



Annual Report
and Accounts
2007-2008



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An Agency within the Department of
**Agriculture and
Rural Development**
www.dardni.gov.uk

**Rivers Agency
Annual Report and Accounts
For the year ended 31 March 2008**

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under section 11(3) (c) of the Government Resources
and Accounts Act (Northern Ireland) 2001
by the Department of Agriculture and Rural Development*

20 June 2008

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Annual Report 2007-2008



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Chief Executive's Foreword

I am pleased to present the Rivers Agency's Annual Report and Accounts for the year ended 31 March 2008. This report covers the main areas of work addressed during the period and shows the progress achieved against the key targets set by the Minister.

The events of June were a sharp reminder of the very real impacts of flooding. Floods have the potential to cause death and injury, displacement of people and damage to property and the environment as well as having wider economic consequences. The Rivers Agency and its predecessors organisations have invested heavily in flood protection projects in past decades and currently the Agency is setting the strategic priorities for future investment through its Flood Management Policy Review and implementation of the EU Floods Directive.

The independent Review of Flood Management Policy has reached the government response stage and the intention is that this will provide a policy framework setting the strategic direction for the delivery of flood risk management in Northern Ireland for the next 10 years and beyond.

The EU Directive on the Assessment and Management of Floods entered into force on 26 November 2007. As the competent authority for the transposition and implementation of the Directive in Northern Ireland, the Agency is rising to the considerable challenge of meeting the requirements of the Directive with its partners in the water environment.

Staffing difficulties and the flooding of last June had a considerable impact on the ability of the Agency to deliver its key targets. Despite the pressures experienced, four of the six key targets were achieved and this is a testament to the commitment and application of staff and I wish to take this opportunity to express my appreciation for their excellent efforts.

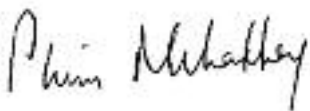
The expertise that exists within the workforce is one of the Agency's greatest assets and we are committed to continued future development of the potential that exists. While we have experienced recruitment and retention pressures we have been encouraged that some of the trainee civil engineering assistants recruited in recent years have now transformed to technician grades. A further batch of trainees has recently been recruited.

The events of last June have again highlighted the need for all government departments to be involved in dealing with emergencies such as flooding. Our commitment to continued improvement has been reinforced with the review of the Emergency Response and we will be working with the other responders to implement the recommendations arising from the review.

The Agency continues to liaise closely with Planning Service on drainage and flood protection aspects of Development Plans and individual planning applications in seeking to ensure that new developments do not suffer from flooding or result in increased flood risk elsewhere. During the year significant progress was made towards the development of a strategic flood map product that will provide high level information on areas at risk of flooding which will help inform the planning process.

The Drainage Council for Northern Ireland, appointed in February 2006, continues to have responsibility for overseeing our programme of publicly funded drainage and flood defence works.

Senior management continues its commitment to ensuring that all staff work in a safe and secure environment and are properly equipped to carry out their duties through the provision of appropriate training and development.



Philip Mehaffey
Acting Chief Executive
20 June 2008



Director's Report

History and Background

The Rivers Agency was established as an Executive Agency within the Department of Agriculture Northern Ireland (DANI) on 1 October 1996. As a result of restructuring, the parent Department is now known as the Department of Agriculture and Rural Development (DARD).

The Agency is responsible for arterial drainage and flood protection in Northern Ireland under the Drainage (Northern Ireland) Order 1973.

Principal Activities

The principal activities of the Agency are:

- to construct and maintain flood and sea defences;
- to maintain designated watercourses;
- to respond to flooding incidents;
- to protect the drainage functions of all watercourses; and
- to regulate water levels on Lough Neagh and Lough Erne.

Agency Management Board

The Rivers Agency Management Board is responsible for the day-to-day management and performance of the Agency. Members of the Board for the financial year were:

| | |
|-----------------|---|
| John Hagan | Chief Executive (retired 6 June 2008) |
| John Clarke | Director of Development |
| Philip Mehaffey | Director of Operations / Acting Chief Executive (6 June 2008) |
| Eddie Gaw | Director of Corporate Services |

Following a recruitment competition Mr John Hagan was appointed Chief Executive on 24 April 2000 for a fixed period of three years under the Senior Civil Service Management Code. The Contract of Employment was subsequently converted to an "indefinite period" in June 2001.

The Chief Executive's pay is determined by the Permanent Secretary in accordance with the rules set out in Chapter 7.1 Annex A of the Civil Service Management Code and that of the Directors is determined by the Central Personnel Group of the Department of Finance & Personnel. Details of the remuneration of the Chief Executive and senior staff within the Agency are provided in salary bands in the Remuneration Report.

Accounts Direction

The Rivers Agency's audited Accounts for the Financial Year to 31 March 2008 have been prepared in accordance with the Department of Finance and Personnel Direction under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

Pension Costs

Further details in relation to the pension schemes are given in accounting policy note 1.10 to the accounts and in the Remuneration Report.



Management Commentary

Aims and Objectives of the Agency

Our Business

The Rivers Agency is an Executive Agency within the Department of Agriculture and Rural Development (DARD). It is the statutory drainage and flood defence authority for Northern Ireland.

The Organisation

The Agency is headed by a Chief Executive supported by a Senior Management Directorate who together make up the Agency Management Board. It is a multi-disciplinary organisation employing 422 staff spanning Industrial, Administration, Professional and Technical disciplines.

Our Headquarters are located at Hydebank in Belfast and there are Regional Offices in Lisburn and Omagh with Area Offices in Coleraine and Craigavon, while an office in Riversdale services a Fermanagh Sub-area. Further details of our office locations and addresses are detailed in Appendix 1.

Management and Accountability

The Agency's relationship with the Department of Agriculture and Rural Development, and its accountability to Ministers and the Northern Ireland Assembly, are set out in a Framework Document. The Chief Executive is responsible to the Minister for our operations and performance. The Minister determines the policy framework within which we operate, the level of resources made available each year, and the scope of our activities. The Minister also approves our Corporate and Business Plans, sets key performance targets and monitors our performance.



A senior official within the DARD core advises the Minister on strategic issues relating to the Agency and its business performance.

The Agency Management Board consists of the Chief Executive and three functional Directors whose responsibilities are set out in Appendix 2.

Aims

The Agency aims to improve social conditions and to support economic development in Northern Ireland through:-

- Reducing risk to life and damage to property from flooding from rivers and the sea
- Preserving the productive potential of agricultural land.

Objectives

In support of these aims the Agency's objectives are to:

Operational Objectives

- Identify flooding risks and execute works to minimise such risks
- Maintain a network of free flowing watercourses to provide adequate outlet for land drainage
- Administer advisory and enforcement procedures to protect the drainage function of all watercourses
- Regulate and control the water levels of Lough Neagh and Lough Erne within specified limits so far as climatic conditions permit
- Execute all work programmes in an environmentally sympathetic manner and conserve and enhance the environs of watercourses wherever possible.

Customer Service Objectives

- Pursue continuous improvement in the delivery of services having regard to the effective use of available resources and the Government's fairness and equality policies
- Secure an improvement in the quality of services available to the public in line with the principles of the Agency's Charter Standard Statement.

Finance and Administration Objectives

- Secure ongoing value for money and improved efficiency in the management of the Agency
- Enhance business processes.



