,444	10,549	(9,105)
Other – transfer of balances to Public Corporation		-	(3,127)	3,127
Net Cash Requirement		**783,698**	**845,228**	**(61,530)**

The variance between the Main Estimate Net Cash Requirement and Outturn Net Cash requirement is £61,530,000. This technical excess arose due to the Assembly being dissolved in January 2017 and therefore the process of approving 2016-17 Spring Supplementary Estimates (SSEs) and associated Budget Bill did not take place. The outturn is being compared against the Main Estimate which did not take account of additional funding received during the year and also additional income. Had the SSE position been used there would not have been an excess.

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

	Note	2016-17 £000
Increase/(decrease) in inventories	14	(278)
Increase/(decrease) in receivables	16	(6,118)
Adjustments to movements in receivables		
Movement in CFER related receivables	16	256
Movement in provision for bad debts	16	692
(Increase)/decrease in payables less than 1 year	17	(59,407)
Adjustments to movements in payables less than 1 year		
Increase/(decrease) in amounts due to the Consolidated Fund	17	61,661
Net increase/(decrease) in working capital other than cash recognised in Statement of Assembly Supply		**(3,194)**

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 2016-17 £000		Outturn 2016-17 £000	
	Note	**Income**	***Receipts***	**Income**	***Receipts***
Operating income and receipts not classified as Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		-	-	790	*1,049*
Operating income and receipts – excess Accruing Resources		-	-	55,455	*55,455*
Subtotal		-	-	56,245	*56,504*
Exchange gain		-	-	-	-
Exchange loss – Capital		-	-	-	-
Non-operating income and receipts – excess Accruing Resources		-	-	5,117	*5,117*
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		-	-		-
Total income payable to the Consolidated Fund		**-**	***-***	**61,362**	***61,621***

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

		2016-17 £000
	Note	
Operating income	5	147,687
Operating income netted off resource expenditure		-
Adjustments for transactions between RfRs		-
Gross income		**147,687**
Income authorised to be used as Accruing Resources	SOAS 1	(91,442)
Operating income payable to the Consolidated Fund	SOAS 4	**56,245**

SOAS 6 Non-operating income – Excess Accruing Resources

	2016-17 **£000**	2015-16 £000
Non-operating income – Excess Accruing Resources	**5,117**	-

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

(i) Losses and special payments

Losses Statement

	2016-17		2015-16 Restated	
	Cases	**£000**	Cases	£000
Stores and plant losses	**5**	**7**	5	5
Abandoned Claims	**4,558**	**552**	4,827	763
Fruitless Payments	**-**	**-**	1	0*
Foreign exchange losses	**1**	**46**	1	116
Losses of pay allowances and superann	**2**	**1**	1	10
Other cash losses	**2**	**0***	1	0*
Administrative Write Offs	**-**	**-**	7	8
Other Losses	**-**	**-**	8	3
	4,568	**606**	4,851	905

***Losses value less than £1,000**

Details of cases over £250,000

The Department incurred losses relating to penalty charge notice debt of £383,221 (2015-16: £425,966) 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

	2016-17	2015-16 Restated
Total number of special payments	1,794	3,475
Total value of special Payments £000	5,066	4,852

Special Payments includes compensation payments including those arising from Public and Employer Liability Claims and ex gratia payments. 2016-17; 1756 cases total cost £4,674,877. No one payment was greater than £250,000.

(ii) Business activities attracting fees and charges

	Income	Cost	Surplus/(deficit) 2016-17 £000	Surplus/(deficit) 2015-16 Restated £000
Car Parks	11,335	(11,481)	(146)	(2,046)
Strangford Ferry	1,241	(2,492)	(1,251)	(1,099)
Total	**12,576**	**(13,973)**	**(1,397)**	**(3,145)**

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

The financial target for car parking services in 2016-17 is 100% (2015-16: 100%) recovery of the full cost of providing, updating and maintaining the services. The actual percentage recovery achieved was 99% (2015-16: 83%). Cost recovery has increased for 2016-17 mainly due to the reduction in the cost of capital which was in line with our target.

The financial target for the ferry service in 2016-17 is 40% (2015-16: 40%) recovery of the full cost of providing and maintaining the services. The actual percentage recovery achieved was 50% (2015-16: 50%). Cost recovery remains static in 2016-17; income has increased however this has been matched by an increase 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.

Peter May

Accounting Officer **28 June 2017**

DEPARTMENT FOR INFRASTRUCTURE

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 Infrastructure for the year ended 31 March 2017 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 and Audit Report that is described in that report and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Basis for qualified opinion on regularity arising from breaches of Assembly control totals

In 2016-17 the Department for Infrastructure expended more resources than the Assembly had authorised in the Request for Resources (RfR) A resulting in an excess vote. Net Resource Outturn for RfR A of £607,863,000 was £39,952,000 in excess of the £567,911,000 limit authorised by the Assembly and Net Resource Outturn for RfR B was within the limit authorised by the Assembly by £169,000 resulting in an excess Net Resource Outturn of £39,783,000.

In 2016-17 the Department for Infrastructure required more cash than the Assembly had authorised in Net Cash Requirement resulting in an excess vote. Net Cash Requirement of £845,228,000 was £61,530,000 in excess of the £783,698,000 limit authorised by the Assembly.

These excesses arose because the Assembly dissolved at the end of January 2017 and therefore the process of considering and approving the 2016-17 Spring Supplementary Estimates by way of a Budget Bill could not take place. Had the Assembly approved these Estimates the excesses would not have occurred.

Qualified opinion on regularity

In my opinion, except for the breaches described in the basis for qualified opinion paragraphs above, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2017 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 2017 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 directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit 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 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 and Audit 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

Other than as outlined in the basis for qualified opinion paragraphs above, I have no further observations to make on these financial statements.

K J Donnelly

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

29 June 2017

FINANCIAL STATEMENTS

Consolidated 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 2017

	Note	2016-17 £000	Restated 2015-16 £000
Dividend and Interest Income		(71,666)	(72,193)
Income from car park receipts and penalty charge notices		(10,524)	(10,229)
Other Income		(65,497)	(84,864)
Total Operating Income	**5**	(147,687)	(167,286)
Grants	4	448,755	462,538
Staff Costs	3,4	81,441	104,734
Purchase of goods and services	3,4	88,750	91,564
Other operating expenditure	3,4	4,306	4,877
Depreciation, impairment charges and profit/loss on disposal of assets	3,4	233,048	165,684
Provision expense	3,4	4,773	7,223
Notional charges	3	14,249	15,327
Total Operating Expenditure		875,322	851,947
Net Operating Expenditure		**727,635**	**684,661**
PPP Expense	4	39,494	39,368
Net Expenditure for the year		**767,129**	**724,029**
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating cost:			
- Net (gain)/loss on revaluation of Property, Plant and Equipment (PPE)	6	(539,357)	2,562,049
- Net (gain)/loss on revaluation of intangibles	7	(193)	(116)
Items that may subsequently be reclassified to net operating costs:			
- Adjustment to Property, Plant and Equipment (PPE) opening balance	6	79,137	(17,981)
- Adjustment to Intangibles opening balance	7	338	1
Comprehensive Net Expenditure for the year		**307,054**	**3,267,982**

The notes on pages 95 to 134 form part of the financial statements.

