

Environment and Heritage Service

Annual Report and Accounts

2006/2007



Environment &
Heritage Service
www.ehsni.gov.uk

**Environment and Heritage Service
Annual Report and Accounts
For the year ended 31 March 2007**

Laid before the Northern Ireland Assembly
under section 11(3) (c) of the Government Resources
and Accounts Act (Northern Ireland) 2001
by the Department of the Environment

4 July 2007

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ANNUAL REPORT

CHIEF EXECUTIVE'S FOREWORD

I am pleased to introduce the eleventh Annual Report of the Environment and Heritage Service. The Report outlines some of the main activities undertaken throughout the year, including those associated with the key targets set by the Minister for EHS. Of the sixteen targets set, thirteen were fully achieved, one was partially achieved, and two were not achieved. This was a strong performance which provided significant gains for the environment of Northern Ireland. However, these achievements, do not reflect the full range of activities undertaken by the Agency throughout 2006-07; paragraph 8 of the management commentary provides the detail behind these activities, but I would like to mention a few here.

We continued to run a number of very successful events at our country parks; for example our Autumn Festival at Crawfordsburn attracted 15,000 visitors. Indeed our properties attracted over 2.1m visitors in total, reflecting a 5% increase on the 2005 figure. Our commitment to biodiversity and the countryside remains undiminished, and, in 06/07, we partly funded thirteen biodiversity officers in district councils and in voluntary and private sector organisations. We also completed the fifth year of a six-year cycle of monitoring Areas of Special Scientific Interest and contributed significantly to the consultation on a possible Mourne National Park. Our newly cited Environmental Crime Team vigorously pursued illegal waste activities with over 110 successful prosecutions resulting in £200k in fines and four prison sentences. We would of course prefer that people did not engage in illegal activities, and we will continue to educate and raise awareness of the damage these cause to the environment, but it is also important to show that we will deal effectively with those who choose to ignore the law. Our Water Management Unit also investigated over 1,900 pollution incidents and a number of successful prosecutions for water pollution offences were achieved. The Agency's Built Heritage directorate provided grant aid to assist with the repair and maintenance of 129 listed buildings; Over 300 archaeological surveys were licensed by the Agency.

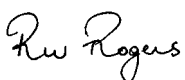
Another event, although not operational, is also worth noting. A large part of EHS relocated to new premises at Lisburn and the Gasworks site in Belfast; this was a formidable task, involving the closure of two existing buildings and the resettling of some 600 staff. The process was completed well and I am sure that both premises by their location and the facilities on offer will help to improve the services provided by EHS.

Although our staff complement was 838, the actual number of staff in post at the end of the year was 747. We ran a number of recruitment competitions throughout the year but as a number of the successful candidates were already employed by EHS this resulted in further vacancies at the lower grades. Although I want to reduce the level of vacancies, I am not surprised at the success of existing staff in open competitions, as we have a very skilled and energetic work force, a situation which reflects well on the Agency and is a positive sign for the future of our environment.

As always, I am grateful to the many organisations who have contributed to our work including those from the voluntary, business and community sectors; I am also grateful for the advice and commitment provided by the Council for Nature Conservation and the Countryside, the Historic Buildings Council, the Historic Monuments Council and the Water Council.

As to the future, we are facing some very challenging and uncertain times; the report of the Review of Environmental Governance has just been published and this may have far reaching consequences for EHS and other government departments and agencies. We will also have to make difficult choices to stay within the reduced spending limits resulting from the 2007 Comprehensive Spending Review.

I know that the staff of the Agency are well up to the task of meeting future challenges. I thank all of them for the help which they have given me; through their dedication, energy and good humour, they show that the spirit of public service is alive and well, and it has been a privilege to work with them.



R W ROGERS
Chief Executive

CHIEF EXECUTIVE'S REPORT

Introduction

The Environment & Heritage Service hereby presents its Annual Report and Accounts for the year ended 31 March 2007.

Our Annual Report and Accounts have been prepared in accordance with the requirements and guidelines set out in the Government's Financial Reporting Manual (FReM) and under an Accounts Direction given by the Department of Finance and Personnel in accordance with Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

Status

The Environment & Heritage Service was established as a Next Steps Executive Agency within the Department of the Environment for Northern Ireland on 1 April 1996.

The Chief Executive of the Agency is also the Agency Accounting Officer with the responsibilities and delegations outlined in the Agency's Framework Document.

Principal Activities

Our aim is to protect, conserve and promote our natural environment and built heritage for the benefit of present and future generations.

We seek to achieve our aim in a variety of ways, including regulation, designation and management of sites, grant-aid schemes, management of countryside and heritage properties, monitoring programmes, and awareness raising measures such as education and communication programmes. We also provide scientific and technical advice to Government on the development of legislation and policy.

Further information about our activities is available on our website at www.ehsni.gov.uk including information on a wide range of publications, explaining or reporting on our work in greater detail.

Business review

A full review of the Agency's business activities during the year is provided in the Management Commentary which begins at page 9.

Future Developments

In February 2006, the Minister for the Environment launched an independent and wide-ranging Review of Environmental Governance in response to the extensive debate within the region concerning the effectiveness of the existing governance arrangements. It is anticipated that the Review Panel will submit a final report to the Minister in June 2007. It is likely that the Review Panel will recommend that EHS is externalised.

Over the next year, EHS will contribute to the Department of the Environment's business objectives and commitments as set out in 'Priorities and Budgets 2006-08', and the 'Public Service Agreement'. Details of our mid-term objectives and targets are published in our Corporate Plan 2007-10 which can be accessed on our website. Alternatively, copies may be obtained from our Corporate Communications Unit, Klondyke Building, Cromac Avenue, Gasworks Business Park, Lower Ormeau Road, Belfast, BT7 2JA. Telephone 028 9056 9266.

Management Board

The Agency's Management Board during the year ended 31 March 2007 comprised:

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

Auditors

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

The audit of the financial statements for 2006-07 resulted in a notional audit fee of £24,888 which is included in the administration costs in the income and expenditure account.

As far as I am aware, there is no relevant audit information of which the entity's auditors are unaware. I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information and to establish that the entity's auditors are also aware of that information.

Pension Liabilities

The Department is covered by the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) and bears the cost of pension provision for its staff by payment of an Accruing Superannuation Liability Charge (ASLC). The

scheme is essentially non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS(NI). The Agency meets the cost of pension cover provided for staff by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS(NI) as a whole.

Further information on Pensions is provided in the Remuneration Report (page 24) and note 19 of the Accounts (page 57).

Supplier Payment Policy

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is made within 30 days of the receipt of the goods and services, or presentation of a valid invoice or similar demand, whichever is later. During the year, 98% of bills were paid within this standard (97% in 2005-06) as illustrated by the table below.

Payments	Late Payments	Prompt Payment
15,417	257	98.3%

Charitable Donations

The Agency made no charitable donations within the financial year.

Disabled Persons

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

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

Equality of Opportunity

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

Freedom of Information

The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 give everyone the right to access government information and place a statutory duty on government to make certain information publicly available as a matter of course. A total of 148 'Requests for Information', falling within the terms of this legislation, were received within the period of this report.

Health & Safety

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

Employee Involvement

The maintenance of a highly skilled workforce is key to the future of our business. We support them in updating their skills through the Agency's formal training and development opportunities. We also encourage staff to remain well-informed on new developments and to network with, for example, GB departments and agencies and European bodies.

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

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

A handwritten signature in black ink that reads "RW Rogers". The signature is written in a cursive style with a large, looped 'R' and 'W'.

RW Rogers
Chief Executive
30 May 2007

MANAGEMENT COMMENTARY

1. THE ORGANISATION

- 1.1. EHS is an Executive Agency within the Department of the Environment. It is headed by a Chief Executive and a Board of Directors which spans four Directorates – Natural Heritage, Built Heritage, Environmental Protection and Corporate Services.
- 1.2. At 31 March 2007 the staff complement of the Agency was 747 comprising 398 scientific and technical, 259 administrative, 81 industrial and 9 support staff spread across our four Directorates.

2. AIM

- 2.1 Our aim is to protect, conserve and promote our natural environment and built heritage for the benefit of present and future generations.

3. VISION

- 3.1 Our vision is that we will have a healthy and well-protected environment and heritage in Northern Ireland which is highly valued by the whole community.

4. OBJECTIVES

- 4.1 The Agency's objectives for the period up to 31 March 2007 were as follows:

- ◆ a significant improvement in the state of the environment;
- ◆ a clear improvement in public attitudes and behaviours towards the environment; and
- ◆ a more sustainable way of living.