Agency Performance in 2007/08

The Agency was successful in meeting four of the six Key Targets set by the Minister for the 2007/08 business year. A summary of the outturn achieved against the targets set is given at Table 1.

Table 1 Outturn Against Key Targets

| Target | Outturn |
|---|----------------|
| <i>Output</i> | |
| To construct or refurbish 317 metres of urban flood defences. | Achieved |
| To accommodate increased storm run-off from 137.6 hectares of development land. | Not Achieved |
| To replace/refurbish 164m of dangerous culverts. | Achieved |
| To complete identified maintenance works on 865 of 1,484 designated open watercourses included in the Notice of Annual Maintenance as part of a 6-year scheduled maintenance programme. | Achieved |
| <i>Quality Of Customer Service</i> | |
| To issue substantive replies to 80% of written enquiries within 15 working days of receipt. | Not Achieved |
| To respond to 98% of Schedule 6 applications within 3 months. | Achieved |

Developments in Drainage and Flood Defence

Major Schemes

A substantial part of the work of the Rivers Agency is to design and construct new or replacement river flood alleviation, sea defence and drainage infrastructure schemes to protect people, homes and property and facilitate development across Northern Ireland. The Agency also undertakes works to maintain and repair watercourse culverts. The main schemes progressed during the period of this report were as follows:

Newcastle, Burren River Flood Alleviation Scheme

In July 2007, the Burren Flood Alleviation Scheme was completed. The scheme is designed to provide flood protection to 850 homes and commercial properties at risk in Newcastle. It involved the construction of 3,300 metres of flood walls and embankments, reconstruction of 3 footbridges and associated environmental enhancements extending over a 3 kilometre length of the Burren River.

Enniskillen, Killynure Lough Drain

In June 2007, the Killynure Lough Drain infrastructure scheme was completed. The scheme was constructed in order to alleviate flooding problems in Enniskillen (Derrychara Link and Dublin Road) and to facilitate additional development identified in the Development Area Plan. Poor ground conditions along a substantial part of the construction route resulted in the requirement for a more complex design than was originally envisaged. An engineering solution using a system of foundation piles and precast concrete culvert units was used where ground conditions were poor. The Agency also carried out works for NI Water to upgrade their services in the vicinity of the Agency's new conduit as part of an inter-government agency cooperation strategy.

Lisburn, Plantation & Altona Streams Scheme

In Spring 2007 the main component of this scheme was completed. The final phase undertaken during 2008 involved boring a tunnel underneath the M1 motorway to the east of Lisburn to carry watercourse flows from existing and proposed housing developments in the area to the River Lagan.



Lower Bann Sluice gate motorisation

Works commenced in June 2007 to motorise the 3 main sluice gate sets on the Lower Bann river. This mechanisation will enable gate levels, which control flows in the river, to be mechanically adjusted where previously gates had to be manually raised and lowered from a single location. The new system will be complete in early Summer 2008.

Stoneyford, Stonebridge Meadows Flood Alleviation Scheme

In September and October 2007 the Agency's Direct Labour force completed the first part of the Stonebridge Meadows Scheme. The Scheme was carried out to protect houses which had flooded on several occasions in recent years. The second phase of the scheme is being undertaken by an external contractor and is progressing to plan. It includes a section of tunnel underneath the main road through Stoneyford to minimise disruption to local residents. The scheme is planned to be completed in Spring 2008.

Other major works

During April to November 2007, works were carried out to upgrade 3 culverts underneath the road on the Magherafelt to Ballymoghlan Drain route. The works were required because of proposed developments in the catchment area and also accommodated an improvement to existing fishery amenities.

From October 2007 to January 2008, the Agency's Direct Labour force substantially completed a drainage infrastructure scheme on the Ballymoney Ring-Road Drain. Final reinstatement works were completed in Spring 2008.

Four schemes are scheduled to commence at the beginning of the financial year 2008/09:

- Banbridge, Belmont Stream (Drainage Infrastructure)
- Portrush, Tar Burn (Drainage Infrastructure and Flood Alleviation)
- Moneymore, Moneyhaw (Flood Alleviation)
- Remedial Works Package (Small-scale culvert repairs)

Hydrometrics

The Agency continued to operate the Northern Ireland Surface Water Hydrometric Network, mainly for flood defence, water quality and water resource purposes. As well as assisting the Agency's flood estimation, flood assessment and regulatory and advisory functions, the network supports key functions of some other government agencies.

River flows, lough and groundwater levels throughout the Province continued to be monitored at 120 hydrometric stations across the network. Efficient and prompt collection of data is achieved through a high degree of electronic instrumentation and telemetry. The data is used within the Agency in the core area of flood defence to assist with the estimation of flood flows and flood frequency. Data was made available to many external organisations during the year such as Environment and Heritage Service in relation to water quality and pollution issues, DRD Water Service (now NI Water) for water resources, universities for environmental research and other educational establishments for various projects. The Agency also fulfilled its obligation to supply data to the National Water Archive in Wallingford, which publishes river flow information through its National Hydrological Summary publication and on the Internet (www.nwl.ac.uk/ih/nrfa/). An Agency representative currently chairs the Hi-Flows UK project Steering Group to update information used within the Flood Estimation Handbook and sits on the National Surface and Groundwater Archives Committee. The Agency is also represented on the UK Committee for the International Hydrology Programme (IHP) and is an observer on the Irish National Committee for IHP.

During the financial year 2007/08 the total rainfall in the Province amounted to 1192.3mm which was 107% of normal. The month with the most rainfall was January 2008 with 192.2mm which is 166% of the long-term average and the wettest since 1928. April 2007 had the lowest rainfall at 28.8mm which is 43% of the long-term average and the driest since 1982.

EC Water Framework Directive

The second stage of the comprehensive study into the potential impacts of the Water Framework Directive on the Agency's business was undertaken and completed during the year. Consideration is now being given as to how best the key issues identified in the study report might be progressed. Agency staff continued to be engaged, in a broader context, in the overall implementation of the Directive in Northern Ireland.



Asset Management

The whole life optimal management of the Agency infrastructure assets is essential to maximise their contribution to flood risk management. Key to this management is the production of Asset Management Plans (AMPs) which are designed to ensure that existing assets are maintained in satisfactory condition, and to plan for future refurbishment and replacement. The Agency's infrastructure assets consist of an extensive Culvert Network, Fluvial (river) Defences, Sea Defences as well as Land and Buildings

The Agency is in the process of implementing a suite of AMPs, to date the Culvert Network and Sea Defences AMPs have been completed with work on the Fluvial Defence AMP ongoing. In support of the latter the Agency has established a detailed database for managing defence assets – 44km of urban flood defences have been inspected in accordance with UK industry standards and the database has been populated with detailed information on the structural composition and condition of these assets. The Agency is using the information contained within the database in conjunction with UK industry unit cost figures to produce a valuation for the Fluvial Defences. In respect of the Culvert Network, a contract to survey over 60km (approximately 20%) of the network using CCTV has also been established which will provide information to formulate the culvert repair and maintenance programme for future years.

Geographical Information System (GIS)

The Agency is becoming more and more reliant on information which is spatially referenced and is fully committed to the application of GIS to improve efficiency and effectiveness. This will more readily facilitate the sharing and communication of information across government departments and to the public.

The Agency fully supports the implementation of the Geographic Information Strategy for Northern Ireland through the Mosaic Programme, and is an active participant in a number of Mosaic initiatives – for example, information on the Agency's infrastructure assets is hosted on the Mosaic "Utilities and Networks" website, where it is accessible by other utilities and their agents.