Consolidated 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 2017

	Note	31 March 2017 £000	Restated 31 March 2016 £000	Restated 1 April 2015 £000
Non-current assets:				
Property, plant and equipment	6	25,785,387	25,321,475	27,871,056
Intangible assets	7	10,027	15,302	14,706
Financial assets	12	1,692,307	1,657,350	1,621,350
Total non-current assets		27,487,721	26,994,127	29,507,112
Current assets:				
Assets classified as held for sale	13	285	290	14
Inventories	14	3,201	3,479	3,230
Trade and other receivables	16	44,349	50,467	41,999
Cash and cash equivalents	15	11,244	12,632	6,468
Total current assets		59,079	66,868	51,711
Total assets		27,546,800	27,060,995	29,558,823
Current liabilities:				
Trade and other payables	17	(230,648)	(171,241)	(159,892)
Provisions	18	(3,800)	(2,136)	(1,634)
Total current liabilities		(234,448)	(173,377)	(161,526)
Non-current assets plus/less net current assets/liabilities		27,312,352	26,887,618	29,397,297
Non-current liabilities:				
Other payables	17	(312,847)	(319,370)	(324,001)
Provisions	18	(33,516)	(35,078)	(44,627)
Total non-current liabilities		(346,363)	(354,448)	(368,628)
Assets less liabilities		**26,965,989**	**26,533,170**	**29,028,669**
Taxpayers' equity:				
General fund		16,015,753	15,948,371	15,823,879
Revaluation reserve		10,950,236	10,584,799	13,204,790
Total taxpayers' equity		**26,965,989**	**26,533,170**	**29,028,669**

Peter May

Accounting Officer 28 June 2017

The notes on pages 95 to 134 form part of the financial statements.

Consolidated 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 2017

	Note	2016-17 £000	Restated 2015-16 £000
Cash flows from operating activities			
Net operating cost		(767,129)	(724,029)
Adjustments for non-cash transactions	4.2	214,503	184,691
(Increase)/decrease in trade and other receivables	16	6,118	(8,468)
less movements in receivables relating to items not passing through the Net Operating Cost			
Increase/(decrease) in amounts due from Consolidated Fund	16	-	-
Movement in provision for bad debt	16	(692)	(1,087)
Receivables due from other department re CFER non cash		4	-
Transfer of debtors to local councils		-	(245)
(Increase)/decrease in inventories	14	278	(249)
Increase/(decrease) in trade and other payables	17	52,884	6,718
less movements in payables relating to items not passing through the Net Operating Cost			
(Increase)/decrease in amounts due to Consolidated Fund		(61,661)	(8,739)
Decrease/(increase) in amounts due to capital retentions/accruals		2,975	(2,414)
Use of bad debt provision	16	(552)	(762)
Use of other revenue provisions	18	(5,573)	(5,359)
Net cash outflow from operating activities		(558,845)	(559,943)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(192,228)	(161,975)
Purchase of intangible assets	7	(728)	(4,883)
Proceeds of disposal of property, plant and equipment	6	155	283
Proceeds of disposal of intangibles	7	-	(1)
Proceeds of disposal of assets held for resale		1,218	2,622
Investment additions	12	(34,957)	(36,000)
Net cash outflow from investing activities		(226,540)	(199,954)

Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		772,913	766,490
Loan from the Consolidated Fund		11,148	
From the Consolidated Fund (Supply) – prior year		-	-
From the Consolidated Fund (non-Supply)		-	-
From EU/TENS – capital grant receipts		-	-
Developer contributions		-	-
Net financing		784,061	766,490
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(1,324)	6,593
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(64)	(429)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(1,388)	6,164
Cash and cash equivalents at the beginning of the period	15	12,632	6,468
Cash and cash equivalents at the end of the period	15	11,244	12,632

The notes on pages 95 to 134 form part of the financial statements.

Consolidated 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 2017

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
Balance at 1 April 2015 (restated)		**15,823,879**	**13,204,790**	**29,028,669**
Adjustment to Opening Balance		2,424	15,556	17,980
Restated balance at 1 April 2015		15,826,303	13,220,346	29,046,649
Net gain/(loss) on revaluation of property, plant and equipment		-	(2,562,048)	(2,562,048)
Net gain/(loss) on revaluation of intangible assets		-	116	116
Net Assembly Funding - drawn down		764,459	-	764,459
Agency Funding		2,030	-	2,030
Net Assembly Funding - deemed		2,588	-	2,588
Supply (payable)/receivable	17	(10,785)	-	(10,785)
CFERs - other		(210)	-	(210)
CFERs - Excess Accruing Resources		(21)	-	(21)
CFERs - Trans European Networks capital funding		(745)	-	(745)
Property, plant and equipment additions funded by non-cash contributions from developers	6,7	-	-	-
Car park debtors transferred to the local councils		(244)	-	(244)
Other		40	-	40
Comprehensive net expenditure for the year		(724,029)	-	(724,029)
Non-Cash Adjustments:				
Non-cash charges - notional cost	3	15,218	-	15,218
Non-cash charges - auditor's remuneration	3	152	-	152
Movement in Reserves:				
Transfers between reserves		73,615	(73,615)	-
Balance at 31 March 2016 (restated)		**15,948,371**	**10,584,799**	**26,533,170**

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
Balance at 31 March 2016 (Restated)		15,948,371	10,584,799	26,533,170
Adjustment to Opening Balance		1,156	(79,956)	(78,800)
Restated balance at 1 April 2016		15,949,527	10,504,843	26,454,370
Net gain/(loss) on revaluation of property, plant and equipment		-	539,358	539,358
Net gain/(loss) on revaluation of intangible assets		-	193	193
Net Assembly Funding - drawn down		772,913	-	772,913
Net Assembly Funding - deemed		10,785	-	10,785
Supply (payable)/receivable	17	-	-	-
CFERs - other		(790)	-	(790)
CFERs - Excess Accruing Resources		(60,572)	-	(60,572)
CFERs - Trans European Networks capital funding		-	-	-
Property, plant and equipment additions funded by non-cash contributions from developers	6,7	-	-	-
Recognition of loans and PDC in DVA		2,570		2,570
Comprehensive net expenditure for the year		(767,129)		(767,129)
Non-Cash Adjustments:				
Non-cash charges - notional cost	3	14,168	-	14,168
Non-cash charges - auditor's remuneration	3	123	-	123
Movement in Reserves:				
Transfers between reserves		94,158	(94,158)	-
Balance at 31 March 2017		16,015,753	10,950,236	26,965,989

The notes on pages 95 to 134 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 2016-17 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. Where material, assets have been grouped so as to reflect property, plant and equipment holdings more accurately.

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

- Land is valued by Land and Property Services and are updated annually to reflect both subsequent expenditure and the movement in appropriate published indices. DfI aims to have land and buildings valued by LPS every five years. The last such valuation was 1 April 2016 with indices used to update the valuation as at 31 March 2017. The exception to this is Crumlin Road Gaol which is valued by Land and Property Services every year because no suitable indices exist for this type of asset.