- 4.2 We seek to ensure high standards in all areas of our work and adhere to the following values:

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

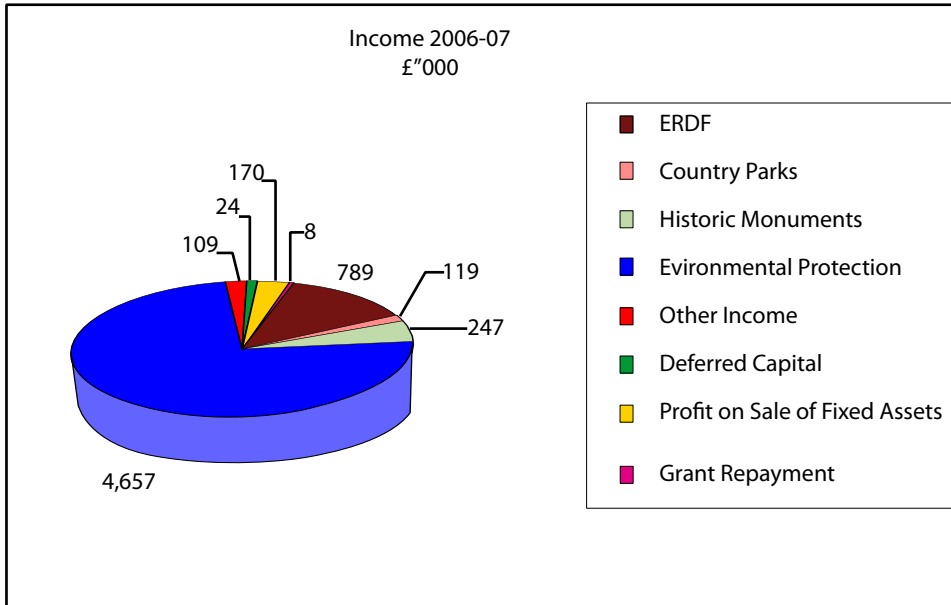
5. FINANCIAL REVIEW

Funding

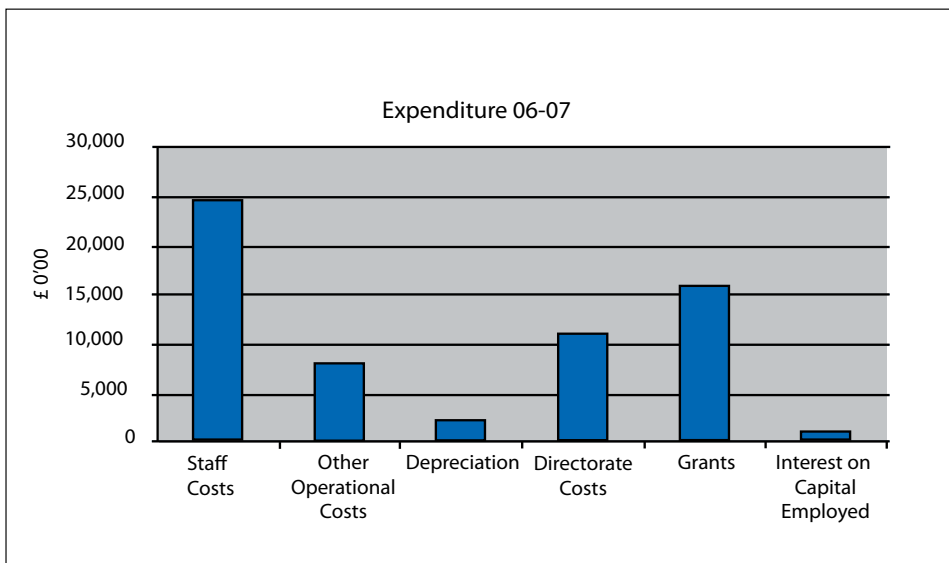
5.1 Our primary source of income in terms of Departmental Resources and Capital Expenditure comes from Central Government. The total net assets held by the Agency at 31 March 2007 was £23,735k.

Results for the Year

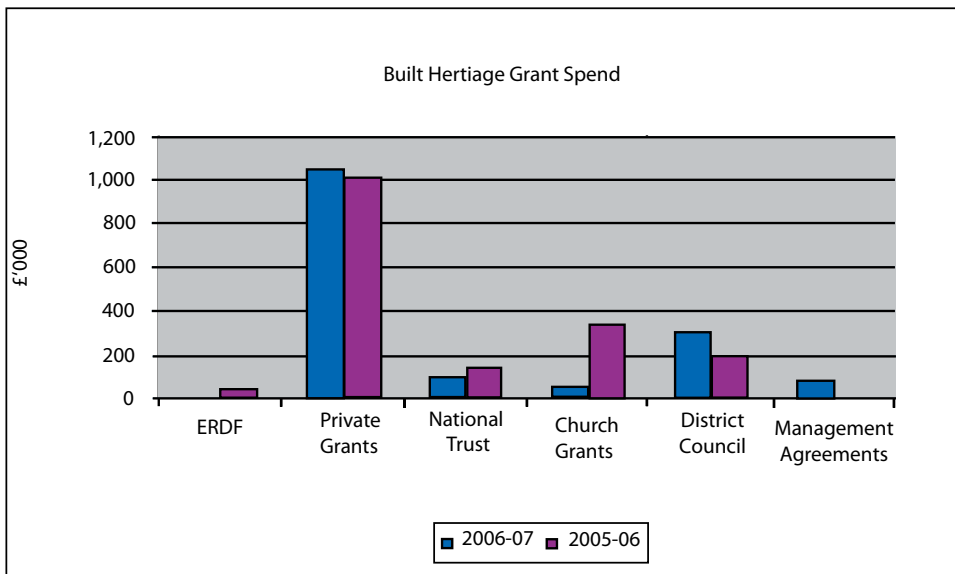
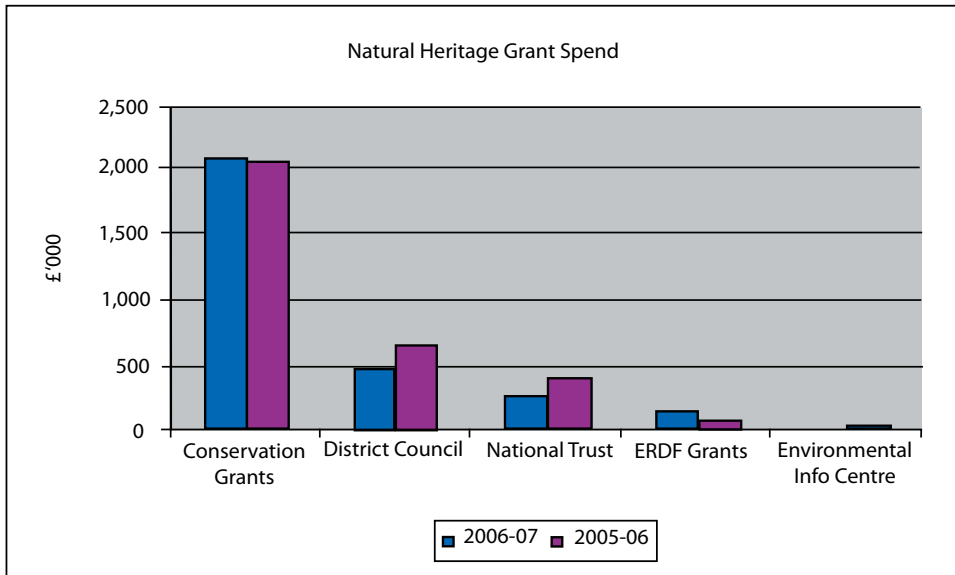
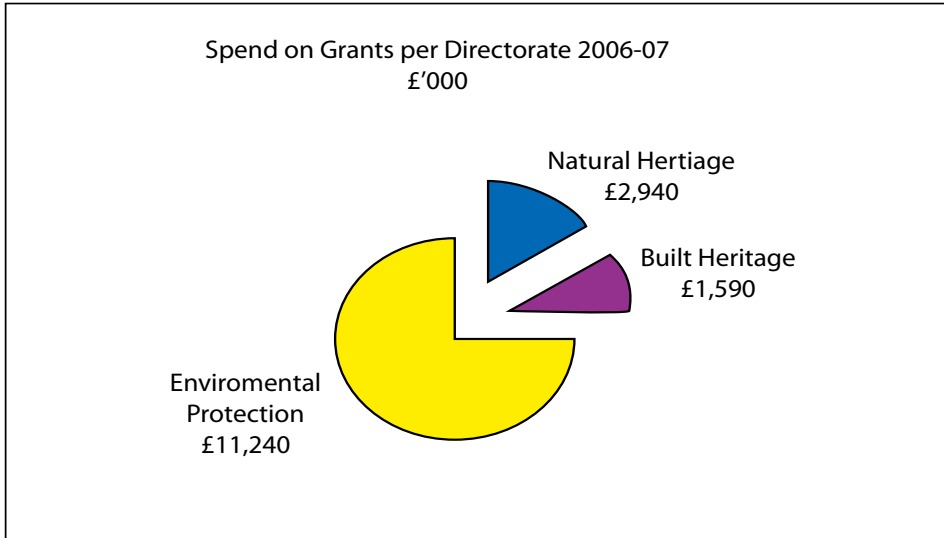
5.2 The Income and Expenditure Account is set out on page 34 and shows the net cost of operations as £55.491m. Income fell during the year from £9,093K in 2005-06 to £6,123K in 2006-07. This was mainly due to the reduction in ERDF Income, as we approach the end of the current round of EU Programmes. ERDF Income in 2007-08 is expected to remain in line with 2006-07 levels

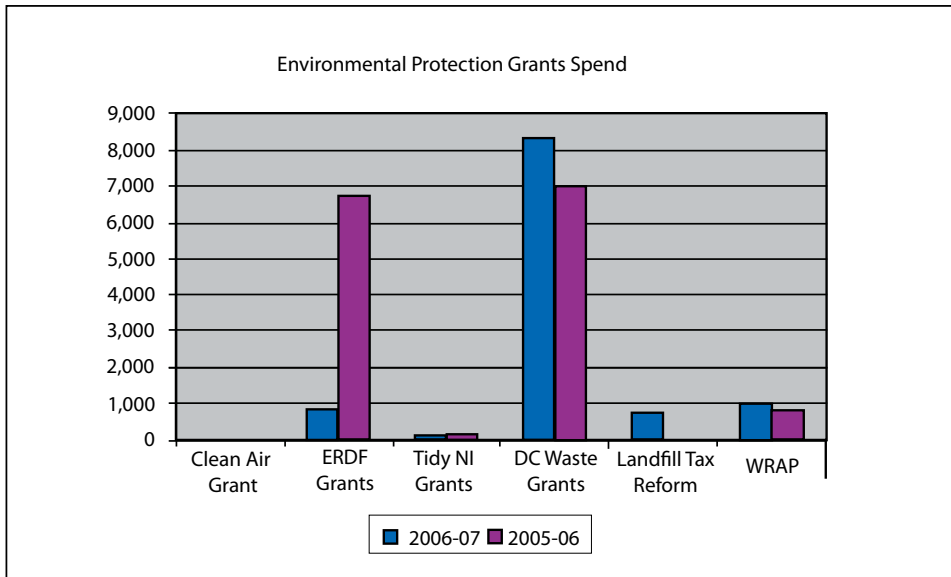


5.3 Total expenditure during the year was £61.614 million (2005-06 £64.053 million). Staff costs make up 39% of the total cost and the combined Directorate and Grant Costs are £26.574 million being 43% of total expenditure.