Flood Mapping

Information on flood risk will increasingly drive flood risk management activities with an emphasis on managing. Flood mapping is a key information resource and is essential to enabling the sharing and communication of flood risk information.

The Agency is taking forward various flood mapping initiatives in accordance with its Flood Mapping Strategy. The strategy has a number of policy drivers including: Planning Service's Planning Policy Statement on Flood Risk (PPS15), and the Agency's role as a statutory consultee; the proposed EU Floods Directive, and its requirements for development of flood risk and hazard maps.

The strategy identifies various flood map series and the initial flood map consisting of the "Base Map" and "Support Map" series has been completed. The "Base Map" indicates the extent of the undefended floodplain for both fluvial and coastal flood risk at a strategic level. The map has been developed for both present day and climate change epochs, in recognition of the needs of various stakeholders. The map has been created using industry standard generic methodologies that have already been applied in the rest of the UK. The "Support Map" includes the actual flood extent as recorded within the Agency's historic flood map archive – the Agency has also improved procedures for flood data collection in order that they dovetail with the maintenance of this archive. The initial flood map is supplemented by spatial information pertaining to the Agency's flood defence and culvert network, in order to provide an indication of the areas that are protected by these assets.

A website to facilitate public access to the flood map has been developed and will be formally launched in Summer 2008. In developing the website the Agency has worked closely with Ordnance Survey NI – the hosting infrastructure is being provided through GeoHub NI™. A communication plan to promote the new flood maps has been developed and will be implemented prior to the launch date.

Further work has commenced on a Flood Mapping pilot; this will test the processes required to deliver the subsequent maps series identified within the Flood Mapping strategy, and will substantiate the business need for the same.



Storm Tide Forecasting

During Winter 2006 the Agency had a storm tide forecasting service in place as a pilot exercise. In light of the experience of the pilot, and taking account of the scale of flood risk evident from the new strategic flood maps, the Agency has reviewed the business need for such a service and has concluded that there is a requirement for this type of service. The Agency is currently reviewing the provision of the same.

Best Practice Client

The Agency procures a range of works and services in the delivery of flood risk management. In doing so the Agency works together with other organisations within the public sector to act as a better co-ordinated and joined-up client and thus achieve better value for money for the public service and the successful delivery of programmes and projects. To this end the Agency applies the procurement guidelines for Northern Ireland Government Departments which encourage efficiencies and helps to ensure delivery of the Agency's programmes within appropriate time frames. Rivers Agency procurement gateways have been adopted whereby, at four stages during the life of a project, opportunity is taken to review and decide on the merits of proceeding to the next stage. Projects are regularly reviewed with the aim to ensure continuous improvement. Further, the Agency seeks to improve its procurement practices through its plans with respect to initiatives such as 'Achieving Excellence' in Construction, Value for Money and Sustainability in Construction. The Agency's expertise in Procurement has been recognised by the Central Procurement Directorate (CPD) of the Department of Finance and Personnel and is subject to a Service Level Agreement.

The extensive use of a Framework for Consulting Engineers has become essential to the delivery of flood risk management and a new framework was delivered during the year. Frameworks have also brought improved efficiency in the delivery of services and works and a new framework for works is to be put in place in the 2007/08 business year.

Planning Advice

A key aspect of sustainable flood risk management is to facilitate development of housing, workplaces and transport links by ensuring that they are not at risk from flooding and do not increase flooding elsewhere.

Area Plan Programme

As a key consultee in the planning process, over the year the Agency has continued to provide advice to Planning Service in respect of flood risk areas, particularly in relation to development sites. In addition the Agency continues to work closely with the Planning Service in the delivery of its planned programme of adoption and publication of the various Area Development Plans. To this end over the course of the year the Agency was represented on Planning Steering Committees for Antrim-Ballymena-Larne, Ards-Down and West Tyrone Area Plans. In addition, preliminary field work commenced on the emerging Fermanagh Area Plan.

The Agency continues to devote a considerable resource to the Belfast Metropolitan Area Plan (BMAP) Public Inquiry as an expert witness on flood risk/drainage matters and in support of Planning Service.

PPS15

During the year engineers from Rivers Agency and planners from Planning Service participated in a joint training programme at cascading PPS15 Planning and Flood Risk policy and operational practice. In tandem with this training, broad agreement was reached between the two organisations on the development of PPS15 flood risk assessment methodology.

SuDS

The Agency continues to play a leading role in the interdepartmental Working Party responsible for developing a strategy for promoting the use of Sustainable Urban Drainage Scheme (SuDS) in Northern Ireland.



Emergency Planning

Rivers Agency in conjunction with DRD Road Service and NI Water and in co-operation with a range of responders promotes a joined-up approach to flood emergency response to help people cope with flooding emergencies.

During the year the Agency has continued to develop its emergency planning functions in line with the Northern Ireland Civil Contingencies Framework, the Department's Integrated Emergency Management Development Plan and within the context of the Agency's Flood Management Strategy.

An Agency Integrated Emergency Plan, comprising four parts; Generic Emergency Plan, Business Continuity Plan, Flooding Emergency Plan and Site Specific Plan has been developed. This will be signed off once the Department of Agriculture and Rural Development Business Continuity Plan is finalised.

The Agency has continued to play a leading role in the further development of inter-agency flooding response procedures with other emergency responders at both an operational and strategic level. As a representative on the Belfast Resilience Forum the Agency has contributed to the development and implementation of emergency planning and emergency response arrangements for Greater Belfast.

The Agency has participated in a number of integrated emergency planning exercises throughout the year and will continue to support the development of flood emergency response exercises in the coming years. Feedback from these exercises is used to help improve future responses to flooding.

The Agency organised and carried out an inter-agency desktop exercise on the Portadown Emergency Plan during the year.

The Agency is supportive of and will become involved in the additional Resilience Forum which will be established shortly in Northern Ireland. Rivers Agency will continue to develop relationships with the Emergency Planning Co-ordinators appointed for each forum.

Emergency Response

During the business year Agency staff responded to 329 reports of flooding incidents across Northern Ireland. The Customer Service target of responding to 80% of incidents within a 3-hour period was exceeded with 99% responded to within the target time.

Weather conditions were such that there was a number of incidents of severe flooding throughout the year most notably in East Belfast and Omagh in June 2007, Cushendall in summer 2007, and several roads being flooded in January 2008. Other events were sporadic in nature and were substantially caused by localised heavy rainfall.

Environmental Aspects

Environmentally sympathetic good working practices are adhered to in the execution of works. With the specific responsibility on the Agency to ensure that fisheries interests are accommodated within our works programmes, there has also been ongoing liaison with the Department of Culture, Arts and Leisure on Inland Fisheries.

During the business year the Agency consulted with other Government bodies and a variety of conservation organisations and interest groups on a range of environmental issues.

In support of the Northern Ireland Biodiversity and Conservation Strategies the Agency sits on relevant habitat delivery groups and inputs to local biodiversity action plans. The Environment Section was closely involved in drawing up the Agency's Biodiversity Implementation Plan.

A number of small scale projects were undertaken to enhance biodiversity. A pond was created at Minnowburn and seasonal wetlands created at Sir Thomas and Lady Dixon Park, both on the edges of Belfast.