Network Assets – Roads and Structures

- 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 DfI 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. The last revaluation of Network Assets (Roads & Bridges) was completed in 2015-16.

Network Assets – Flood Defence Assets and Culverts

- Rivers assets are extremely specialised in nature, location and function. There are three categories of asset; below ground, above ground and hydrometric assets.
- A revaluation of the flood defence assets was carried out as at 31 March 2017. The modern day replacement value (MDRV) of the flood defence assets is calculated from an in-house developed model using the CESMM4 carbon and price book 2013 to more accurately reflect "Modern Day" construction and procurement practices. The rates derived within the cost models are applied to the network statistics, which are contained within Rivers' Networking Asset Inventory Database. The model is continually updated to take account of additions and condition surveys that have taken place.
- Assets are held at Depreciated Replacement Cost (DRC) in the Statement of Financial Position.

Car Parks and Buildings

- Car parks and buildings were valued by Land and Property Services at 31 March 2013. These are then be updated annually to reflect both subsequent expenditure and, as above, the movement in appropriate published indices.

Plant and Machinery

- Plant and machinery is valued at depreciated replacement cost or at open market value where obtainable and restated for inflation by appropriate inflation indices.

Information Technology & Furniture and Fittings

- Information Technology and Furniture and Fittings assets are valued at depreciated replacement cost and restated for inflation by appropriate indices.

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 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 Information Technology are depreciated on a straight-line basis over their useful lives. Estimated useful lives by asset category are as follows:

Freehold Buildings	10-100 years
Leasehold Buildings	Length of lease
Plant and Machinery	3-40 years
Information Technology	3-10 years
Furniture & Fittings	3-10 years

- Assets in the course of construction are not depreciated until they have been brought into use.
- Road network 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.
- Rivers network assets are depreciated over their useful economic life being 120 years for below ground, 50 years for above ground and 20 years for hydrometric assets.

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 Statement of Comprehensive Net Expenditure in accordance with IFRIC 18.

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 2-15 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.

Public dividend capital and loans in DVA

Under Article 5(2) of the Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 1996, Public Dividend Capital (PDC) was created in the old Department of the Environment in order to facilitate commencement of operations of the Driver & Vehicle Testing Agency. On 1 April 2016 DVA transferred to the Department for Infrastructure as a result of the reorganisation of the departments. It also became a full Trading Fund at that point under the

Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 2016. Additional PDC and loans were created to facilitate an extension of operations.

The Northern Ireland Guide to the Establishment and Operation of Trading Funds states that the opening net assets of a Trading Fund are funded by a combination of loan capital, public dividend capital and reserves. The Guide also states that the general policy is for loan capital to represent at least 50% of the opening value of net assets with reserves and PDC together forming the remaining 50%.

Under the requirements of IAS 39 Financial Instruments: Recognition and Measurement, as interpreted by FREM, PDC is reported at historic cost less 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 2017 applied to the untaken leave balance at 31 March 2017 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 0.24% 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 (-2.70% applied to cash flows of general provisions between 0 and 5 years)
- medium term (-1.95% 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. A machine based survey (SCANNER) is now carried out on the B and C class roads as a rolling 4 year programme. On the non-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 CVI 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 Restructuring of departments

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. 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) on 9th 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.

Merger accounting has applied and comparatives have been restated in line with DoF guidance.

The Driver and Vehicle Agency transferred from the former DOE to DfI as part of restructuring. It also extended its trading fund to incorporate other previously supply-funded functions as of 1 April 2016. All of DVA is now included in the trading fund and therefore it's results are not shown in the departmental accounts.

1.27 Impending application of newly issued accounting standards not yet effective

The International Accounting Standards Board has issued new and amended standards that are effective for the first time in 2016-17. These have been reviewed and the assessment is that their adoption has not had any significant impact on the amounts reported in these financial statements. There have been no substantial updates to the FReM as a result of these changes.

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 and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020-21, 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 the introduction of the changes to IFRS 9 on Financial Instruments in relation to recognising future credit losses and also to IFRS 16 on leases may have some impact but 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 2016-17 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 2016-17 the Department comprised of three Groups:

- Planning, Water and DVA,
- Roads and Rivers
- Transport and Resources

When reporting to the Departmental Board the financial information was broken down into the following groups:

Planning, Water and DVA

Planning: Strategic & Policy

Strategic Planning division's role is to support the future economic development needs of Northern Ireland to ensure that the benefits of economic investment and job creation are realised. This includes the Crumlin Road Gaol and St Lucia Regeneration Site.

Planning Policy Division is responsible for the development of planning legislation and policy in line with Ministerial direction, including the development and implementation of the Regional Development Strategy.

Water Drainage & Policy

The Group was responsible for the development and maintenance of the policy and regulatory environment to provide a modern, high quality water and sewerage service, at the lowest possible cost.

DVA

The Driver and Vehicle Agency (DVA) is the Department's only agency. However it is a Trading Fund and does not form part of the Department's accounts. The agency aims to deliver improved road safety and better regulation of the transport sector. Responsibilities include driver licensing, vehicle and driver testing, responsibility for those who drive for a living and roadside enforcement.

Roads and Rivers

TransportNI – Transport Projects Division

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

TransportNI – Roads Service

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

Rivers
Rivers Agency aims to reduce the risk to life and damage to property from flooding from rivers and the sea and to undertake watercourse and coastal flood management in a sustainable manner.

Transport and Resources

Public Transport
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.

Road Safety and Vehicle Regulation
Road Safety and Vehicle Regulation Division (RSVRD) are responsible for the promotion of improved road safety and the delivery of better regulation of the transport sector. This includes responsibility for coordinating the implementation of the Northern Ireland Road Safety Strategy.

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.

			2016-17 £'000
	Gross Expenditure	**Income**	**Net Expenditure**
TNI Roads Service	381,515	(63,385)	318,130
TNI Transport Projects	1,912	(6)	1,906
Rivers	32,235	(209)	32,026
Planning: Strategic & Policy	5,869	(824)	5,045
Water Drainage & Policy	286,364	(70,349)	216,015
DVA	4,554	(1,317)	3,237
Public Transport	162,774	(8,018)	154,756
Road Safety & Vehicle Regulation Division	4,287	(1,509)	2,778
Corporate Services	35,306	(2,070)	33,236
Total	**914,816**	**(147,687)**	**767,129**

	Restated 2015-16 £'000		
	Gross Expenditure	**Income**	**Net Expenditure**
TNI Roads Service	367,597	(67,163)	300,434
TNI Transport Projects	1,971	(51)	1,920
Rivers	29,042	(391)	28,651
Planning: Strategic & Policy	7,400	(582)	6,818
Water Drainage & Policy	284,550	(71,251)	213,299
DVA	13,222	(10,216)	3,006
Public Transport	136,623	(14,529)	122,094
Road Safety & Vehicle Regulation Division	5,721	(1,398)	4,323
Corporate Services	45,190	(1,706)	43,484
Total	**891,316**	**(167,287)**	**724,029**