5.4 Grant spend in the current financial year was £15.824 million (2005-06 - £19.665 million). The reduction in ERDF Grants between 2005-06 and 2006-07 accounted for £5.879m of this reduction.





Fixed Assets

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

6. CORPORATE GOVERNANCE

6.1 The work of EHS is co-ordinated and monitored by a Management Board which is responsible for ensuring that good practice in corporate governance is adhered to including the maintenance of a transparent system of prudent and effective controls through the assessment and management of risk.

6.2 The Management Board comprises the Chief Executive and Agency Directors. The Board meets generally in the first and third week of each month; the first meeting considers key operational items and the second, strategic matters including Corporate Governance issues. The Board is chaired by the Chief Executive who is also the Agency Accounting Officer. Board Minutes are published on the Agency website at www.ehsni.gov.uk.

6.3 The Agency and the Department are considering the appointment of a non-executive director to their respective Boards. However the decision as regards the Agency may be influenced by the outcome of the Review of Environmental Governance. The Departmental Board is scheduled to discuss options for formal evaluation of its performance early in the new year and the Agency will follow the Department’s lead on this issue.

6.4 EHS employs a system of internal control based on an ongoing risk management process designed to identify and prioritise the key risks which could affect the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically. This system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives.

6.5 The risk management cycle is a “top-down” and “bottom-up” exercise that allows risks to be identified and managed at Agency, Directorate and Business Unit levels and to be escalated as appropriate. A formalised risk management approach is relatively new to the Agency and significant effort continues to be devoted towards ensuring that the principles of risk management are firmly embedded at all levels. In particular, the Agency will continue to critically review and update risk registers, at all levels, on a regular basis.

6.6 We have identified the significant risks that might impact upon the Agency’s objectives and we continue to

apply controls for each of these. The Board receives regular reports concerning internal control, including quarterly assurance statements from each Director, and quarterly reports on the work of the EHS Compliance Audit Groups which address risk management, control and governance issues. In the past year Directorate Compliance Audit Groups have focused on ensuring that Audit recommendations are being implemented in a timely manner.

- 6.7 EHS is audited by internal auditors from the Department for Regional Development who operate to standards defined in the Government Internal Audit Manual. They submit regular reports that include the Head of Internal Audit’s independent opinion on the adequacy and effectiveness of the Agency’s system of internal control together with recommendations for improvement. In addition, the Agency is externally and independently audited by the Northern Ireland Audit Office(NIAO).The implementation of Internal Audit and NIAO recommendations are monitored by the EHS Compliance Audit Groups.
- 6.8 Compliance with good governance is overseen by an Audit Committee which comprises the EHS Board and the Agency Accountant. Representatives from Internal Audit and NIAO are also in attendance. The Committee met twice in 2006-07.
- 6.9 The Statement on Internal Control included in Section 2 of this report provides a summary of the effectiveness of internal control during 2006-07.

7 PERFORMANCE AGAINST TARGETS

Public Service Agreement (PSA) Targets

- 7.1 The Priorities and Budget 2006-08 document, published in December 2005, set out the Government’s priorities and spending plans for Northern Ireland for the two-year period 2006-07 to 2007-08. The document provided a high-level statement of what the Government aimed to achieve over that period, focusing on the key challenges and strategic choices to be addressed. The Department of the Environment’s Public Service Agreement, included in the Priorities and Budget document, set out nine key targets for the Department in the 2006-08 period. Three of the Department’s PSA targets relate to EHS. The Agency’s performance against those targets is as follows:

	PSA TARGET	RESULT
1.	To achieve 5% improvement in the compliance of consented discharges to waterways by 31 March 2007.	Achieved.
2.	To complete condition assessments of 75% of Natura 2000 sites by 31 March 2007.	Achieved.
3.	To reduce to 1% of the 2004-05 baseline, the annual tonnage of controlled waste illegally disposed of in Northern Ireland, by 2015.	On Track For Achievement.

Corporate Plan Targets

7.2 The Agency's performance against the sixteen 2006-07 key Ministerial targets set out in our Corporate Plan (2006-09) is reflected below. The achievements reported have been validated by the Department's Internal Auditors.

	ACTIVITY	KEY TARGET [Target date is 31 March 2007]	RESULT
1.	Achieving environmental objectives under the Water Framework Directive (WFD).	Meet the WFD requirement to set up environmental monitoring programmes to ensure comprehensive view of water quality status within each River Basin District (RBD).	Achieved.
2.	Ensuring compliance with Water (NI) Order 1999 consent standards.	Achieve 5% improvement (against the 2004 baseline) in the compliance of consented discharges to waterways.	Achieved. Improved by 5.7%
3.	Reducing the annual tonnage of controlled waste illegally disposed of.	Investigate, prepare and have listed 5% of prosecution cases for hearing at Crown Court.	Achieved. 9.3% of prosecution cases listed.
4.	Protecting the stock of listed buildings by completing the Second Survey.	Carry through the recommendations of the Second Survey in 15 wards.	Not Achieved. Eight wards completed.
5.	Protecting our archaeological sites.	Complete and publish an archaeological survey of County Armagh and draw up a new scheduling programme (based on the Condition and Management Survey of the Archaeological Resource for Northern Ireland (CAMSAR)).	Partially Achieved. Publication of Survey now anticipated in May 2007.
6.	Ensuring features on statutory designated sites are in, or are approaching, favourable condition.	Reach agreement with Department of Agriculture and Rural Development on the use of agri-environment schemes to fund the management of Areas of Special Scientific Interest (ASSIs).	Achieved.
7.	Declaration of Areas of Special Scientific Interest (ASSIs).	Review the Forward Programme for the declaration of ASSIs, publish revised targets and declare 15 ASSIs.	Achieved.
8.	Delivering the targets in Biodiversity Action Plans.	Deliver 80% of the yearly actions in the EHS Biodiversity Implementation Plan 2005-08.	Achieved. 36 of 38 actions (95%) were delivered.
9.	Reviewing and designating Areas of Outstanding Natural Beauty (AONB).	Designate the Binevenagh (North Derry) AONB.	Achieved.
10.	Involving schools in a recognised environmental project or programme.	Conduct a campaign to promote environmental projects in schools.	Achieved.

11.	Facilitating initiatives and proposals to rescue structures on the Built Heritage at Risk Register.	Conduct a campaign to emphasise the importance, adaptability and value of historic buildings and rescue 5 structures.	Achieved.
12.	Increasing the number of visitors to our main visitor attractions.	Establish the 2005-06 baseline and develop a communications plan to promote EHS properties and sites including a programme of events to attract visitors.	Achieved.
13.	Increasing the number of community projects for the environment advised on or sponsored by EHS.	Establish the 2005-06 baseline and conduct a campaign to promote community projects.	Achieved.
14.	Conserving monuments in state care.	Undertake 6 major and 6 minor programmes of repair and maintenance at sites in state care.	Achieved.
15.	Increasing the re-use of historic fabric of listed buildings.	Publish a revised grant-aid scheme to encourage maintenance and minor repair of existing historic fabric.	Not Achieved. Publication anticipated in 2007.
16.	Increasing the number of stakeholders implementing actions following EHS advice or initiatives.	Establish the 2005 baseline and establish partnership agreements with statutory organisations to promote uptake of EHS advice or initiatives.	Achieved.

8 REVIEW OF ACTIVITY DURING THE YEAR

Customer Standards

- 8.1 EHS is committed to meeting the standards of service to its customers as published in the Customer Charter and Environmental Legislation and Service Standards which can be seen on the website at www.ehsni.gov.uk. We set timescales by which we aim to respond to correspondence and licence or consent applications.
- 8.2 During the year, we handled some 2,270 pieces of general correspondence, responding to 93% of these within the 15 day timescale.
- 8.3 A detailed report of the Agency's performance against the environmental legislation standards is also published on our website, but figures for a few of the key areas are reported below to give an indication of performance:-
- ◆ 97% of the 137 grants for listed buildings were released within the 40 days standard;
 - ◆ 94% of the 36 permissions to carry out work on scheduled monuments were issued within the 3 month standard;
 - ◆ 80% of the 4,011 applications for consent to discharge effluent were issued within the 4 month standard;
 - ◆ 100% of the 18,055 applications for consignment notes to move hazardous waste were processed within the 15 day standard;
 - ◆ 98% of the 137 wildlife licences were issued within the 3 week standard;
 - ◆ all of the 1,023* water pollution incidents reported were assessed within the 30 minute standard and in the case of 95% of the 'high' and 'medium' severity incidents, investigation started within the standards of 2 hours in the working day and 4 hours at other times. (* calendar year 2006)

- 8.4 Where performance is not satisfactory we will review our processes and make every effort to address any specific causes of delay which are identified.

Raising Awareness.

- 8.5 EHS continued throughout the year to provide information, advice and guidance through personal contact, publications, websites, exhibitions, media campaigns and events, with a view to raising awareness of environmental issues and to increasing knowledge. Our Corporate Communications team co-ordinates and manages our external communications, marketing and education programmes.
- 8.6 Our events programme during 2006-07 was particularly successful. For the first time we ran a winter Potato Fayre and an Autumn Festival at Crawfordsburn Country Park, attracting 8,500 and 15,000 visitors respectively. The popular Apple Festival was held for the first time at Peatlands Park, where another bog-snorkelling event attracted the crowds on International Bog Day. Events at Peatlands, Roe Valley and Scrabo Country Parks focused on countryside activities, supporting the Fit Futures campaign. There were also the usual nature walks and events promoting sustainable living. Halloween events increased in popularity. Fairs, re-enactments and weaponry displays were held at Carrickfergus, Dunluce, Dundrum and Tully Castles and at Hillsborough and Grey Point Forts.
- 8.7 During the year we continued to sponsor or support local, national and international events, including very successful family fun days, Spring House & Garden Show, Balmoral Show, the Garden Show, Fermanagh Environmental Festival, the Tourist Board's 'Be A Visitor' weekend, Country Lifestyle, and Wildlife 2006, to name only a few. We held events and campaigns to mark several international 'days' including European Heritage Open Days, World Wetlands Day, World Environment Day and National Archaeology Day.
- 8.8 EHS ran a number of very successful communications campaigns and sponsored a number of initiatives, promoting specific environmental issues, ie built heritage, biodiversity, waste and water pollution. These included the 'It's In Our Nature' biodiversity campaign; the children's biodiversity puppet show; the 'Bath Time' children's theatre show. January, February and March 2007 saw the broadcast of two highly acclaimed television documentary series, 'Hidden Heritage' and 'Eco Eye', sponsored by EHS. These reported on archaeology treasures and waste and water pollution matters. We also contributed to the BBC's 'Waterworld' television series in Autumn 2006.