In partnership with others the Agency is involved in work on the Lower Bann to reduce bank erosion using recycled Christmas trees. This method of bank protection is environmentally sympathetic and helps promote natural bankside vegetation.

The section has also been involved in a number of inter-departmental groups including the alien invasion species group, biodiversity implementation groups and the Water Framework Directive catchment stakeholder groups.



In response to these groups the Environment Section has drawn up protocols for invasive species and for species protected under Habitats Directive.

The Environment Section have also had input into further training for maintenance inspection of works and has introduced environmental training into the framework documents for contractor maintenance. Agency conservation staff have also been liaising with River Restoration Centre and Environment Agency on environmental standards and options for watercourse maintenance.

Lough Erne and Lough Neagh Levels

The Agency has continued to fulfil its obligations to manage the water levels of Lough Erne and Lough Neagh within statutory limits as far as climatic conditions permit whilst taking into account the needs and interests of various stakeholders.

Lough Neagh Levels

Lough Neagh Level is solely the responsibility of the Agency and control is achieved by adjusting sluice gates at Toome. Due to the nature of this river system the restricted Lower Bann channel, downstream of Lough Neagh and Lough Beg, tends to impede the outflow during heavy rainfall in the catchment, which encompasses 43% of the land mass of Northern Ireland. In anticipation of increased water levels the sluice gates at Toome are fully opened in advance of the rise in water level. Incremental adjustment of the sluices is used in order to minimise the impact on a range of environmental and other interests around the Lough which are affected by fluctuating water levels.

Lough levels were generally controlled within the statutory limits of 12.45m to 12.6m above Ordnance Datum Belfast. However as a consequence of the exceptionally wet summer the Lough water level rose slightly above the statutory upper limit on a number of occasions during the months of July and August. The magnitude of these summertime breaches were relatively small and never exceeded 100mm. Similarly with above average winter rainfall, the Lough water level rose outside the statutory range in mid-December 2007 and for periods in January, February and March 2008. The total number of days in the financial year 2007/08 during which the level was above the statutory limit was 103 days. The highest recorded level for the year occurred on 24 January 2008 and was 507mm above the upper statutory limit. There were no significant breaches of the lower statutory level recorded during this reporting period.

DARD Rivers Agency Hydrometry and Hydrology Study of Lough Neagh

During the year, the Agency completed a research study into the hydrological behaviour of the Lough Neagh catchment and the Lower Bann river system. The study included a digital hydrological model which may be useful in future considerations relating to the EU Water Framework Directive because of the catchments' status as an International River Basin. The Agency will be taking forward recommendations from this study.



Lough Erne Levels

Water levels in both Upper and Lower Lough Erne are monitored on a daily basis. The lower Lough Erne level continues to be managed by the Agency in conjunction with the Electricity Supply Board within the levels prescribed in the Erne Drainage and Development Act of 1950. Level control of the lower Lough is by generation and spilling at the hydroelectric power station at Cliff near Ballyshannon while the Upper Lough is controlled by sluice gates at Portora. Water levels in Lower Lough Erne remained within the statutory operating limits throughout the year. The Upper Lough also remained within the range specified in the Erne Drainage and Development Act for most of the period. Exceptional rainfall during January 2008 caused the level of Upper Lough Erne to rise and during the period 22 January 2008 to 29 January 2008 it was a maximum of 260mm above the normal maximum. This water was drawn off as quickly as possible by the combination of hydroelectric generation and spilling. The sluice gates at Portora, which are used to ensure that sufficient water is retained in the Upper Lough to provide adequate depths in the navigable channels, were operated during this reporting period between 8 October 2007 and 3 December 2007. This was a result of the much drier September and October than normally expected in Fermanagh.

Lough Erne Estate

Rivers Agency, acting on behalf of the Department of Agriculture and Rural Development manages the Lough Erne Estate which consists mainly of the bed and soil of Upper and Lower Lough Erne and a strip of land around the perimeter of the Loughs exposed by past schemes which lowered the Lough levels.

Works undertaken for the Department of Culture, Arts and Leisure and Others

The Agency continued to undertake maintenance of water recreation sites under its Service Level Agreement with Department of Culture, Arts and Leisure (DCAL). In addition the Agency in conjunction with DCAL, the National Trust and Belfast City Council undertook environmental improvement works in the Lagan Valley Regional Park, the Sir Thomas and Lady Dixon Park and at Ballylesson.

Works undertaken for Waterways Ireland

The Agency has a Service Level Agreement with Waterways Ireland under which it provides a construction resource to this cross border group on a reimbursement basis. During this financial year dredging works continued on the Upper Bann to maintain the navigation channel. This work was accommodated within the Agency's own programme of watercourse maintenance works and provided a cost effective method of procuring specialist works.



Customer Service

The Agency continued to implement its Charter Standard Statement which sets out the standards of service members of the public can expect in their dealings with our staff. The key elements of the Charter are:-

- To provide a courteous and timely response to all enquiries from members of the public
- To apply equality of treatment across Northern Ireland regarding decisions to invest public monies in drainage and flood protection works
- To consult with all relevant interest groups prior to commencement of a new works scheme
- To reinstate private property to agreed standards after completion of works
- To provide a prompt response to watercourse related flooding incidents
- To take all complaints seriously and deal with them as quickly as possible

A copy of our Service Standards has been displayed in all our offices and is also available on our Internet site www.riversagency.cyni.gov.uk.

The Agency's performance against key measurable standards of customer care is shown in Table 2.

Table 2 *Out-turn Against Charter Standards*

| Standard | Out-turn |
|---|-----------------|
| To attend 80% of watercourse related flooding incidents within 3 hours | Achieved |
| To give riparians at least 2 weeks notice in advance of commencing works on a drainage or flood protection scheme | Achieved |
| To issue substantive replies to 80% of written enquiries within 15 working days of receipt* | Not Achieved |
| To respond to 98% of Schedule 6 applications within 3 months*. | Achieved |
| *Also reported as key performance targets in Table 1. | |

Drainage Council for Northern Ireland

The Agency continued to provide secretariat and administrative support to the Drainage Council for Northern Ireland. The Council is a broadly based Independent Advisory body with 18 members, comprising 10 District Councillors, a Department of Agriculture and Rural Development official representing drainage interests, a Department of The Environment official, one representative each from agriculture, conservation, industry, tourism and fisheries interests and one independent drainage specialist.

Its main functions are to determine which watercourses should be designated for drainage works at public expense and to consider the Department's proposals for Drainage and Flood Protection Schemes. It also has a consultative role in relation to assessment of the environmental impact of drainage works under the Drainage (Environmental Impact Assessment) Regulations (NI) 2006.

The Council is subject to the equality and human rights obligations of the Northern Ireland Act 1998 as well as a statutory duty to ensure uniformity of treatment of drainage throughout Northern Ireland.

Under the Freedom of Information Act 2000, the Drainage Council produced a Publication Scheme to inform the public about information it publishes or intends to publish, where it can be accessed and whether the information will be available free of charge or at a specified cost. Where possible information is published on the Drainage Council website at www.riversagencyni.gov.uk. Information may also be obtained on written request to the Drainage Council Secretariat, c/o Rivers Agency, Hydebank, 4 Hospital Road, Belfast BT8 8JP.

Details of Drainage Council membership are set out in Appendix 3.



Managing the Business

The Agency has made progress on a number of fronts during the year to improve the way in which the business is managed.