2.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

	2016-17 £'000		Restated 2015-16 £'000	
	Total net expenditure reported for operating segments	**Total net expenditure per Consolidated Statement of Comprehensive Net Expenditure**	**Total net expenditure reported for operating segments**	**Total net expenditure per Consolidated Statement of Comprehensive Net Expenditure**
TNI Roads Service	318,130	318,130	300,434	300,434
TNI Transport Projects	1,906	1,906	1,920	1,920
Rivers	32,026	32,026	28,651	28,651
Planning: Strategic & Policy	5,045	5,045	6,818	6,818
Water Drainage & Policy	216,015	216,015	213,299	213,299
DVA	3,237	3,237	3,006	3,006
Public Transport	154,756	154,756	122,094	122,094
Road Safety & Vehicle Regulation Division	2,778	2,778	4,323	4,323
Corporate Services	33,236	33,236	43,484	43,484
Total	**767,129**	**767,129**	**724,029**	**724,029**

3. Other administration costs

	2016-17 £000	Restated 2015-16 £000
Staff Costs[3]:		
Wages and salaries	49,289	54,363
Social security costs	5,736	4,628
Other pension costs	11,994	13,237
Other staff costs	488	1,667
Total staff costs	**67,507**	**73,895**
Purchase of goods and services:		
Purchase of goods and services	7,009	6,977
Total Purchase of goods and services:	**7,009**	**6,977**
Other operating expenditure:		
Rentals under operating leases – land and buildings	50	54
Rentals under operating leases – other	53	6
Other expenditure	4,972	5,028
Less: Own work Capitalised	(1,890)	(1,818)
Total other operating expenditure	**3,185**	**3,270**
Non-cash items		
Depreciation, impairment charges and profit/loss on disposal of assets:		
Depreciation of property, plant and equipment	1,177	1,215
Amortisation of intangibles	181	137
Revaluation charge to Statement of Comprehensive Net Expenditure	9	4,541
Loss on disposal of assets (non-cash)	-	1
Total Depreciation, impairment charges and profit/loss on disposal of assets	**1,367**	**5,894**
Provision expense:		
Provided in year	(29)	369
Total Provision expense	**(29)**	**369**
Notional charges:		
Notional accommodation	6,950	5,541
Notional Land and Property Services	940	668
NIAO auditors' remuneration	123	152
Other notional costs	6,236	8,966
Total notional charges	**14,249**	**15,327**
Total Administration Costs	**93,288**	**105,732**

[3] Further analysis of staff costs is located in the Staff Report in the Accountability Section

4. Programme costs

	2016-17 £000	Restated 2015-16 £000
Grants:		
Current grants and subsidies	364,610	367,727
Capital grants and subsidies	84,145	94,811
Total grants	**448,755**	**462,538**
Staff Costs[4]:		
Wages and salaries	10,564	15,590
Social security costs	1,112	1,155
Other pension costs	2,418	3,409
Other staff costs	(160)	10,685
Total staff costs	**13,934**	**30,839**
Purchase of goods and services:		
Purchase of goods and services	81,741	84,587
Total Purchase of goods and services:	**81,741**	**84,587**
Other operating expenditure:		
Rentals under operating leases – land and buildings	36	23
Rentals under operating leases – other	28	59
Exchange loss / (gain)	(1,296)	(582)
Other expenditure	2,353	2,107
Total other operating expenditure	**1,121**	**1,607**
Non-cash items		
Depreciation, impairment charges and profit/ loss on disposal of assets:		
Depreciation of property, plant and equipment	213,041	152,354
Amortisation of intangibles	3,112	4,196
Revaluation charge to Statement of Comprehensive Net Expenditure	15,802	2,923
Impairment of asset	(305)	305
Profit/loss on disposal of assets	31	12
Total Depreciation and impairment charges	**231,681**	**159,790**
Provision expense:		
Provided in year	3,509	4,981
Borrowing costs on provisions	49	24
Provision for bad debts	1,244	1,849
Total Provision expense	**4,802**	**6,854**
PPP expense:		

[4] Further analysis of staff costs is located in the Staff Report in the Accountability Section

PPP service charge	18,183	17,594
PPP interest on loan	21,311	21,774
Total other operating expenditure	**39,494**	**39,368**
Total Programme Costs	**821,528**	**785,583**

4.1 Total Operating Expenditure Reconciliation

	Administration Costs £000	**Programme Costs £'000**	**2016-17 Total £000**
Grants	-	448,755	448,755
Staff costs	67,507	13,934	81,441
Purchase of goods and services	7,009	81,741	88,750
Other operating expenditure	3,185	1,121	4,306
Depreciation, impairment charges and profit/loss on disposal of assets	1,367	231,681	233,048
Provision expense	(29)	4,802	4,773
Notional charges	14,249	-	14,249
PPP expense	-	39,494	39,494
Total	**93,288**	**821,528**	**914,816**

	Administration Costs £000	Programme Costs £'000	Restated 2015-16 Total £000
Grants	-	462,538	462,538
Staff costs	73,895	30,839	104,734
Purchase of goods and services	6,977	84,587	91,564
Other operating expenditure	3,270	1,607	4,877
Depreciation, impairment charges and profit/loss on disposal of assets	5,894	159,790	165,684
Provision expense	369	6,854	7,223
Notional charges	15,327	-	15,327
Finance expense	-	39,368	39,368
Total	**105,732**	**785,583**	**891,315**

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

	2016-17 **£000**	Restated 2015-16 £000
Staff costs	42	44
Non-staff administration costs (see Note 3)	15,587	21,590
Programme costs – RfR A (see Note 4)	236,483	166,644
Non cash capital grant for transfer of car parks	-	44,231
Investment in DVA*	5,059	-
Non cash capital grant / capital grant income	(42,668)	(47,818)
Non-cash transactions (Statement of Cash Flows)	**214,503**	**184,691**
Adjust for capital provisions (see note 18)	7,788	102
Exchange (loss)/gain	591	687
Non cash proceeds for transfer of car parks	-	(44,231)
Non cash proceeds for capital grant /capital grant income	42,668	47,818
Adjustment for investment in DVA*	(5,059)	-
Profit / loss on disposal	(31)	(13)
Non-cash transactions (Statement of Assembly Supply)	**260,460**	**189,054**

* Adjustment relating to non cash transfer of assets to the DVA Trading Fund.