EHS Properties

- 8.9 EHS maintain many properties throughout Northern Ireland including country parks, nature reserves and historic monuments in state care. Many of these are open to the public all year round. There were over 2.1 million visits to EHS properties during the 2006 calendar year - up by almost 5% on the 2005 total. Included in that number are some 44,000 school children who visited EHS-managed country parks, nature reserves and historic monuments, and around 55,000 who took part in EHS events. More than 46,000 people took part in visiting 225 properties and walks available to the public as part of European Heritage Open Days.
- 8.10 During the year we were able to complete improvements to many EHS properties. Major works were undertaken at the Dogleap Centre, Roe Valley Country Park, to extend and refurbish the cafe and kitchens and upgrade office and exhibition spaces in time for re-opening in Spring 2007. At Castle Archdale Country Park, stone steps were built leading from the car park to the courtyard. Ramped access for the disabled, seating and flower beds were also provided. Existing buildings at Peatlands Park were converted into a visitor reception area and staff accommodation. The exhibition space at Portrush Countryside Centre was completely refurbished in anticipation of rebranding in 2007 as 'The Coastal Zone', which will serve as the Agency's coastal and marine conservation outreach venue.
- 8.11 An improved ferry service to Devenish Monastic Site was inaugurated with the launch of a new passenger ferry - the culmination of a programme to improve visitor facilities to this iconic island location in Lower Lough Erne. Finally, the reception building at Carrickfergus Castle was reopened after extensive works to improve the

refreshment area and access for those with disabilities.

Protection of Habitats and Species

- 8.12 EHS is a major player in the Northern Ireland Biodiversity Strategy. We are well over halfway through the 56 further actions that were identified in the Strategy to be completed by 31 March 2008. One such action was to support the survey and publication of an ancient woodland inventory for Northern Ireland. This was completed in January 2007.
- 8.13 To date we have financially supported the appointment of thirteen biodiversity officers by district councils, voluntary organisations and the private sector to help implement the priority species and habitat action plans. As part of our efforts to raise awareness in the past year we have promoted Zebra Mussel awareness across Northern Ireland and we will be publishing a new magazine called 'EHS Coast'. Building on a successful workshop held in Newcastle, County Down, in October 2006 we published a position statement on sustainable seaweed harvesting.
- 8.14 To co-ordinate the delivery of biodiversity actions we have set up three groups that bring together government, voluntary sector and private interests. We have continued to lead on two previously established groups focussing on peatland and upland habitats and on wetland habitats. In the last year we have also set up a new group which focuses on coastal and marine habitats and have worked closely with DARD on two similar groups for woodlands and farmlands. We will continue our involvement in all these groups over the coming year.
- 8.15 In conjunction with our counterparts in the Republic of Ireland, we have joined forces to fund a three year contract to implement the recommendations of the 'Review of Invasive Species in Ireland Report'. This All-Ireland project started in May 2006.
- 8.16 We successfully completed the penultimate full year of monitoring of Areas of Special Scientific Interest (ASSIs), as part of the six-year cycle to assess the condition of all key site features. This will contribute significantly towards our longer term objective of improving the conservation condition of the designation features. In addition, 15 new ASSIs were declared which will further enhance the suite of important statutory sites which extends across all areas of Northern Ireland.
- 8.17 Damage to designated sites was investigated thoroughly. In the last year EHS received 133 reports of breaches of the Environment Order 2002, all of which were investigated with most being resolved through co-operation with the landowner. EHS will continue its efforts to make people aware of the importance of these sites and the implications of breaching the legislation and we will, if necessary, prosecute any person found to be in contravention of the Order.
- 8.18 *QUERCUS*, the very successful partnership between EHS and Queen's University for biodiversity and conservation biology research, continued into its fourth year, having been extended beyond its initial three year contract. The Third Annual Quercus Lecture was given by Professor Dan Simberloff, the eminent ecologist from the University of Tennessee, on how we can win the war on introduced species.
- 8.19 We also continued to make significant progress on the offshore marine research programme towards identifying and designating marine protected areas. During the year surveys were undertaken in the waters around Rathlin Island, in Strangford Lough and off the East Antrim coast.
- 8.20 EHS staff continued to represent Northern Ireland on various national and international committees on such issues as earth heritage, climate change, air pollution, ornithology, marine mammals and plant conservation.

Countryside

- 8.21 To further the implementation of Shared Horizons, the Statement of Policy on Protected Landscapes, we

completed the designation of Binevenagh Area of Outstanding Natural Beauty (AONB) in June 2006 and started consultation on the boundary for Sperrin AONB. Preparation of a management strategy for the Ring of Gullion AONB and a management plan for Antrim Coast and Glens AONB was commenced. We also supported a study entitled "Valuing the Environment" which was a collaborative project with a number of NGOs.

- 8.22 EHS gave support to the Mourne National Park Working Party to carry out an extensive consultation on a Mourne National Park between August 2006 and January 2007. A wide range of communication activities took place including public meetings, special interest group workshops, the distribution of a consultation leaflet and a mobile information unit which toured the greater Mourne area. The consultation generated widespread debate and 2,300 consultation leaflets were returned along with 80 fuller submissions.
- 8.23 The Giant's Causeway Management Group, of which EHS is a member, met on four occasions during the year and developed an implementation plan to prioritise delivery of the Giant's Causeway World Heritage Site management plan. EHS was involved throughout the year in contributing to the planning of new visitor facilities at the Giant's Causeway.
- 8.24 Consultations from Planning Service continued to make heavy demands upon our resources, but significant improvements in response times were achieved. Substantial time was put into the development of two Planning Policy Statements, PPS 2 Planning and Natural Heritage and PPS 18 Renewable Energy. EHS continues to contribute to all stages of the preparation of Area Plans including drafting of policies, public inquiries, Appropriate Assessment and Strategic Environmental Assessment and this year we provided input to seven Area Plans.
- 8.25 The Natural Heritage Grant Programme supports projects and initiatives that contribute to the conservation of biodiversity and special landscapes or to the enjoyment of the countryside and we provided £3 million in grant aid this year.

Land and Resource Management

- 8.26 Our Land & Resource Management (LRM) unit, formerly the Waste & Contaminated Land Unit, began the year under a new banner, designed to reflect the wide range of issues covered by our regulatory responsibilities and a new mindset in the approach to waste as a renewable, reusable *resource*. We have maintained a prominent regulatory and enforcement presence, building on the strong foundations of earlier groundwork (both practical and legislative), to make encouraging progress during the year.
- 8.27 Increased convictions and fines for perpetrators, coupled with an increasing media and public profile, continue to send out a strong message to those engaged in illegal waste activities. During 2006-07, over 80 cases were submitted to the Public Prosecution Service, 24 of which had, by the end of March 2007, seen successful convictions in the courts for waste offences. There were a further 86 convictions in 2006-07 relating to cases from previous years. Of these, 11 were the first successful convictions for environmental offences in the Crown Court in NI. Convictions in 2006-07 generated a total of £203,400 in fines and resulted in four prison sentences of up to 12 months imprisonment.
- 8.28 EHS is currently training a team of financial investigators in order to use the powers of the Proceeds of Crime Act 2002 to confiscate illegal earnings from those who commit waste legislation offences.
- 8.29 The Agency is responsible for processing applications for waste management licences, exemptions to licences and pollution prevention and control permits. During the year, we received 33 licence and 137 exemption applications and 19 licences and 111 exemptions were issued from applications received during 2005-2006. In support of these outcomes, LRM staff carried out 631 visits to licensed waste facilities and 151 visits to sites for which exemptions and renewals were issued.
- 8.30 A total of 24 Pollution Prevention and Control (PPC) applications were being processed at the end of March 2007 with 2 PPC permits having been issued since April 2006. The introduction in July 2006 of the agricultural

waste exemptions has seen approximately 2000 guidance and exemption packs issued to farmers and 227 applications being processed.