Human Resource Management

The expertise of a skilled and experienced workforce is one of the Agency's greatest assets and we are committed to developing that potential to the full. This commitment was recognised through the successful re-accreditation of the Investors in People (IIP) award during 2005 as part of the Department of Agriculture and Rural Development (DARD). Several Agency staff participated in IIP Health Check interviews during January 2008 in preparation for IIP re-assessment towards the end of 2008.

As in previous years, staffing pressures continued to present a problem compounded by the increasing need for expertise in aspects of the Agency's business. A highly competitive labour market and continuing difficulties with recruitment and retention in the civil engineering grades has resulted in the Agency being unable to obtain the requisite number of recruits to fill current and anticipated vacancies.

During the financial year the Agency recruited at various levels and held several promotion/trawl competitions. 9 TCEAs were recruited during January/February 2008 and 5 existing TCEAs successfully progressed to PTO grade during 2007/08. In addition, a business case was approved to reduce the period of training and experience for trainees with a BTEC National Certificate/Diploma in Civil Engineering from 4 years to 3 years. A joint DRD/DARD, Rivers Agency PTO recruitment exercise was held in February 2008 with anticipated placements taking place in May/June 2008. Due to the forthcoming retirement of the Chief Executive, a posting is anticipated following a competition in the early part of 2008.

In an attempt to deal with recruitment and retention issues the Agency has reviewed the grading of a small number of vacant civil engineering posts to investigate if the work can be more appropriately undertaken by staff of other disciplines. Following this, recruitment is currently underway for posting of Scientific Officers.

The Career Development Working Group met several times during 2007/08. This group comprises of management and Trade Union representatives, the Director of Corporate Services and the Head of Engineering Policy. The Agency's continued commitment to training and development was maintained through the requirement for all non-industrial staff to agree a personal development plan outlining their development needs. The Agency

is accredited as a registered training provider with Institute of Chartered Engineers and following agreement by DARD core during July 2007, reimburses professional membership fees for engineering grades.

During the year the Agency implemented a Standard Training Programme for all professional and technical grades from PTO to PPTO. The programme identifies the specific competences that postholders require to undertake the engineering duties of their posts effectively.

A Framework Agreement was put in place with Central Procurement Directorate in order to meet the training needs of the Agency and to meet recommendations contained within an Internal Audit Report. The contract is due to be in place for 1 April 2008.

During the year staff spent on average 3.5 days on training. This training included specialised engineering functions, health and safety, IT, management training and other non-technical skills training. The introduction of a number of NICS reform initiatives also resulted in the training of non-industrial staff on records management procedures and briefing of all staff on the initial phases of HR Connect.

The Agency continued to evaluate training and development to ensure training objectives were achieved and business needs were met.

Health and 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.

During the year the Agency has introduced a number of Health and Safety Policy documents, and has revised its method of recording accidents to allow benchmarking to be undertaken against other organisations. In addition new procedures for risk assessment and extensive training in the new procedures were undertaken by the Health and Safety Section. Monitoring of the new procedures will be carried out continually throughout the next business year.

Communications

High importance is placed on the need for good internal communication in order to achieve good business performance and maintain high standards in our dealings with the public. Staff are kept abreast of policy developments through a variety of communication mechanisms. These include policy/information circulars, the DARD core brief, Rivers



Agency Team Briefing process, regular management meetings and through the Agency's and DARD's Internet/Intranet sites. During the period under review DARD/Rivers Agency's internet and intranet sites were reviewed and re-structured. All staff receive copies of the departmental staff magazine 'Groundwork' to keep them abreast of wider DARD developments. Rivers Agency migrated in September 2007 to the new Records NI system of managing records which makes the electronic version the historic record with resultant efficiencies in file retrieval and storage.

Financial Management

The Agency uses the DARD financial accounting system which was introduced to support the production of accruals and resource accounts for the Department as a whole and for its Agencies. The Agency does not have an independent accounting system of its own.

The financial objective of the Agency was to maintain expenditure within the control totals agreed with DARD. The Agency carried out its budget management and monitoring regime on an accruals basis during the year and achieved its objective.

The Agency's administration and running costs budget (Admin Cost Limit) was £11.9 million for 2007/2008 and was largely based on rolling forward and uplifting expenditure from the previous year. The budget for the Agency's programme of capital and maintenance works was £8.3 million.

Income decreased from £422k in 2006/07 to £291k in 2007/08. This was due to a decrease in work done for the Loughs Agency and other Government Departments.

The Net Cost of Operations increased from £32,645k in 2006/07 to £36,070k in 2007/08 as a result of increases in cost of capital and depreciation. Staff costs have increased from £10,042k in 2006/07 to £10,536k in 2007/08. This reflects the ongoing resourcing difficulties within the Agency. Other administration costs have increased by 1.3% (from £2,349k to £2,380k) reflecting ongoing efficiency savings within the Agency. The value of the Agency's tangible fixed assets rose from £403 million to £420 million over the year. This can be mainly attributed to the revaluation exercise. The increase in cost of capital and depreciation costs was mainly as a result of the revaluation of tangible fixed assets.

Practice on Prompt Payment

The Rivers Agency is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industries Better Payment Practice Code and the British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions.

Unless otherwise stated in the contract, payment is made within 30 days of the receipt of the goods or services on presentation of a valid invoice or similar demand, whichever is later.

Regular reviews conducted to measure how promptly the Agency paid bills found that 98.58% were paid within this standard. In this context it is relevant to note that the Agency does not itself pay suppliers directly, but processes invoices through DARD.

Vehicles, Plant & Equipment

The Agency does not recognise any material difference between the market and book value of its fixed assets at 31 March 2008.

There is continued investment in updating and maintaining the vehicles, plant and equipment required to enable it to fulfil its range of functions effectively.

This fleet currently consists of 192 Large Goods and Support Vehicles, 52 excavators, 12 Dumpers and Dump Trucks, and 465 Items of Ancillary Vehicles and Equipment.

Total replacement value is approximately £8.47 million and write down value is approximately £2.85 million.

Charitable Donations

The Agency made no charitable donations during the year.

Disabled Persons

The Agency follows the NI Civil Service Code of Practice on the Employment of Disabled People. The Agency aims to ensure that disablement is not a bar to recruitment or advancement.



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 ability, qualifications and aptitude for work.

Audit

The audit function within the Agency is monitored by a Corporate Governance and Audit Committee (CGAC). The Committee is chaired by a member of the DARD Board and also includes the DARD Director of Finance and the Agency Directors. The Northern Ireland Audit Office and DARD Internal Audit are represented at each meeting of the Committee.

The process of business risk management has now been fully embedded in the Agency and clear links with the Business Plan have been put in place. The Agency's Risk Register is reviewed at least quarterly. The audit process is informed by the Risk Register.

Under the terms of a Service Level Agreement, DARD Internal Audit Branch provides an annual assurance report to the Chief Executive as Agency Accounting Officer. The audit report in respect of the 2007/08 business year provided general assurance that the Agency's internal control framework, risk management, and governance procedures were effective and that they enabled achievement of the Agency's objectives. The report made some recommendations for improving controls that have been accepted by the Agency Management Board. Appropriate implementation schedules have been agreed in respect of these recommendations.

DARD Internal Audit Branch also validated the out-turn against the key targets as reported in the Agency Performance section of this Report.

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

The audited Financial Statements for 2007/2008 resulted in a notional audit fee of £18,200 which is included within the administration costs of the Income and Expenditure Account.