5. Income

	2016-17 £000			Restated 2015-16 £000		
	RfR A	**RfR B**	**Total**	**RfR A**	**RfR B**	**Total**
Administration income						
Other	2,836	-	2,836	2,382	-	2,382
	2,836	**-**	**2,836**	**2,382**	**-**	**2,382**
Programme income						
Loan Interest from NI Water	-	47,087	47,087	-	46,537	46,537
Dividend Income from NI Water	-	23,262	23,262	-	24,736	24,736
Other capital grant income - Developers Contributions*	25,709	-	25,709	47,818	-	47,818
Other capital grant income – Peace Bridge	16,941	-	16,941	-	-	-
Car park receipts and penalty charge notices income	10,524	-	10,524	10,229	-	10,229
EU grant income – Accruing Resources income	7,730	-	7,730	14,102	-	14,102
EU grant income – CFER income	483	-	483	745	-	745
Recoverable works	3,061	-	3,061	3,146	-	3,146
Planning fees	523	-	523	398	-	398
Public Dividend Capital – dividend receivable	1,207	-	1,207	920	-	9 20
Developers Contributions	864	-	864	318	-	318
Other Grant Income	256	-	256	280	-	280
Interest from DVA	110	-	110	-	-	-
Programme income – DVA	-	-	-	8,789	-	8,789
Other	7,094	-	7,094	6,886	-	6,886
	74,502	**70,349**	**144,851**	**93,631**	**71,273**	**164,904**
Total income	**77,338**	**70,349**	**147,687**	**96,013**	**71,273**	**167,286**

**see note 23*

6. Property, plant and equipment

	Land & Buildings excluding Dwellings	Network Assets	Plant and Machinery	Furniture and Fittings	Payments on Account and Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2016 (restated)	**103,210**	**28,556,693**	**74,845**	**3,875**	**27,249**	**28,765,872**
Opening balance adjustment	814**	422*	-	-	-	1,236
Additions	12,133	184,397	2,802	565	9,662	209,559
Developer Contributions	-	25,709	-	-	-	25,709
Disposals	-	-	(3,932)	(25)	-	(3,957)
Transfers	(10,276)	9,062	-	-	-	(1,214)
Revaluations	(858)	608,068	(909)	169	-	606,470
Reclassification	11,469	(2,794)	261	(268)	(9,078)	(410)
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(15,313)	-	(643)	14	-	(15,942)
Impairment	-	-	306	-	-	306
Transfers to Public Corporation	-	-	(63)	(660)	-	(723)
At 31 March 2017	**101,179**	**29,381,557**	**72,667**	**3,670**	**27,833**	**29,586,906**
Depreciation						
At 1 April 2016 (restated)	**2,275**	**3,381,062**	**59,211**	**1,849**	**-**	**3,444,397**
Opening balance adjustment	-	80,373*	-	-	-	80,373
Charged in year	1,416	209,529	2,752	521	-	214,218
Disposals	-	-	(3,745)	(26)	-	(3,771)
Reclassification	1,462	(1,462)	14	(16)	-	(2)
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(3)	-	(136)	8	-	(131)
Revaluation	20	68,228	(1,218)	83	-	67,113
Transfers to Public Corporation	-	-	(39)	(639)	-	(678)
At 31 March 2017	**5,170**	**3,737,730**	**56,839**	**1,780**	**-**	**3,801,519**
Carrying Amount at 31 March 2017	**96,009**	**25,643,827**	**15,828**	**1,890**	**27,833**	**25,785,387**
Carrying Amount at 1 April 2016	**100,935**	**25,175,631**	**15,634**	**2,026**	**27,249**	**25,321,475**
Asset financing:						
Owned	**96,009**	**25,301,486**	**15,828**	**1,890**	**27,833**	**25,443,046**
On-statement of financial position of PFI contracts	-	**342,341**				**342,341**
Carrying Amount at 31 March 2017	**96,009**	**25,643,827**	**15,828**	**1,890**	**27,833**	**25,785,387**
Of the total:						
Core Department	96,009	25,643,827	15,828	1,890	27,833	25,785,387
Agencies	-	-	-	-	-	-
Carrying Amount at 31 March 2017	**96,009**	**25,643,827**	**15,828**	**1,890**	**27,833**	**25,785,387**

Property, plant and equipment (Restated)

	Land & Buildings excluding Dwellings	Network Assets	Plant and Machinery	Furniture and Fittings	Payments on Account and Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2015 (restated)	**194,307**	**31,240,133**	**79,003**	**3,592**	**17,424**	**31,534,459**
Opening balance adjustment	2,426	15,989	-	-	-	18,415
Additions	4,806	133,149	929	419	16,010	155,313
Developer Contributions	-	47,818	-	-	-	47,818
Disposals	(45,072)	-	(1,550)	(126)	(6)	(46,754)
Transfers	(19,170)	16,295	(26)	-	2	(2,899)
Revaluations	(15,754)	(2,913,570)	(1,073)	(3)	-	(2,930,400)
Reclassification	(10,876)	16,879	(118)	-	(6,181)	(296)
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(7,457)	-	(2,015)	(7)	-	(9,479)
Impairment	-	-	(305)	-	-	(305)
At 31 March 2016	**103,210**	**28,556,693**	**74,845**	**3,875**	**27,249**	**28,765,872**
Depreciation						
At 1 April 2015 (restated)	**9,911**	**3,593,113**	**58,539**	**1,840**	**-**	**3,663,403**
Opening balance adjustment	-	434	-	-	-	434
Charged in year	1,557	147,731	3,778	503	-	153,569
Disposals	(1,672)	-	(607)	(126)	-	(2,405)
Reclassification	(1,485)	1,469	(140)	-	-	(156)
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(772)	-	(1,325)	(2)	-	(2,099)
Revaluation	(5,264)	(361,685)	(1,034)	(366)	-	(368,349)
At 31 March 2016	**2,275**	**3,381,062**	**59,211**	**1,849**	**-**	**3,444,397**
Carrying Amount at 31 March 2016	**100,935**	**25,175,631**	**15,634**	**2,026**	**27,249**	**25,321,475**
Carrying Amount at 1 April 2015	184,396	27,647,020	20,464	1,752	17,424	27,871,056
Asset financing:						
Owned	100,935	24,833,290	15,634	2,026	27,249	24,979,134
On-statement of financial position of PFI contracts	-	342,341	-	-	-	342,341
Carrying Amount at 31 March 2016 (restated)	**100,935**	**25,175,631**	**15,634**	**2,026**	**27,249**	**25,321,475**
Of the total:						
Core Department	100,935	25,175,631	15,610	2,005	27,249	25,321,430
Agencies	-	-	24	21	-	45
Carrying Amount at 31 March 2016 (restated)	**100,935**	**25,175,631**	**15,634**	**2,026**	**27,249**	**25,321,475**

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)	1 April 2016 – DRD Assets Various dates – transferee assets	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	Roads and Structures - Atkins (Asset management Consultants) and Professor MS Snaith FREng Flood Defences & Culverts in-house valuation	31 March 2016	Roads and Structures - Baxter Index (Provisional) Flood Defences & Culverts – annual in-house valuation
Plant and Machinery - Ferry	Blyth Bridges (Marine Consultants)	31 March 2017	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
Information Technology	N/A	N/A	Adjusted National Statistics Office SIC 2007

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

The roads and structures infrastructure valuation was performed on a depreciated replacement cost basis as at 31 March 2017, using the ‘Baxter Index’ for construction in England, Wales and Northern Ireland and revalued unit rates for roads and structures. For 2016-17 a provisional index to 31 December 2016 was applied, as this was the most up to date available at the time of the production of the valuation.

Flood defences and culverts are also valued on a depreciated replacement cost basis.

Every five years DfI 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.

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

The valuation of plant and machinery, furniture and fittings and information technology has been indexed to 31 December 2016 using the appropriate indices as outlined in the above table.