- 8.31 We continued to extend our regulatory responsibilities with the implementation of the new Hazardous Waste Regulations in July 2006. This has resulted in the processing of some 19,560 consignment notes and notifications during the year.
- 8.32 During this year we provided advice and support to Planning Service in the redevelopment of brownfield sites; in addition, we delivered a highly successful conference at the Waterfront Hall, Belfast, to raise awareness and promote best practice in brownfield redevelopment. The event was attended by over 200 delegates and included presentations of case studies from throughout the UK and workshop sessions to stimulate dialogue amongst stakeholders. Advice was also provided to Planning Service in relation to proposed new waste management facilities.
- 8.33 Our Land Quality team provided ongoing support to the work of the Department's Environmental Policy Group (EPG) on forthcoming legislative drivers including the implementation of Part III of the Waste and Contaminated Land (NI) Order, the Environmental Liability Directive and Soils Framework Directive.
- 8.34 We continued to provide grant aid to District Councils. A total of £9m in capital was allocated to cover the final two years (2006-07 and 2007-08) of the Waste Management Grant Scheme, with spend of £6.2 m in 2006-07. This again helped Councils invest in the minor infrastructure they need to implement their Waste Management Plans. In addition, we provided funding for recycling fridges, end-of-life vehicles, and hazardous WEEE (fluorescent tubes and cathode ray tubes). Ongoing support was also provided to a range of non government bodies, including WRAP, NETREGS and Tidy NI to undertake waste management activities. Nine new projects, awarded funding under the Community Waste Innovation Fund, commenced in 2006-07. The funding to be provided will be in the region of £750,000.
- 8.35 The Northern Ireland Packaging Waste Regulations were further amended during the year to align with the regulations in the rest of the UK, to increase the amount of packaging waste recovered by obligated businesses and to simplify the system for Small and Medium Enterprises (SMEs). During 2006-07, EHS carried out 104 regulatory visits to obligated businesses to check the amount of packaging they handle and ensure their obligation is accurate. Furthermore we carried out checks on over 300 businesses that are currently not obligated, to determine whether they are above the thresholds specified in the regulations and therefore needing to register. The success of this approach is demonstrated by the fact that the number of registered businesses has increased from 369 in 2005 to 402 by the end of 2006. Over the same period, the amount of packaging waste recovered by obligated Northern Ireland businesses has increased from 126,538 tonnes to 136,619 tonnes. In close co-operation with the other UK regulatory agencies, a significant amount of effort was directed towards preparation for the switch from a paper-based evidence note system to an electronic web-based system for the start of the 2007 compliance year.
- 8.36 The UK Waste Electrical & Electronic Equipment Regulations came into force on 2 January 2007. Throughout 2006-07, EHS has been working in close co-operation with the DTI, the other UK regulatory agencies and other stakeholders to prepare the regulations and develop the regulatory system that will enforce the regulations. To help local businesses prepare for the new regulations, we have given presentations at a number of different events aimed at local businesses, organised in conjunction with DTI, CBI, Arena Network and Valpak. A business factsheet has been produced and the EHS and Netregs WEEE web pages have been updated.
- 8.37 The new EU Batteries Directive was published in September 2006 and we have commenced work with a range of other stakeholders to develop the necessary UK regulations by the target date of September 2008.

Industrial Pollution & Radiochemical Inspection

- 8.38 During the year, EHS permitted 36 installations under the Pollution Prevention and Control Regulations (NI) 2003, including combustion, chemicals, textile processing and intensive livestock. The staged application

programme for existing installations has now been completed, although work will continue into 2007-08 to complete the processing of these applications.

- 8.39 The emissions trading scheme is now into the final year of phase I which ends on 31 December 2007. To date all operators in NI have compiled and surrendered sufficient allowances, and no civil penalties have been issued. At the end of this phase, eight companies currently opted out will re-enter the scheme while for phase II a few of the smaller emitters such as universities and hospitals will drop out of the scheme. This scheme results in a real cost being associated with emissions and although there has been a surplus across the EU in phase I as a result of over allocation in some member states, the European Commission is currently setting a much lower cap for the phase II National Allocation Plans across Europe. This is set to have a dramatic effect on the cost of CO₂ and will force operators to look to alternative fuels and renewable technologies in the future.
- 8.40 EHS continued to work with district councils on our radon awareness campaign and have sought to make the public aware of the hazard that naturally occurring radon gas poses in some homes and the remedial measures that can be taken to reduce the risk. Free radon tests have been offered to some householders in areas where radon levels are elevated.
- 8.41 We also continued to monitor the impact of radioactive discharges from Sellafield on our coastline through sampling of local sediments, fish, shellfish and seaweed. The results indicate that levels of contamination are negligible in terms of radiological impacts upon the Northern Ireland population.

Water Management.

- 8.42 During the year EHS continued to work towards improving water quality to ensure compliance with national targets and EU legislation. Some 1,922 reports of water pollution were reported and investigated during the year and evidence of pollution was found during 55.5% of these investigations. Where appropriate, clean up and enforcement measures were taken. As at 31 March 2007, 37 cases relating to pollution incidents that occurred during 2006 have been prepared for submission to the Public Prosecution Service with a recommendation for prosecution. Of the 37 submitted 2 have outcomes, the remaining 35 are pending. Cases are still being completed for 2006.
- 8.43 Our proactive work to prevent pollution occurring included making site visits to agricultural and industrial premises and we have established six liaison groups with a range of industrial sectors including the quarrying, aquaculture and peat industries to provide a forum in which to discuss regulatory issues.
- 8.44 Our staff also attended a number of regional agriculture shows throughout the year to provide information to farmers on the Agency's role and existing or proposed environmental regulations which affect the agricultural industry.
- 8.45 The number of active trade discharge consents under the Water (Northern Ireland) Order 1999 has been increasing each year and by 2006 had reached 2,336. The number of trade discharges monitored by EHS has also generally increased over this period, and by 2006 there were 759 sites in our monitoring programme. Compliance with trade discharge consents improved over the period 2000 to 2006 by 17.8%.
- 8.46 EHS worked in partnership with EPG, DARD and stakeholders during the development of the Nitrates Action Programme Regulations (NI) 2006 and the Phosphorus (Use in Agriculture) Regulations (NI) 2006 which became operational on 1 January 2007. Jointly with DARD, we produced guidance documents for these new Regulations which were circulated to 40,000 farmers throughout NI.
- 8.47 We have provided scientific input to a derogation application to the European Commission under the Nitrates Directive. If approved this will allow certain individual farms to operate above the statutory livestock manure limit of 170kg Nitrogen/hectare/year.
- 8.48 In 2006 EHS carried out 400 cross-compliance farm inspections throughout NI under the five environmental

statutory management requirements relating to the Habitats, Birds, Groundwater, Sewage Sludge and Nitrates Directives.

- 8.49 As part of the Water Reform process, responsibility for the delivery of water and sewerage services will transfer to a government owned company to be known as Northern Ireland Water (NIW) on 1 April 2007. NIW will not have crown immunity, unlike Water Service and will be regulated under the Water (Northern Ireland) Order 1999 and be liable to enforcement action. EHS has prepared consents in respect of all its discharges from waste water treatment works, water treatment works, and sewer systems for issue to Water Service and subsequent transfer to NIW on 1 April. We have also input to the prioritisation process for waste water treatment works and sewer system upgrades for inclusion in the NIW capital works programme which supports its Strategic Business Plan.
- 8.50 The Agency can report that during the 2006 bathing water season all 16 of our bathing waters have met the Mandatory standards of the European Bathing Water Directive. This is an improvement on 2005 when 15 out of 16 bathing waters were compliant. Compliance with the stricter guideline standards also increased with 14 out of 16 bathing waters compliant compared to 11 out of 16 in 2005.
- 8.51 EHS is in the final stages of gaining accreditation with the United Kingdom Accreditation Service (UKAS) for many chemical and biological measurements, vouching for the quality of the science on which policy decisions are based. Initial assessments were carried out in February 2007 with recommendations expected in May 2007.
- 8.52 Aquatic plant surveying in rivers and lakes is implicit in the Habitats and Water Framework Directives monitoring requirements. EHS is delivering data for both Directives, for example an intensive survey was undertaken in Upper Lough Erne.
- 8.55 We have also undertaken underwater video work following the establishment of zebra mussels in the Erne lakes, giving a more complete picture of the breeding success of this problematic alien species.
- 8.56 Our scientists have continued to work closely with colleagues in the Republic of Ireland (RoI) on a range of water related issues driven by EU Directives for Nitrates control and Water quality. Scientifically robust monitoring programmes for cross border waterbodies have been developed, whereby the work is divided between the two jurisdictions for cost effective delivery.
- 8.57 Supported by the EU to the sum of 7.5 million euros, the North/South SHARE R&D programme is now starting to deliver many new tools specifically developed to support the implementation of the Water Framework Directive. Significantly the technical support network has been formed from ecologists in NI, RoI and sister agencies in Great Britain.

Drinking Water.

- 8.58 During the year, the 2005 Drinking Water Inspectorate Annual Report was published; this is our tenth report on drinking water quality for both public and private supplies in Northern Ireland and covers the second year under new Regulations introduced in December 2003. The Regulations required a more comprehensive reporting regime on drinking water quality, and introduced a new compliance measure, "*Mean Zonal Compliance*", which establishes new baselines across the UK against which drinking water quality will be assessed in forthcoming years.
- 8.59 While showing that overall drinking water quality is good, the report also indicates that improvement measures are necessary to bring drinking water quality up to the standard that exists in England and Wales. A substantial investment programme for capital works in water treatment and distribution systems is being implemented by Water Service and progress with the programme is outlined in the report.

Built Heritage Conservation.

- 8.60 A specialist conservation programme on historic monuments in state care was carried out with major projects at six sites. These were at Carrickfergus Castle, Carrickfergus town walls, Narrow Water Castle, Cranfield Church, Castledillon Obelisk and another section of Derry's Walls.
- 8.61 Minor conservation projects by the same team were carried out at the following state care sites; Dunluce Castle, Audley's Castle, Giant's Ring, Magheraglass Church, Hillsborough Fort and Dundrum Castle.
- 8.62 We have worked closely with partners and stakeholders to produce a Conservation Plan and Management Plan for Derry's Walls- the largest monument in state care. This will set the basis for its sustainable management in the future as it becomes the central part of the Northern Ireland Tourist Board's 'Walled City Signature Destination Project'.
- 8.63 Work towards the conservation of scheduled masonry monuments was conducted at Crevinish Castle, County Fermanagh; Bagnal's Castle, Newry; and Bright Castle, County Down.
- 8.64 The condition of 420 scheduled monuments in private ownership was monitored and liaison with owners proved fruitful in providing a better understanding of their partnership with EHS.
- 8.65 There were 41 Scheduled Monument Consent applications this year for a range of sites including Newry Canal, Lisburn Castle Gardens, Newcastle Harbour, Rams Island and various earthworks and megaliths. We had 16 applications for management agreements with owners/occupiers for scrub management, fencing, erosion repair and conservation work at a variety of scheduled sites.
- 8.66 Work to conserve buildings of special architectural and historic interest (listed buildings) was undertaken on a number of fronts over the year.
- 8.67 The Second Survey recorded, assessed and transferred records equivalent to a further 8 electoral wards in 2006-07. Over 5,000 buildings have now been covered in this survey which has covered 103 of the 526 electoral wards in Northern Ireland. This work significantly increases the knowledge and record of the Department in regard to historic buildings. This year several thematic surveys were completed and transferred to our website. These include a survey of all known thatched buildings in Northern Ireland; buildings with Belfast Roof Trusses; water pumps; and the Mourne Water Scheme. Introductory essays in regard to all of these will be published on our website in 2007.
- 8.68 The increase in planning and listed building consent applications recorded in previous years continued to rise. The team of Conservation Architects commented on 1,695 planning applications in regard to listed buildings this year compared to 1,550 last year and 1,513 the year before. They commented on 508 listed building applications compared to 498 last year and 454 the year before. This work often involves detailed discussion and advice to owners and their agents.
- 8.69 EHS provided £1.6 million in grant aid during 2006-07, assisting with the repair and maintenance of 129 listed buildings. We have also been developing a new grant policy which will launch in 2007.
- 8.70 We have made significant efforts to tackle the issue of listed buildings and scheduled monuments at risk. Our agreement, on this topic, with the Ulster Architectural Heritage Society has been refined to tackle the long term issues which many of these structures face. The work of our own architects has also played a significant part in rescuing 32 buildings from 'at risk' status in the last year. We have helped one Building Preservation Trust acquire a property for restoration and are developing a potential fund in partnership with the Architectural Heritage Fund to support many more in future years.
- 8.71 In regard to the wider historic environment, we advised Planning Service on heritage interest at a number of strategic locations. We published a Conservation Statement for the built heritage aspects of the Titanic