The C&AG may also undertake other statutory activities that are not related to the audit of the Agency's Financial Statements.

Efficiency and Effectiveness

Business Planning

The Agency remained committed to applying business planning principles at all levels in the organisation. The published 2007/2008 Business Plan was supported by Operational Plans for each Business Unit within the Agency. These plans were regularly reviewed and updated to ensure the most effective use of resources in securing the Agency's corporate aims and objectives.

Industrial Pay and Grading

Specific industrial relations issues pertaining to the Rivers Agency industrial workforce continued to be discussed and negotiated in the well-established forum – the Rivers Agency Joint Industrial Council. Also many localised issues were resolved at Area level in the Joint Consultative Committees.

Recoupment of Drainage Infrastructure Costs

The Drainage (Amendment) (Northern Ireland) Order 2005 came into operation on 8 August 2005 providing the Department with the power, inter alia, to charge developers for infrastructure works. A Consultation Document 'Recoupment of Drainage Infrastructure Costs' issued on 31 October 2005 and the consultation period ended on 20 January 2006. The responses to consultation were generally supportive of the proposed policy. Subordinate legislation will be brought forward during 2008 to introduce charging in the 2008/2009 financial year.



Information Systems & Information Technology

During the year the Agency continued to maintain, develop and enhance its use of Information Systems and Technology. Work has been completed on the upgrade of all Agency PCs, servers, databases, software and key infrastructure facilities to support current and planned DARD, inter-departmental and Agency IS/IT Projects.

The Agency has made considerable progress in data capture, validation and archiving of manual and digital records in preparation for implementation of the planned NICS Electronic Records and Document Management System. Work progressed this year included the enhancement and further development of the Asset Management systems, Project Administration System and Staff Training database. In keeping with DARD Policy the Agency developed a new website which integrates with the Department's current website through a portal style home page.

The use of IT in the management of information, communication, technology and assets is regarded as essential in order to improve internal efficiency and effectiveness and to meet greater internal and external demands.

Future Strategy

There is a continuing drive across the public sector to improve the efficiency and effectiveness of the delivery of services to the public.

The Flood Management Policy Review initiated by the Agency has been completed by an independent consultant. Stakeholders and the general public were encouraged to give their views during a comprehensive consultation process. A Government response to the independent review has been drafted with the intention of publishing shortly. The Review will inform both, the Review of Environmental Governance and set the future strategic direction of flood management in Northern Ireland.

A significant driver for Flood Management Policy Review, the European Union Directive on the Assessment and Management of Flood Risks (Floods Directive) entered into force on 26 November 2007. DARD is the competent authority for the transposition and implementation of the Directive in Northern Ireland. It places an obligation on member states to undertake assessments of flood risks and prepare flood maps for areas at significant risk. In addition the Directive requires flood risk management plans to be produced for areas deemed at significant risk of flooding. These plans will determine future levels of investment for flood risk management and will ensure that there is a structured risk based approach to future investment decisions.

The outcome of the flood management policy review and the Floods Directive will take time to impact on the delivery of flood management. In the meantime the Agency will continue to provide flood defences to reduce the risk to life and property from flooding, to maintain designated watercourses and existing flood defences, to improve the management of the capital assets through the development of asset management plans, to provide advice to the Planning Service aimed at preventing unsustainable development, to put in place arrangements for charging developers for infrastructure works and to keep abreast of developments at the EU and National levels.



Remuneration Report

Remuneration Policy

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

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

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.

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

The remuneration of all senior civil servants is entirely performance based. It was agreed at Ministerial level that the application of the recommendations in the Review Body report should be implemented for the NICS SCS pay award. Permanent Secretaries' pay awards are determined by the Northern Ireland Civil Service (NICS) Permanent Secretary Remuneration Committee and the pay strategy is also based on the recommendations of the Review Body report.

The Remuneration Committee is comprised as follows:

Mr John B McGuckian

Ms Ann Shaw

Mr Jonathan Philips

Mr Nigel Hamilton.

Policy on the performance management of senior managers

The *Performance Management System for the Senior Civil Service* provides a means to improve management of individual performance and a better link between organisational success, individual contribution and reward. It links objective setting to business objectives; provides a delivery-focused set of Senior Civil Service Leadership Competences; encourages the development of skills and knowledge; focuses on personal development through the mid-year development review; and rewards results through the performance review and pay awards.

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.



Duration of Notice Periods

Recruits or promotees to the Senior Civil Service on or after 1 January 1997 will be required to give three month's notice of resignation. DARD reserves the right to introduce a longer period of notice for individual posts of up to a maximum of six months and incumbents will be notified accordingly. This may be appropriate where the recruitment of a replacement is likely to be a protracted process.

At the time of resignation, the Department may, by agreement with the member of staff concerned, agree to waive the required notice. Existing members of the senior civil service prior to 1 January 1997 will have the reserved right to give one month's notice.

Where the Department is of the opinion that the appointee is unfit to continue in post or is incapable of adequately performing the duties of the post, it can terminate the appointment with immediate effect by written notice.

Termination payments

If for any reason other than disciplinary dismissal, the minimum period of notice cannot be given, the member of staff will receive compensation in lieu of the unexpired period of notice. Compensation is not payable when the date of leaving is mutually agreed, for example, in cases of flexible early retirement, approved early retirement, voluntary redundancy or where staff resign before the end of the notice period.

No significant awards have been made to past senior managers.

Emoluments of Chief Executive and Senior Management

The following sections provide details of salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of the Agency.

Salaries and Benefits in Kind [Audited]

| Officials | 2007-08 | | 2006-07 | |
|---|-----------------|--|-----------------|--|
| | Salary £'000 | Benefits in kind (to nearest £100) | Salary £'000 | Benefits in kind (to nearest £100) |
| Mr John Hagan <i>Chief Executive</i> | 70-75 | Nil | 60-65 | Nil |
| Mr John Clarke <i>Director of Development</i> | 50-55 | Nil | 50-55 | Nil |
| Mr Philip Mehaffey <i>Director of Operations</i> | 45-50 | Nil | 45-50 | Nil |
| Mr Eddie Gaw <i>Director of Corporate Services</i> | 40-45 | Nil | 20-25 | Nil |

Salary

Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other 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. There were no benefits in kind received by any of the Senior Management in the 2007/08 financial year.



Pensions [Audited]

| Officials | Accrued pension at age 60 as at 31/3/08 and related lump sum | Real increase in pension and related lump sum at age 60 | CETV at 31/3/08 | CETV at 31/3/07* | Real increase in CETV | Employer contribution to partnership pension account |
|---|--|---|-----------------|------------------|-----------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | Nearest £100 |
| Mr John Hagan <i>Chief Executive</i> | 30-35 plus lump sum of 90-95 | 0-2.5 plus lump sum of 0-5 | 679 | 633 | 35 | - |
| Mr John Clarke <i>Director of Development</i> | 20-25 plus lump sum of 70-75 | 0-2.5 plus lump sum of 0-5 | 516 | 441 | 21 | - |
| Mr Philip Mehaffey <i>Director of Operations</i> | 20-25 plus lump sum of 60-65 | 0-2.5 plus lump sum of 0-2.5 | 385 | 325 | 19 | - |
| Mr Eddie Gaw <i>Director of Corporate Services</i> | 10-15 plus lump sum of 35-40 | 0-2.5 plus lump sum of 0-2.5 | 181 | 170 | 11 | - |

Notes to the above tables of remuneration and pension benefits

* Due to certain factors being incorrect in the 2006/07 CETV calculator, there may be a slight difference between CETV figures as at 31/03/07 stated above and the figures at 31/03/07 used in the calculation of the CETV at 31/03/08.