DfI 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 was 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).

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 year's survey are aggregated; 2 years for "B" and "C" class roads and 4 years for unclassified roads.

Due to the subjective nature of the CVI survey, a machine-based survey was sought for the B and C classes of roads with the aim of providing more robust and consistent outputs. A machine-based survey is currently unsuitable for use on the U class roads.

The machine used to assess the condition of B and C class roads is SCANNER. SCANNER data has been collected since 2012 in anticipation of a change from CVI to allow for parallel comparisons, with all of the B and C class roads covered by SCANNER over the 4 year period to 2016. CVI surveys on the B and C class roads ended in 2015 and they are subject to SCANNER surveys **only** from 2016 onwards.

To date the annual output from the CVI survey and the methodology used to calculate the condition assessment is used by independent engineering consultants, Atkins, who provide infrastructure valuation services to all UK Road Authorities, including DfI under a joint contract. Each year the methodology and output produced by the valuation consultant is quality assured by an independent consulting engineer, Professor Martin Snaith.

For the transition from using CVI to SCANNER to assess the condition of the B and C class roads Atkins have again been employed to provide the valuation. Professor Snaith assisted with the development of the methodology and undertook a review and challenge role throughout the exercise.

*The financial effect of the change was £80,276,663 and is reflected in the 2016-17 resource accounts as an opening balance adjustment in accordance with IAS8. The other (£326,000) of the Network Assets opening balance adjustment relates to valuation reports received in line with the infrastructure valuation methodology

**There is also an opening balance adjustment of £814,000 which relates to land that was identified as being owned by the department but was not previously on the asset register.

7. Intangible assets

	Externally Developed Software	Internally Developed Software	Software Licences	Licences, Trademarks and Artistic Originals	Payments on Account and Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2016 (restated)	**9,819**	**17,873**	**1,365**	**46**	**4,796**	**33,899**
Opening balance adjustment*	338	-	-	-	-	338
Additions	333	-	160	-	253	746
Disposals	(1,242)	(140)	(149)	-	-	(1,531)
Revaluations	57	436	(111)	1	-	383
Reclassification	6	404	-	-	-	410
Transfers	-	-	-	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	-	-	(7)	-	-	(7)
Transfers to Public Corporation	(5,758)	-	(176)	-	(3,595)	(9,529)
At 31 March 2017	**3,553**	**18,573**	**1,082**	**47**	**1,454**	**24,709**
Depreciation						
At 1 April 2016 (restated)	**7,718**	**10,118**	**761**	-	-	**18,597**
Opening balance adjustment	-	-	-	-	-	-
Charged in year	708	2,409	176	-	-	3,293
Disposals	(1,242)	(140)	(149)	-	-	(1,531)
Transfers	-	-	-	-	-	-
Reclassification	2	-	-	-	-	2
Revaluation	6	304	(120)	-	-	190
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	-	-	(7)	-	-	(7)
Transfers to Public Corporation	(5,725)	-	(137)	-	-	(5,862)
At 31 March 2017	**1,467**	**12,691**	**524**	**-**	**-**	**14,682**
Carrying Amount at 31 March 2017	**2,086**	**5,882**	**558**	**47**	**1,454**	**10,027**
Carrying Amount at 1 April 2016	2,101	7,755	604	46	4,796	15,302
Asset financing:						
Owned	**2,086**	**5,882**	**558**	**47**	**1,454**	**10,027**
On-statement of financial position PFI contracts	-	-	-	-	-	-
Carrying Amount at 31 March 2017	**2,086**	**5,882**	**558**	**47**	**1,454**	**10,027**
Of the total:						
Core Department	2,086	5,882	558	47	1,454	10,027
Agencies	-	-	-	-	-	-
Carrying Amount at 31 March 2017	**2,086**	**5,882**	**558**	**47**	**1,454**	**10,027**

*Relates to transfer of some DOE assets not reflected in comparatives

Intangible assets (Restated)

	Externally Developed Software	Internally Developed Software	Software Licences	Licences, Trademarks and Artistic Originals	Payments on Account and Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2015 (restated)	**7,800**	**17,674**	**1,050**	**45**	**2,364**	**28,933**
Opening balance adjustment	1	-	-	-	-	1
Additions	417	22	346	-	4,106	4,891
Disposals	(3)	(21)	(40)	-	-	(64)
Revaluations	28	198	9	1	-	236
Reclassification	1,634	-	-	-	(1,634)	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(58)	-	-	-	(40)	(98)
At 31 March 2016	**9,819**	**17,873**	**1,365**	**46**	**4,796**	**33,899**
Depreciation						
At 1 April 2015 (restated)	**6,050**	**7,516**	**629**	-	32	**14,227**
Charged in year	1,649	2,515	168	-	-	4,332
Disposals	(3)	(21)	(41)	-	-	(65)
Reclassification	32	-	-	-	(32)	-
Revaluation	7	108	5	-	-	120
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(17)	-	-	-	-	(17)
At 31 March 2016	**7,718**	**10,118**	**761**	**-**	**-**	**18,597**
Carrying Amount at 31 March 2016	**2,101**	**7,755**	**604**	**46**	**4,796**	**15,302**
Carrying Amount at 1 April 2015	1,750	10,158	421	45	2,332	14,706
Asset financing:						
Owned	2,101	7,755	604	46	4,796	15,302
On-statement of financial position PFI contracts	-	-	-	-	-	-
Carrying Amount at 31 March 2016	**2,101**	**7,755**	**604**	**46**	**4,796**	**15,302**
Of the total:						
Core Department	2,068	7,755	565	46	1,201	11,635
Agencies	33	-	39	-	3,595	3,667
Carrying Amount at 31 March 2016	**2,101**	**7,755**	**604**	**46**	**4,796**	**15,302**

8. Impairments

In 2016-17 an impairment expense of £305,264 in relation to plant & machinery has been reversed through the Statement of Comprehensive Net Expenditure.

9. Capital and other commitments

9.1. Capital commitments

	31 March 2017	Restated 31 March 2016
	£000	£000
Contracted capital commitments at 31 March not otherwise included in these financial statements	**531,614**	84,801

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 2017	Restated 31 March 2016
	£000	£000
Obligations under operating leases comprise:		
Land & Buildings:		
Not later than one year	31	30
Later than one year and not later than five years	41	68
Later than five years	-	-
Total	**72**	**98**
Office Equipment:		
Not later than one year	-	22
Later than one year and not later than five years	-	1
Later than five years	-	2
Total	**-**	**25**

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 2017	31 March 2016
	£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	424,197	452,769
	567,056	**595,628**
Less interest element	(263,919)	(285,230)
Total	**303,137**	**310,398**

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 £18,183,667 (2015-16: £17,593,854) 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 2017	31 March 2016
	£000	£000
Not later than one year	21,914	20,377
Later than one year and not later than five years	96,113	90,292
Later than five years	612,316	634,489
	730,343	**745,158**

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 £1,013.56 million (31 March 2016: £983.56 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 DfI 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.