Quarter as part of the development of a masterplan for the area. We also advised on the development of supplementary planning guidance at Ebrington Barracks in Londonderry.

- 8.72 We have also advised NIHE on the heritage value of 150 non-listed vernacular buildings in the countryside.
- 8.73 We licensed 308 archaeological excavations, three quarters of which were funded by developers and the remaining quarter by EHS. Our contract partner, the Centre for Archaeological Fieldwork in Queen's University, undertook 66 excavations to help inform planning decisions. Major developer-funded projects included a Bronze Age cist cemetery at Ballyoan, Co Londonderry, and complexes of ancient wood-lined pits and burnt mounds, or *fulachta fiadh*, along the South-North Gas Pipeline and the A3 Road Improvement Scheme. We also continued to address the backlog of excavation reports, with 300 reports received during the year.
- 8.74 Specialist recording was carried out at both scheduled and state care sites, often in partnership with other heritage bodies during conservation work. The programme included continuing detailed recording in Newry at the Bagnal's Castle, Crevinish Castle, Strabane canal locks, Lock 3 on the Lagan Navigation, Kinbane Castle, Boa Island janiform figure, Cranfield Church, Dunluce Church and Dunluce Castle. Other recording tasks included drawing work for the Nendrum publication, a logboat, Ballygalley Castle and setting out boundaries for several scheduled monuments.
- 8.75 We enhanced facilities available through the Monuments and Buildings Record (MBR) and piloted the new integrated Sites and Monuments Database, incorporating details of drawings and images with the site descriptions. The MBR dealt with around 750 visitors and there were some 220 telephone, e-mail and written enquiries. Many users now acquire information from the EHS web site and Built Heritage web pages, including the Sites and Monument Record and Historic Buildings databases, are amongst the most visited features.
- 8.76 We also provided advice aimed at protecting archaeological sites and their settings by responding to some 2,000 archaeological development control consultations from Planning Service. We contributed to seven Area Plans in preparation and provided professional opinion and advice at Planning Appeals. We also worked closely with colleagues in Planning Service on several enforcement cases and together were successful in securing a prosecution for the unauthorised demolition of a listed building in Bushmills. We responded to 272 consultations from DARD on the management of historic monuments in agri-environment schemes and forestry and dealt with numerous consultations and enquiries from other agencies and departments.
- 8.77 We have also worked to increase public awareness and knowledge of our historic environment. EHS had a very successful stand at the Balmoral Show in 2006 and also at the Self Build Show. We published our annual update 'Building Awareness' in the Northern Builder Magazine and also updated and republished our technical advice notes on listed buildings. A detailed guidance note was produced to coincide with the introduction of increased energy regulations for buildings in November. Our architects and archaeologists have given lectures and talks. The principal outreach event however was "European Heritage Open Days" when 46,000 people visited historic buildings over a weekend in September.

Strategic Environmental Assessment.

- 8.78 EHS is the designated Consultation Body for the Strategic Environmental Assessment Directive, as implemented through the Environmental Assessment of Plans and Programmes Regulations (Northern Ireland) 2004. The stated objective of the Directive is to "provide a high level of protection of the environment and to contribute to the integration of environmental considerations into the preparation and adoption of plans and programmes with a view to promoting sustainable development". Through this role, we have sought to influence development plans and programmes to ensure that they take potential environmental impacts and preventative measures into consideration at an early stage. During the year we were consulted, and provided advice, on a substantial number of Plans and Programmes developed by Government Departments and public bodies, such as Area Plans, Waste Management Plans and EU INTERREG Programmes.

AGENCY REMUNERATION REPORT

Remuneration and Pension Entitlements

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

The remuneration of all senior civil servants is entirely performance based. Permanent Secretaries pay awards are determined by the Northern Ireland Civil Service (NICS) Permanent Secretary Remuneration Committee.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners for Northern Ireland's 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 until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook.

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 most senior officials of the Agency.

Senior Management Remuneration (Audited)

Officials	2006-07		2005-06	
	Salary £'000	Benefits in kind	Salary £'000	Benefits in kind
Mr R W Rogers Chief Executive	85-90	Nil	85-90	Nil
Mr M Coulter Director Of Built Heritage	55-60	Nil	50-55	Nil
Dr R Ramsay Director Of Environmental Protection	75-80	Nil	65-70	Nil
Mr D Campbell Director of Corporate Services	45-50	Nil	45-50	Nil
Mr G Seymour Director Of Natural Heritage	55-60	Nil	45-50	Nil

Salary

'Salary' includes gross salary; performance pay or bonuses; and any other allowance, such as London Weighting Allowances, to the extent that it is subject to UK taxation. This report is based on payments made by the Department and thus recorded in these accounts.

Benefits in kind

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

Pensions of Senior Management (Audited)

Officials	Accrued pension at age 60 as at 31/3/07 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/07	CETV at 31/3/06	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr R W Rogers Chief Executive	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 0 - 2.5	917	748	Nil	0
Mr M Coulter Director Of Built Heritage	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 2.5 - 5	378	281	22	0
Dr R Ramsay Director Of Environmental Protection	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 0-2.5	677	496	0	0
Mr D Campbell Director of Corporate Services	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 0 - 2.5	341	269	5	0
Mr G Seymour Director Of Natural Heritage	20-25 plus lump sum of 55 - 60	2.5-5 plus lump sum of 5 - 7.5	452	308	58	0

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may 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 in the same way as in classic.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or on immediately ceasing to be an active member of the scheme if they are already 60.

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Department of Finance and Personnel's Superannuation Scheme Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real 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.

**ENVIRONMENT AND HERITAGE
SERVICE
FINANCIAL STATEMENTS**

For the year ended 31 March 2007

SECTION 2

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STATEMENT OF CHIEF EXECUTIVE'S RESPONSIBILITIES

Under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel have directed the Environment and Heritage Service to prepare a statement of accounts for the 2006-2007 financial year. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Chief Executive is required to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

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



RW Rogers
Chief Executive
30 May 2007

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

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

The purpose of the system of internal control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The current system of internal control has been in place in the Agency for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel guidance.

Capacity to handle risk

The development and standardisation of risk registers at Corporate, Directorate and Business Unit levels remained a priority during the 2006-07 year and a recent internal audit review confirmed that significant progress has been made in this area. However, there is still room for improvement and we will continue to develop and apply the principles of risk management throughout the Agency. Risk Management training will be a Key Learning Priority in 2007-08.

The risk and control framework

The risk management cycle is a "top-down" and "bottom-up" exercise that allows risks to be identified and managed at Corporate, Directorate and Business Unit levels and to be escalated as appropriate. We have identified the significant risks that might impact upon the Agency's objectives and applied controls accordingly. The Board receives regular reports on internal control, including quarterly assurance statements from Directors and the EHS Compliance Audit Groups which monitor progress against commitments given by functional units in response to internal and external audit reports. The Agency will continue to critically review registers to ensure that best practice is applied, and risks are identified and addressed.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of this effectiveness is informed by the work of the internal and external auditors and senior managers within the Agency who have responsibility for the development and maintenance of the internal control framework. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

During 2006-07, internal audit assignments were carried out in the following areas:-

Audited	Assurance Rating Received
• Corporate Planning and Control	Reasonable
• Financial Management	Reasonable
• Corporate Governance/Risk Management	Reasonable
• Countryside and Coast	Reasonable
• Human Resource Management	Reasonable
• Wages Processing	Reasonable
• Strategic Environmental Assessment	Limited

I am delighted to report that Internal Audit has advised that the assurance rating in respect of the adequacy and effectiveness of internal controls across the Agency has been upgraded from limited in 05-06 to a higher assurance rating of reasonable.

I will continue to seek the timely implementation of all audit related recommendations in these reports and reports from previous periods through the operation of the EHS Compliance Audit Groups, including recommendations made by the Northern Ireland Audit Office as part of their annual audit of the Agency's accounts.

I am pleased with the tangible evidence of progress made across the Agency in the implementation of agreed audit recommendations and the embedding of the approach to risk management; this important area of work remains a priority for me.



R W Rogers
Chief Executive
30 May 2007

Environment and Heritage Service Agency

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 Environment and Heritage Service Agency for the year ended 31 March 2007 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, the Chief Executive and auditor

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and the Department of Finance and Personnel directions made there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Chief Executive's Foreword and Report, the Management Commentary and part of the Agency Remuneration Report which is not described in that Report as having been audited, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with the Department of Finance and Personnel's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

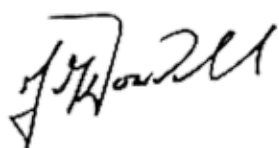
- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Agency's affairs as at 31 March 2007, and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- The information given within the Annual Report, which comprises the Chief Executive's Foreword and Report, the Management Commentary and the part of the Agency Remuneration Report that is not described in that report as having been audited, is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.



JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

27 June 2007

ENVIRONMENT & HERITAGE SERVICE

Income & Expenditure Account for the Year Ended 31 March 2007

	Note	2007 £'000	2006 £'000
Income			
Administration	2	3,738	2,607
Programme	2	2,385	6,486
		6,123	9,093
Expenditure			
Administration			
Staff Costs	3	24,265	22,405
Other Operating Costs	4	7,925	8,438
Depreciation	7	442	470
		32,632	31,313
Programme			
Directorate Costs	5	10,750	11,317
Grants	6	15,824	19,665
Depreciation	7	1,718	1,252
		28,292	32,234
Cost of Operations Before Interest		54,801	54,454
Interest on Capital Employed			
Administration	8	39	23
Programme	8	651	483
		690	506
Net Cost of Operations		55,491	54,960

The net cost of operations arises wholly from continuing operations

The notes on pages 38 to 58 form part of these accounts

**Statement of Recognised Gains and Losses
for the year ended 31 March 2007**

		2007	2006
	Note	£'000	£'000
Unrealised surplus on revaluation of fixed assets net of backlog depreciation	15	6,496	1,317
Transfer of Fixed Assets from Invest NI	15	-	3,838

The notes on pages 38 to 58 form part of these accounts

ENVIRONMENT & HERITAGE SERVICE**Balance Sheet as at 31 March 2007**

		2007	2006
	Note	£'000	£'000
Fixed Assets			
Tangible Assets	7 (i)	35,323	28,139
Intangible Assets	7 (ii)	86	118
		35,409	28,257
Current Assets			
Stock	10	186	254
Debtors and Prepayments	11	2,836	7,182
		3,022	7,436
Creditors:			
Amounts falling due within 1 year	12	13,429	18,280
Net Current Liabilities		(10,407)	(10,844)
<u>Total Assets less Current Liabilities</u>		25,002	17,413
Provisions for Liabilities and charges	13	1,267	1,507
<u>Total Net Assets</u>		23,735	15,906
Financed by:			
Capital and Reserves			
Government grant reserve	14	0	24
General fund	15	8,750	7,393
Revaluation Reserve	15	14,985	8,489
		23,735	15,906



RW Rogers
Chief Executive
30 May 2007

The notes on pages 38 to 58 form part of these accounts.

Cash Flow Statement For the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Net Cash Outflow from Operating Activities	16 (i)	(50,400)	(59,335)
Capital Expenditure			
Proceeds on sale of Fixed Assets	16 (iii)	173	5
Payments for Fixed Assets	16 (ii)	(2,817)	(2,131)
Receipts due to the Consolidated Fund which are outside the scope of Agency activities		0	982
Payments of amounts due to the Consolidated Fund		0	(982)
Net Cash Outflow from Capital Expenditure		(2,644)	(2,126)
Net Cash Outflow before Financing		(53,044)	(61,461)
Financing			
Net funding	16	53,044	61,461

The notes on pages 38 to 58 form part of these accounts.

Notes to the Accounts for the year ended 31 March 2007

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Accounts Direction which requires the Agency to comply with the Government Financial Reporting Manual (FRoM).

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

(a) Accounting convention

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

Without limiting the information given, the accounts meet:

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

(b) Value Added Tax

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

(c) Grants payable

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

(d) Tangible fixed assets

All non-heritage properties are subject to a 5-year programme of valuations by District Valuers (DVs) of the Valuation and Lands Agency (VLA) acting in the capacity of External Valuers. Valuations have been prepared by the DVs as at 1 April 2006 on the undernoted basis in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. These valuations are updated annually by the Environment and Heritage Service using appropriate indices, and following valuation the remaining life may be restated.

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

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

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

The sources of information and assumptions made in producing the various valuations are set out in the

Valuation Certificate, which is not published in the Annual Accounts.

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

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

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

(e) Depreciation

The threshold for capitalisation as a fixed asset is £1,000 for all non computer equipment and £500 for computer hardware and software. Depreciation is provided on tangible assets, excluding heritage assets and archives, on a straight-line basis at rates sufficient to write down their cost to their estimated residual value over their estimated useful lives. The depreciation periods for the principal categories of assets are:

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

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

(f) Stock

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

(g) Pension costs

Employees of the Environment and Heritage Service are covered by the Principal Civil Service Pension Scheme, which is a non-contributory scheme. The rate for the employers' contribution is set by the Government Actuary. For this financial year the rates were between 16.5% and 23.5%. All contributions are charged to the income and expenditure account as incurred.

(h) Management Agreements

The Environment and Heritage Service enters management agreements with landowners in order to "preserve" lands/buildings identified as being ASSIs or of architectural/historical interest. These agreements either involve one off payments with the agreements being in perpetuity or annual payments covering a set period. Management Agreements covering Nature Reserve and ASSIs involve compensation payments to the

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

(i) Notional Costs

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

(j) Administration & Programme Expenditure

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

(k) Interest on Capital

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

2. INCOME

2(i) Income comprises:

	2007 £'000	2006 £'000
ERDF Income	789	6,119
Less ERDF Income*	0	(388)
Operating Income		
Operating Income from Country Parks	119	85
Operating Income from Historic Monuments	247	234
Environmental Protection Pollution Costs Recovered	4,657	2,967
Other Income	109	70
Deferred Capital Grant Release	24	65
(Loss) / Profit on Sale of Fixed Assets	170	(59)
Grant Repayment	8	0
TOTAL	6,123	9,093
Summarised as:		
Administration	3,738	2,607
Programme	2,385	6,486
Total	6,123	9,093

*Downward adjustment in 2005-06 to ERDF income in respect of the closure of the 1994 – 1999 ERDF EU Programmes relating to intervention grants rates payable.

2(ii) Trading Income

Operating income includes trading income generated from 2 broad areas of activity within the Agency, i.e. environmental protection legislation and admissions and events at historic monuments. The target cost recovery for Environment Protection Legislation was 100% and the outturn represents cost recovery of 104.3%. No target cost recovery has been set for Historic Monuments Events and Admissions.

Environmental Protection Legislation

	2007	2006
	£'000	£'000
Fees and Charges	4,602	2,732
Operating Costs		
Staff Costs	3,331	1,980
Administration and Accommodation	880	643
Notional Charges	195	379
Total Costs	4,406	3,002
Operating Surplus / (Deficit)	196	(270)

Admissions and Events at Historic Monuments

	2007	2006
	£'000	£'000
Income		
Admission Income	156	135
Retail Sales	87	99
	243	234
Operating Costs		
Staff Costs	423	416
Goods for Resale	72	73
Administration and Accommodation	89	90
Presentation and Marketing	45	47
Notional Charges	7	7
Total Costs	636	633
Operating Deficit	(393)	(399)

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

3. STAFF NUMBERS AND COSTS

(i) Staff Costs

	2007 £'000	2006 £'000
Staff with a Permanent Employment Contract		
Salaries and wages	16,767	15,229
Employer's National Insurance	1,240	1,115
Superannuation	2,757	2,507
Sub Total	20,764	18,851
Agency and Advisory Staff	3,501	3,554
Total employment costs	24,265	22,405
 Summarised as:		
Administration	24,265	22,405
Total	24,265	22,405

(ii) Number of employees and pension provisions

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

	2007 Number of Employees	2006 Number of Employees
Staff with a Permanent Employment Contract		
Senior Management	7	9
Administrative	270	256
Professional, Technical and Scientific	396	337
Craftsmen and Industrials (Permanent)	81	88
Craftsmen and Industrials (Temporary)	-	2
Agency and Advisory	78	98
TOTAL	832	790

The Principal Civil Service Pension Scheme(Northern Ireland) [PCSPS(NI)] is an unfunded defined benefit scheme but Environment & Heritage Service is unable to identify its share of the underlying

assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2006-07, employers' contributions of £2,756,502 were payable to the PCSPS(NI) (2005-06 £2,507,267) at one of four rates in the range 16.5% to 23.5 % of pensionable pay, based on salary bands. From 1 April 2007, the salary bands will be revised but the rates will remain the same. The contribution rates reflect benefits as they are accrued in a period, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £5,406 were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £1,263, 0.8 per cent of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

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

4. ADMINISTRATION – OTHER OPERATING COSTS

(i) **Other Operating Costs comprise:**

	2007 £'000	2006 £'000
Accommodation and Administration	4,702	5,211
Notional Charges	3,223	3,227
TOTAL	7,925	8,438

(ii) **Accommodation and Administration costs comprise:**

	2007 £'000	2006 £'000
Accommodation Running Costs	714	1,352
Travel & Subsistence Costs	697	714
Supplies and Services	2,570	2,635
Computer Expenses	387	245
Training Costs	334	265
TOTAL	4,702	5,211

(iii) **Hospitality Costs:**

	2007 £'000	2006 £'000
Supplies and Services includes Hospitality costs;	25	33

(iv) Notional Charges:

	2007 £'000	2006 £'000
Services provided by parent department		
Finance	235	249
Planning	39	34
	<hr/> 274	<hr/> 283
Services provided by other departments		
(i) Department for Regional Development		
Personnel and Management	643	608
Finance	205	220
Economics Branch	46	56
Graphic Design Unit	1	4
Information Systems Unit	273	173
Internal Audit	124	122
Central Claims Unit	5	5
	<hr/> 1,297	<hr/> 1,188
(ii) Accommodation	1,420	1,472
(iii) other departments	207	258
(iv) NIAO Audit Fee	25	26
	<hr/>	<hr/>
TOTAL	3,223	3,227

5. PROGRAMME – DIRECTORATE COSTS

(i) Directorate costs comprise:

	2007 £'000	2006 £'000
Natural Heritage	5,091	5,117
Built Heritage	1,718	1,484
Environmental Protection	2,784	3,434
Shared Costs	1,157	1,282
TOTAL	10,750	11,317

(ii) Natural Heritage costs comprise:

	2007 £'000	2006 £'000
Maintenance and monitoring of country parks	4,817	4,411
Management Agreements	272	706
Land Acquisition/New Construction	2	-
TOTAL	5,091	5,117

(iii) Built Heritage costs comprise:

	2007 £'000	2006 £'000
Maintenance of Monuments including publicity and marketing	1,098	994
Management Agreements	51	5
Archaeology	569	485
TOTAL	1,718	1,484

(iv) Environmental Protection costs comprise:

	2007 £'000	2006 £'000
Pollution Control	2,784	3,434
TOTAL	2,784	3,434

(v) Shared Costs Comprise:

	2007 £'000	2006 £'000
Professional & Technical Advisory	400	535
Other	757	747
TOTAL	1,157	1,282

6. (i) GRANTS

	2007 £'000	2006 £'000
Natural Heritage	2,994	3,268
Built Heritage	1,590	1,748
Environmental Protection	11,240	14,649
TOTAL	15,824	19,665

(ii) Natural Heritage Grants comprise:

	2007 £'000	2006 £'000
Conservation Grant	2,107	2,075
District Council – Grants	477	678
National Trust	255	391
ERDF Grants	155	105
Grant to Environmental Information Centre	0	19
TOTAL	2,994	3,268

(iii) Built Heritage Grants comprise:

	2007 £'000	2006 £'000
ERDF Grants	40	35
Private Grants	1,054	1,014
National Trust	101	149
Church Grants	312	344
District Council Grants	83	206
TOTAL	1,590	1,748

(iv) Environmental Protection Grants comprise:

	2007 £'000	2006 £'000
Clean Air Grant	0	16
ERDF Grants	857	6,736
Tidy Northern Ireland Grant	142	146
District Council Grants – Waste Management	8,304	7,006
Landfill Tax Credit Reform Grant	755	(54)
Waste Resources Action Programme Grant	1,000	799
Industry Fund Grant	182	0
TOTAL	11,240	14,649

7 (i) TANGIBLE FIXED ASSETS

	Land & Buildings (excluding dwellings)	Plant & Equipment	Furniture & Fittings	Transport Equipment	Information Technology	TOTAL
Valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2006	28,080	4,569	2,844	1,996	2,590	40,079
Additions	1,202	302	34	444	813	2,795
Revaluation	7,358	77	12	35	-	7,482
Disposals	-	(1)	-	(52)	(6)	(59)
At 31 March 2007	36,640	4,947	2,890	2,423	3,397	50,297
Depreciation						
At 1 April 2006	3,502	2,614	2,546	1,291	1,987	11,940
Charge	959	414	99	246	380	2,098
Revaluation	924	29	18	23	-	994
Disposals	-	(1)	-	(52)	(5)	(58)
At 31 March 2007	5,385	3,056	2,663	1,508	2,362	14,974
Net Book Value						
At 31 March 2007	31,255	1,891	227	915	1,035	35,323
At 1 April 2006	24,578	1,955	298	705	603	28,139

All land and Buildings are freehold.

7 (ii) INTANGIBLE FIXED ASSETS

	Purchased Software Licences	TOTAL
	£'000	£'000
Valuation		
At 1 April 2006	533	533
Additions	22	22
Revaluation	8	8
Disposals	-	-
At 31 March 2007	563	563
Depreciation		
At 1 April 2006	415	415
Charge	62	62
At 31 March 2007	477	477
Net Book Value		
At 31 March 2007	86	86
At 1 April 2006	118	118

(iii) Depreciation charge

	2007 £'000	2006 £'000
Depreciation charge for the year	2,160	1,722

Land is not depreciated. The value of land at 31 March 2007 was £31,255K. (2006: £24,578K). The computer equipment is deemed to be Administration Fixed Assets. The depreciation charge comprises administrative and programme depreciation of £442k and £1,718K respectively.

(iv) Heritage Assets**Pure Heritage Assets**

Pure Heritage Assets can be categorised into two broad categories – State Care Monuments & Heritage Lands. These assets are not valued, as it is neither practicable nor appropriate to do so. The following is a sample of State Care Monuments owned by the EHS as at 31 March 2007: -

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

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

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

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

Purchased Heritage Assets

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

reliable and practical basis of valuation.

8. INTEREST ON CAPITAL

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

9. MANAGEMENT AGREEMENTS

(i) Included under Natural Heritage & Built Heritage operating costs is in year expenditure on Management Agreements. For the period 2006-07, 2 ASSI Management Agreements (2005-06: 15), 0 SPA Management Agreements (2005-06: 1) and 12 Built Heritage Management Agreement (2005-06: 12) were entered into. Expenditure on Management Agreements during the financial year was:

	2007 £'000	2006 £'000
ASSI Management Agreements	260	698
SPA Management Agreements	12	8
Built Heritage Management Agreements	51	-
TOTAL	323	706

(ii) Unresolved Irregularity Issue

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

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

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

10. STOCKS

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

	2007	2006
	£'000	£'000
Retail	87	98
Operational	99	156
TOTAL	186	254

11. DEBTORS

	2007	2006
	£'000	£'000
Prepayments	77	102
Accrued Income	-	-
Other debtors	1,343	1,245
ERDF Debtor	1,416	5,835
TOTAL	2,836	7,182

12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£'000	£'000
Trade Creditors	2,378	2,402
Accruals and deferred income	10,364	9,930
PAYE and NIC	35	30
Sundry Creditors	-	-
Due to Consolidated Fund (ERDF)	627	5,835
Due to Consolidated Fund (Other)	25	83
TOTAL	13,429	18,280

13. PROVISION FOR LIABILITIES AND CHARGES

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

(a) Management Agreement

	2007 £'000
At 1 April 2006	1,261
Paid in Year	(233)
Additions	19
At 31 March 2007	1,047

(b) Public and Employers Liability Claims

	2007 £'000
At 1 April 2006	246
Paid in Year	(3)
Release	(23)
At 31 March 2007	220
Total Provision at 31 March 2007	1,267

14. GOVERNMENT GRANT RESERVE

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

	2007 £'000	2006 £'000
ERDF Grant		
Opening balance at 1 April 2006	24	89
Release to Income and Expenditure Account in year	(24)	(65)
Closing balance at 31 March 2007	-	24

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

	General Fund £'000	Revaluation Reserve £'000	2007 TOTAL £'000	2006 TOTAL £'000
At 1 April 2006	7,393	8,489	15,882	6,294
ERDF	-		-	388
Transfer From Invest NI	-		-	3,838
Notional Charges	3,223		3,223	3,227
Cost of Capital	690		690	506
Net Expenditure	(55,491)		(55,491)	(54,960)
Net Funding from DOE	53,044		53,044	61,463
Consolidated Fund	(109)		(109)	(6,191)
Net surplus on Revaluation of Fixed assets		6,496	6,496	1,317
At 31 March 2007	8,750	14,985	23,735	15,882

16 NOTES TO CASH FLOW STATEMENT**16(i) RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2007	2006
	£'000	£'000
Net cost of operations before interest	(54,801)	(54,454)
Depreciation Charge	2,160	1,722
(Profit) / Loss on disposal of fixed asset	(172)	59
ERDF Income	0	388
Notional charges	3,223	3,227
Release of deferred government grant	(24)	(65)
Decrease in Stock	68	6
Increase / Decrease in Provisions	(240)	381
Increase in creditors	(4,851)	(326)
(Increase) / Decrease in debtors	4,346	(4,082)
Consolidated Fund	(109)	(6,191)
Net Cash Outflow from Operating Activities	(50,400)	(59,335)

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

	2007	2006
	£'000	£'000
Tangible Fixed Assets Acquired	(2,817)	(2,131)
Net Cash Outflow from Investing Activities	(2,817)	(2,131)

16(iii) FINANCING

	2007	2006
	£'000	£'000
Gross Funding from DOE	63,490	68,045
Accruing Resources	(10,446)	(6,584)
Net Funding from DOE	53,044	61,461

The grant was used to finance:

	2007	2006
	£'000	£'000
Net Cash Outflow from Operating Activities	50,400	59,723
ERDF Income Removed	-	(388)
Purchase of fixed assets	2,817	2,131
Sale of fixed assets	(173)	(5)
	53,044	61,461

17. CONTINGENT LIABILITIES

	Public Liability (Number of cases)	Employer's Liability (Number of cases)
Environmental Protection	1	-
Built Heritage	1	7
Natural Heritage	2	-
TOTAL	4	7

Public liability claims relate to claims against the Agency by members of the public in respect of alleged injuries sustained at the Agency's visitor sites. Employer's liability claims relate to claims against the Agency by employees allegedly injured at work.

18. COMMITMENTS

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

	2007 £'000	2006 £'000
Capital Commitments – Historic Buildings	2,008	1,255
Grant Commitments – Environmental Protection	9,374	5,885
Grant Commitments – Natural Heritage	6,307	3,822
TOTAL COMMITMENTS	17,689	10,962

19. PENSIONS

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

20. FINANCIAL TARGETS

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

21. RELATED PARTY TRANSACTIONS

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

Planning Service

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

Department of Agriculture and Rural Development
Department of Education
Department for Regional Development

Department of Finance and Personnel
Valuation & Lands Agency

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

22 INTRA-GOVERNMENT BALANCES

	2007	2006
	£'000	£'000
Debtors: Amounts falling due within one year		
Balances with other central government bodies	489	493
Balances with local authorities	-	-
Balances with bodies external to government	2,347	6,689
	2,836	7,182

	2007	2006
	£'000	£'000
Creditors: Amounts falling due within one year		
Balances with other central government bodies	920	6,244
Balances with local authorities	5,039	5,250
Balances with bodies external to government	7,470	6,786
	13,429	18,280

23 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The annual report and accounts were authorised to be issued and laid before the Assembly on 4th July 2007. There were no events occurring after the Balance Sheet date that required disclosure.

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