Pension Entitlements

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

The **partnership pension account** is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. 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).

Further details about the CSP 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 CSVote 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 takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Philip Mehaffey
Acting Chief Executive
20 June 2008

Accounts
2007-2008





Statement of the Agency's and Chief Executive's Responsibilities

Under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel has directed the Rivers Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction.

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 its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the Accounts the Agency is required to comply with the Financial Reporting Manual prepared by the Department of Finance and Personnel, and in particular to:

- observe the Accounts Direction issued by the Department of Finance and Personnel, including 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, as set out in the Financial Reporting Manual, have been followed and disclose and explain any material departure in the financial statements; and
- prepare financial statements on a going concern basis unless it is inappropriate to presume that the Agency will continue in operation.

The Accounting Officer has the responsibility for providing access to all accounting information and records as requested by the auditors. Additionally, it is the responsibility of the Accounting Officer to ensure that there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer must also ensure that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accounting Officer for the Department of Agriculture and Rural Development has designated the Chief Executive of the Rivers Agency as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officer's Memorandum in "Government Accounting (Northern Ireland)" issued by the Department of Finance and Personnel.

Statement on Internal Control

Scope of Responsibilities

As Agency Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland. I operate within the terms of a Framework Document, which sets out the Agency's relationship with the Department of Agriculture and Rural Development (DARD) and my accountability to the Minister.

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 the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

Capacity to Handle Risk/Risk and Control Framework

The process of business risk management at programme level has been embedded in the Agency. Key roles have been defined, senior staff have been trained and a risk register, which identifies the Agency's principal risks and control strategies, has been compiled. The risk register is kept under regular review by the Agency Management Board. The Agency is also represented on the DARD Risk Management Forum.

The Agency uses the service provided by DARD Internal Audit Unit, which operates to standards defined in the Government Internal Audit Standards. The work of Internal Audit is focused on 'principal risks' identified along with a range of Corporate Governance issues. They submit reports which include the Head of Internal Audit's (HIA's) independent opinion on the adequacy and effectiveness of the Agency's system of internal control and on corporate governance and risk management processes, together with recommendations for improvement.



The three Directors within the Agency have each provided me with Support Statements in which they acknowledge their responsibility for ensuring that objectives for which they are responsible are clearly defined and that all members of staff within their Directorates are aware of the objectives relevant to their work. In addition they have each acknowledged their responsibility for developing and maintaining effective internal controls within their Directorates to provide reasonable assurance of achievement of these objectives. They have also provided me with specific details of actions taken in various areas of control. These supporting statements are available for audit inspection.

The Rivers Agency Corporate Governance and Audit Committee consider risk and internal control issues. The Committee is chaired by a DARD Deputy Secretary who is independent of the Rivers Agency. The other members of the Committee are the DARD Director of Finance and the two Agency Directors. The Rivers Agency is an Executive Agency within DARD. The Department is regarded as a related party.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the issues arising from the review of the effectiveness of the system of internal control by the Agency Management Board and the Corporate Governance and Audit Committee and a plan, to address weaknesses and ensure continuous improvement of the system, is in place.

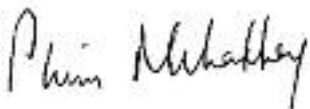
My review of the effectiveness of the Agency's system of internal control is therefore informed by: -

- The Business Risk Register and associated review processes;
- The work of internal auditors - an internal audit interim review of the Agency's fixed assets was carried out and concluded that there were no material misstatements in the asset register and there were no indications of any weakness that would be likely to prevent the production of materially accurate fixed asset figures at the year-end;

- The Internal Audit review for 2007/08 resulted in a limited assurance on internal controls in a number of areas within Rivers Agency. However Internal Audit have acknowledged in the Report that management had already identified several of the weaknesses/risks associated with the areas of vehicle and plant maintenance and the management of Lough Erne Estate. They also acknowledged that management were actively addressing some of these at the time of the review;
- The Audit Committee ensures that appropriate action is taken to address internal and external findings raised throughout the year;
- Support Statements prepared by each of the Directors within the Agency; and
- Comments made by the NIAO in their management letter and other reports.

Significant Internal Control Issues

- The limited opinion in the above areas relate to the prevailing risks at the time of the review however Internal Audit have stated that they are satisfied with the actions taken and proposed by management to address these. They also noted that management have accepted all of the recommendations;
- My management team are addressing the areas for improvement. I have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Agency Management Board and have agreed an action plan to address weaknesses and ensure continuous improvement of the system is in place.



Philip Mehaffey

Date: 20 June 2008



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 Rivers Agency for the year ended 31 March 2008 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 Department of Finance and Personnel directions made thereunder 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, the information, which comprises the Directors' Report and the Management Commentary, included in the Annual Report, 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 the Assembly 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. This other information comprises the Chief Executive's Foreword, the unaudited part of the Remuneration Report and the appendices. 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 the Assembly 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

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 2008, and of the net cost of operations, 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
- information, which comprises the Directors' Report and the Management Commentary, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

J M Dowdall CB
Comptroller and Auditor General

1 July 2008

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

Income and Expenditure Account for the year ended 31 March 2008

| | NOTE | 2007/08 | | 2006/07 | |
|-------------------------------|------|---------|----------|---------|----------|
| | | £'000 | £'000 | £'000 | £'000 |
| Income | 2 | | 291 | | 422 |
| Expenditure | | | | | |
| Staff costs | 3.2 | 10,536 | | 10,042 | |
| Other Admin costs | 4.1 | 2,380 | | 2,349 | |
| Programme costs | 4.2 | 23,215 | | 20,676 | |
| Total Expenditure | | | (36,131) | | (33,067) |
| Net cost of operations | | | (35,840) | | (32,645) |

The net cost of operations arises wholly from continuing operations.

Statement of Recognised Gains and Losses for the year ended 31 March 2008

| | NOTE | 2007/08 | 2006/07 |
|---|------|---------|---------|
| | | £'000 | £'000 |
| Net gain on revaluation of tangible fixed assets | | 18,264 | 34,660 |
| Net gain on revaluation of intangible fixed assets | | 5 | 3 |
| Recognised gains for the year | 12.2 | 18,269 | 34,663 |



Balance Sheet

as at 31 March 2008

| | NOTE | 2007/08 | | 2006/07 | |
|---|------|---------|---------|---------|---------|
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed Assets | | | | | |
| Tangible Assets | 5 | 420,319 | | 403,272 | |
| Intangible Assets | 6 | 72 | | 71 | |
| | | | 420,391 | | 403,343 |
| Current Assets | | | | | |
| Stocks | 7 | 301 | | 211 | |
| Debtors | 8 | 353 | | 735 | |
| Cash in hand | 9 | 2 | | 2 | |
| | | | 656 | | 948 |
| Current liabilities | | | | | |
| Creditors - amounts falling due within one year | 10 | (2,169) | | (2,114) | |
| Net current assets / (liabilities) | | | (1,513) | | (1,166) |
| Total assets less liabilities | | | 418,878 | | 402,177 |
| Provisions for liabilities and charges | | | | (222) | (116) |
| | | | 418,656 | | 402,061 |
| Taxpayers Equity | | | | | |
| General Fund | 12.1 | 258,381 | | 259,767 | |
| Revaluation reserve | 12.2 | 160,275 | | 142,294 | |
| | | | 418,656 | | 402,061 |