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 DfI will continue to pay subsidy under this legislation. During 2016-17 this was £286m and for 2017-18 it is estimated to be £291m. 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:

					2016-17	Restated 2015-16
	From Subsequent Measurement					
	From Interest £000	At Fair Value £000	Currency Translation £000	Provision for Bad Debt £000	Net gain/(loss) £000	Net gain/(loss) £000
Loans and receivables	-	-	1,296	(1,244)	52	(1,267)
Total	**-**	**-**	**1,296**	**(1,244)**	**52**	**(1,267)**

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 and loans in other public sector bodies

	Loan Stock & Ordinary Shares £000	Loan on vesting £000	Long-term loan £000	PDC £000	Total £000
Balance at 1 April 2015 (restated)	671,690	150,000	797,560	2,100	1,621,350
Additions	-	-	36,000	-	36,000
Balance at 31 March 2016 (Restated)	671,690	150,000	833,560	2,100	1,657,350
Additions	-	-	33,130	1,827	34,957
Balance at 31 March 2017	**671,690**	**150,000**	**866,690**	**3,927**	**1,692,307**

Comprising:

NI Water	671,690	150,000	863,560	-	1,685,250
DVA	-	-	3,130	3,927	7,057
	671,690	**150,000**	**866,690**	**3,927**	**1,692,307**

All investments are held within the Department.

NI Water

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 2016	1,274,395
Turnover for year ended 31 March 2016	413,525
Surplus/profit for the year (before financing)	163,429
Net assets at 31 March 2017	1,300,838
Turnover for the year ended 31 March 2017	422,412
Surplus/profit for the year (before financing)	166,392

DVA

Under Article 5(2) of the Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 1996, Public Dividend Capital (PDC) of £2,100,000 was created in the old Department of the Environment in order to facilitate commencement of operations of the Driver & Vehicle Testing Agency. On 1 April 2016 DVA transferred to the Department for Infrastructure as a result of the reorganisation of departments. It also became a full Trading Fund at that point under the Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 2016. There were loans of £3,129,932 and additional PDC of £1,826,948 created to facilitate an extension of operations, bringing total PDC to £3,926,948.

Under the requirements of IAS 39 Financial Instruments: Recognition and Measurement, as interpreted by FREM, PDC is reported at historic cost less impairment.

At 31 March 2017 DVA had Net Assets of £39.6m and a surplus for the year amounting to £7m.

13. Assets held for sale

	31 March 2017 £000	Restated 31 March 2016 £000	Restated 1April 2015 £000
At 1 April	290	14	27
Opening balance adjustment	-	(1)	
Transfers in	1,214	2,916	862
Transfers out	-	(17)	(15)
Disposals	(1,218)	(2,622)	(860)
Impairment	(1)	-	-
Reclassifications	-	-	-
Total	**285**	**290**	**14**

The Department intends to dispose of within the next year land it no longer requires. These are being actively marketed.

14. Inventories

	31 March 2017 £000	Restated 31 March 2016 £000	Restated 1April 2015 £000
Inventories	3,201	3,479	3,230
	3,201	**3,479**	**3,230**

15. Cash and cash equivalents

	Cash and bank balances £000	Bank Overdraft £000	Net £000
Balance at 1 April 2015 (restated)	6,468	-	6,468
Net change in cash and cash equivalents	6,164	-	6,164
Balance at 31 March 2016 (restated)	12,632	-	12,632
Net change in cash and cash equivalents	(1,388)	-	(1,388)
Balance at 31 March 2017	**11,244**	**-**	**11,244**

	31 March 2017 £'000	Restated 31 March 2016 £'000	Restated 1 April 2015 £'000
The following balances at 31 March were held at:			
Commercial banks and cash in hand	11,244	12,632	6,468
Total	**11,244**	**12,632**	**6,468**

The net balance comprises:	**31 March 2017 £'000**	Restated 31 March 2016 £'000	Restated 1 April 2015 £'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)	61,626	64	262
Amounts issued from the Consolidated Fund for Supply but not spent at year end (see Note 17)	-	10,785	2,589
Cash balances transferred as part of restructuring of Departments	-	1,783	3,617
Loan from the Consolidated Fund	11,148	-	-
Cash due to be received from the Consolidated Fund:			
Consolidated Fund Extra Receipts prepaid to the Consolidated Fund (see Note 16)	-	-	-
Amounts due from the Consolidated Fund not yet recognised	(61,530)	-	-
	11,244	**12,632**	**6,468**

The Department is a signatory on the following bank account:

-Highway Mgmt (City) Ltd & Department for Infrastructure (NI) – DFI Insurance Account

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

16. Trade receivables and other current assets

	31 March 2017 £000	Restated 31 March 2016 £'000	Restated 1 April 2015 £000
Amounts falling due within one year:			
Trade receivables	5,701	4,516	4,823
Other receivables	1,390	1,449	1,358
Prepayments and accrued income	4,122	5,561	4,610
VAT	10,518	7,791	11,209
EU/TEN-T grants receivable - Accruing Resource	19,653	27,926	17,519
EU/TEN-T grants receivable - CFER*	2,965	3,224	2,480
	44,349	50,467	41,999
Amounts due from the Consolidated Fund in respect of Supply	-	-	-
	44,349	**50,467**	**41,999**

*EU/TEN-T grants receivable and other receivables of £2,969k (2015-16: £3,224k) 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:

	31 March 2017 £000	Restated 31 March 2016 £000	Restated 1 April 2015 £000
Balance at 1 April	8,127	8,211	8,015
Increase in provision	2,044	678	1,368
Write back of provision	(800)	-	-
Use of provision	(552)	(762)	(1,172)
Balance at 31 March	8,819	8,127	8,211

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 2017 £000	Restated 31 March 2016 £'000	Restated 1April 2015 £000
Amounts falling due within one year:			
Bank overdraft (Note 15)	-	-	-
Trade payables	3,352	6,266	11,915
Accruals and deferred income	145,071	145,701	138,287
Other taxation and social security	-	-	-
Other payables	6,482	5,192	4,347
Amounts issued from the Consolidated Fund for Supply but not spent at year end	-	10,785	2,589
Loan from the Consolidated Fund*	11,148		
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – EU grants / TEN-T Grants			
– Received	-	-	226
– Receivable	2,965	3,224	2,480
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – other			
– Received**	61,626	64	39
– Receivable	4	9	9
	230,648	**171,241**	**159,892**
Amounts falling due after more than one year:			
Other payables	8,854	7,833	4,945
Capital retentions	205	205	591
Deferred payable	650	934	1,268
Imputed loan on PPP contracts	303,138	310,398	317,197
	312,847	**319,370**	**324,001**

*A loan from the Consolidated Fund was required as the Department needed more cash to fund its operations than the amount included in the Main Estimate. This would not have been required had the Spring Supplementary Estimates been approved.

** Amounts due to the Consolidated Fund have increased significantly due to the fact that the Spring Supplementary Estimates were not approved and hence there was a large increase in Excess Accruing Resources.

18. Provisions for liabilities and charges

	Land Acquisition for Scheme £000	Early Retirement Provisions £000	Legal Claims £000	Equal Pay £000	Public / Employer Liability £000	Accommodation / Dilapidation Costs £000	Total £000
Balance 1 April 2016 (restated)	29,238	1,411	183	13	5,191	1,178	37,214
Provided in year	10,331	25	443	-	3,278	-	14,077
Provisions not required written back	(2,543)	-	(85)	(8)	(173)	-	(2,809)
Provisions utilised in year *	(4,424)	(411)	(107)	-	(5,055)	-	(9,997)
Borrowing costs (unwinding of discount)	-	49	-	-	-	-	49
Transfers to Public Corporations	-	-	-	(5)	(35)	(1,178)	(1,218)
Balance 31 March 2017	**32,602**	**1,074**	**434**	**-**	**3,206**	**-**	**37,316**

Analysis of expected timing of discounted flows

	Land Acquisition for Scheme £000	Early Retirement Provisions £000	Legal Claims £000	Equal Pay £000	Public / Employer Liability £000	Accommodation / Dilapidation Costs £000	Total £000
Not later than one year	-	312	434	-	3,054	-	3,800
Later than one year and not later than five years	32,602	718	-	-	152	-	33,472
Later than five years	-	44	-	-	-	-	44
Balance 31 March 2017	**32,602**	**1,074**	**434**	**-**	**3,206**	**-**	**37,316**

*In addition to the above provisions there was £552k of bad debt provisions utilised.

	Land Acquisition for Scheme £000	Early Retirement Provisions £000	Legal Claims £000	Equal Pay £000	Public / Employer Liability £000	Accommodation / Dilapidation Costs £000	Total £000
Balance 1 April 2015 (restated)	38,301	1,953	261	13	4,922	811	46,261
Opening balance adjustment	-	-	-	-	2	-	2
Provided in year	3,514	(4)	533	-	4,815	367	9,225
Provisions not required written back	(3,412)	(88)	(201)	-	(73)	-	(3,774)
Provisions utilised in year *	(9,165)	(474)	(410)	-	(4,475)	-	(14,524)
Borrowing costs (unwinding of discount)	-	24	-	-	-	-	24
Balance 31 March 2016 (restated)	29,238	1,411	183	13	5,191	1,178	37,214

Analysis of expected timing of discounted flows

	Land Acquisition for Schemes £000	Early Retirement Provisions £000	Legal Claims £000	Equal Pay £000	Public / Employer Liability £000	Accommodation / Dilapidation Costs £000	Total £000
Not later than one year	-	404	183	13	358	1,178	2,136
Later than one year and not later than five years	29,238	1,007	-	-	4,833	-	35,078
Later than five years	-	-	-	-	-	-	-
Balance 31 March 2016 (restated)	29,238	1,411	183	13	5,191	1,178	37,214

*In addition to the above provisions there was £762k 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 0.24% 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**.

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 2017 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 £1,727,015. A contingent liability exists for possible dismissal cases and compensation payments in relation to these cases are estimated at £225,387.

There are legal claims being disputed by the Department which could lead to a loss of £216,000.

There is also a possible contingent liability of £10,100,000 in relation to Contractor Legal cases which are pending.

There is a possible contingent liability of £3,830,000 in relation to land for schemes.

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.

The Department is defending a number of judicial reviews of planning application decisions where it is not probable that the judgement will be in the applicants' favour and/or where the amounts involved cannot be estimated reliably, therefore it has not been considered appropriate to make a provision under the criteria set out in IAS37.

20. Related-party transactions

DfI 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.

DVA is a Trading Fund of the Department. The Department provides DVA with subsidy and capital grants. DVA's accounts are not consolidated into the departmental accounts. For public expenditure purposes DVA is defined as a Public Corporation.

Waterways Ireland is an Implementation Body of the North South Ministerial Council which is co-sponsored by DfI and the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs in the South. DfI provides grants to Waterways Ireland.

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

The Department of Finance 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 DfI had various material transactions during the year.

In addition, DfI 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 2016-17.

22. Departmental Restructuring

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. 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) on 9th May 2016. Parts of the following departments also transferred to DfI: Department of the Environment (planning policy and legislation and road safety functions), Department of Culture Arts and Leisure (sponsor Department for Waterways Ireland), Office of the First Minister and Deputy First Minister (support the regeneration of the Crumlin Rd Gaol and St Lucia Regeneration sites) and Rivers Agency from the Department of Agriculture.

Merger accounting has applied and comparatives have been restated in line with DoF guidance.

The Driver and Vehicle Agency transferred from the former DOE to DfI as part of restructuring. It also extended its trading fund to incorporate other previously supply-funded functions as of 1 April 2016.

23. PYA re developer contributions

The Department are now following IFRIC 18 and recognising developer contributions as Income (SoCNE) rather than through the Statement of Changes in Taxpayers' Equity. The adjustments have no overall net impact on the opening balance.

	Restated 2015-16 £000
Opening Balance- General Fund	15,823,879
Change in accounting policy (income)	47,818
Change in Accounting Policy (developers contributions)	(47,818)
Restated Opening Balance- General Fund	**15,823,879**
Income – Income adjustment due to change in accounting policy (note 5)	(47,818)
SoCNE – Net Operating Cost adjustment due to change in accounting policy	47,818

24. Events after the Reporting Period

No important events affecting the Department have occurred since the financial year-end.

Date of authorisation for issue

The Accounting Officer authorised these financial statements for issue on 29 June 2017.

Appendix A

Entities outside the Departmental Boundary

Executive Agency

Driver and Vehicle Agency

This Executive Agency is constituted as a Trading Fund and designated as a Public Corporation by the Office of National Statistics.

As Accounting Officer, the Agency's Chief Executive, along with its Strategic Management Board, is responsible for ensuring that appropriate financial and management controls are in place and that compliance with those controls is effectively monitored.

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 arm's 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 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.

North South Implementation Body

Waterways Ireland

Waterways Ireland is an Implementation Body of the North South Ministerial Council which is co-sponsored by DfI and the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs in the South. It is responsible for the management, maintenance, development and restoration of specific navigable waterways throughout the island of Ireland.

Waterways Ireland does not have a Board. Any plan to create one would require legislation to be enacted in both jurisdictions. However, a service level agreement between Waterways Ireland and its sponsor departments is in place. Sponsor departments monitor the body's performance through bi-monthly meetings with its Chief Executive and Senior Management and through monitoring of the Service Level Agreement and the bi-annual assurance Statement.

Waterways Ireland submits a Corporate Plan, with budgets for each Corporate Planning period. From the Corporate Plan, it also produces more detailed Annual Business Plans and budgets in line with guidance from the Finance Departments (north and south). All Plans and Budgets are approved by officials in the sponsor departments, officials in the Finance Departments, sponsor Ministers and Finance Ministers. Plans are then sent to the North South Ministerial Council for approval. In addition, the budget for Waterways Ireland must have Finance Ministers' approval before funding can legally be released. Once all approvals are in place, funding is released through a monthly drawdown process.

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 Harbour Commissioners at Belfast, Londonderry and Warrenpoint. The Causeway Coast and Glens Borough Council has responsibility for the appointment of Commissioners for Coleraine.

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). Any borrowings by the Trust Ports counts against the Department's Delegated Expenditure Limit.