Philip Mehaffey
Acting Chief Executive
Date: 20 June 2008

The notes on pages 52 to 69 form part of these accounts

Cash Flow Statement

for the year ended 31 March 2008

| | NOTE | 2007/08 £'000 | 2006/07 £'000 |
|--|-------------|------------------|------------------|
| Operating activities | | | |
| Net cash outflow from continuing operating activities | 13.1 | 14,114 | 13,041 |
| Net cash outflow from capital expenditure activities | 13.2 | 4,617 | 7,636 |
| Total cash outflow before financing | | 18,731 | 20,677 |
| Financing | | | |
| Cash inflow from financing (Increase) / decrease in cash | 9 | 18,731 - | 20,677 - |
| Net cash inflow from financing | 16 | 18,731 | 20,677 |



Notes to the Accounts for the year ended 31 March 2008

1. Accounting policies

The financial statements have been prepared in accordance with the Financial Reporting Manual (FRM) issued by DFP. The accounting policies adopted by the Agency are described below. They have been consistently applied in dealing with all the items relating to the accounts.

1.1 Basis of accounting

The accounts have been prepared in accordance with the historical cost convention, modified to include the revaluation of fixed assets at their value to the business by reference to their current cost.

Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Order (Northern Ireland) 1986, accounting standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by DFP, in so far as these requirements are appropriate.

1.2 Tangible fixed assets

Freehold land and buildings have been restated at current cost using professional valuations carried out by the Valuation and Lands Agency (VLA) at five yearly intervals and appropriate indices in the intervening years. The valuation of land and buildings currently used in these accounts was provided by the VLA at 1 April 2005. Buildings that are of a specialised nature, if ever sold on the open market, are valued at depreciated replacement cost. The minimum level of capitalisation of a tangible fixed asset is £5,000. Other tangible assets have been stated at current cost using indices extracted from a publication of The Stationery Office Limited entitled 'MM17 - Price Index Numbers for Current Cost Accounting'.

1.3 Infrastructure assets

a. Flood defence

Expenditure on all flood defence assets is capitalised and depreciated over the useful economic life of the asset. For most assets this will be a period of 50 years. Flood defence assets (both sea and river) have been defined as the product of capital expenditure on the creation, provision, purchase, replacement or improvement of discrete physical watercourse based structures, which enable the Agency to achieve its strategic aim of providing flood protection.

In the financial year to 31 March 2006 a revaluation of flood defence assets was carried out. Sea defence assets were independently valued by RPS Consulting Engineers. River defence assets were valued in accordance with FReM para 5.2.6(d) using indices and other appropriate information.

b. Culverts

The Agency manages a culvert network of 300 kilometres, in which there are over 6,200 culvert reaches, i.e. lengths of culverts between manholes. The depths at which culverts are laid vary between 1 metre and 12 metres.

Prior to 1 April 2005, the Agency used an in-house model to calculate a modern day replacement value (MDRV) of the total culvert network, which includes both pipe and box culverts. In the financial year to 31 March 2006 a revaluation of the total culvert network was carried out. This gave a new valuation for the culvert network at 1 April 2005. The modern day replacement value (MDRV) of the culvert network is now based on a hybrid cost model of a UK National Industry Standard Cost Estimating Package (TR61) for the pipe network, and an In-House Developed model for the box culvert network. The rates derived from both cost models are applied to the network statistics, which are contained within the Agencies Asset Inventory Database, INFONET. The TR61 cost model has been independently validated by Halcrow Management Services Ltd. on behalf of WRC and member companies (including Rivers Agency), and the In-House model validated by WS Atkins. Each year the valuation will be revalued using indices mentioned in note 1.2 above. It will also take account of any additions and condition surveys that may have taken place in the year.

The accounting policy adopted in relation to culverts is a variant of renewals accounting as detailed in FReM paragraph 5.2.10. This policy requires the formulation of a detailed Asset Management Plan that determines the amount to be spent to maintain the asset in a steady state condition and also the charge to the Income and Expenditure Account. The Agency charges actual refurbishment costs to the Income and Expenditure Account, with any variation between this figure and that suggested by the Asset Management Plan adjusted in the accounts.



c. Soft defences

Soft defences mainly consist of levees and soft earth banks of varying heights. Those on designated watercourses are maintained to their existing standard, and do not contain a hard core as in the case of urban flood defences. The Agency has decided that it will not attempt to value these defences because:

- For most part they provide protection to agricultural land to a lesser degree than that afforded to the urban environment;
- They are subjected to a six-year rolling programme of scheduled inspection, and are maintained on the basis of need, rather than by reference to a detailed maintenance plan. Any expenditure incurred is merely reactive in nature.

The accounting policy adopted by the Agency in respect of soft defences is to expense all expenditure to the Income & Expenditure Account each year.

d. Capitalisation of engineers time

The Agency has included engineer salary costs in flood defence and culvert network valuations.

1.4 Depreciation

Freehold land is not depreciated. Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets by equal instalments on a straight-line basis over their estimated useful lives, which are as follows:

| | |
|------------------------|----------------|
| Culvert Infrastructure | 120 years |
| Flood Defences | 50 years |
| Freehold Buildings | 10 to 50 years |
| Vehicles | 5 to 10 years |
| Plant and Machinery | 5 to 15 years |
| Equipment and Tools | 3 to 10 years |
| Computer Equipment | 3 to 7 years. |

1.5 Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £5,000 or more is incurred. In addition similar licences falling below this threshold, which when grouped exceed the threshold, are also capitalised. The value of the capitalised licences is restated at current value at the balance sheet date in accordance with the movement in the Retail Prices Index (RPI). Software licences are amortised over their expected useful life, which can be from 3 to 15 years depending on the licence.

1.6 Stock

Stocks are valued at the lower of cost and net realisable value.

1.7 VAT

Apart from VAT which is taken into account for all trade debtors and trade creditors, all other items in the accounts are exclusive of VAT that is recoverable on a departmental basis.

1.8 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Agency discloses certain liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- Items over £100,000 that do not arise in the normal course of business and which are reported to Parliament/the Northern Ireland Assembly by minute prior to the Agency entering the arrangement;
- All items (whether or not they arise in the normal course of business) over £250,000, which are required by FReM to be noted in the resource accounts.



1.9 Cost of capital

A charge, reflecting the cost of capital utilised by the Agency, is included in operating costs. The charge is calculated at a real rate set by the Department of Finance and Personnel (currently at 3.5%) on the average net book value of all assets less liabilities, except for, tangible and intangible fixed assets where the cost is based on opening values, adjusted pro-rata for in-year:

- additions and subsequent capital expenditure on existing assets at cost;
- disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal);
- impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure); and
- depreciation of tangible and amortisation of intangible fixed assets.

1.10 Pension costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (NI), which are described in Note 3. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

1.11 Taxation

No taxation is chargeable on the financial results of the Agency.

1.12 Provisions

The Agency provides for the legal or constructive obligations, which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

2 Income

Income comprises monies received in respect of the following:

| | 2007/08 £'000 | 2006/07 £'000 |
|---|--------------------------------|--------------------------------|
| Work done for Dept. of Culture, Arts & Leisure under the terms of a Service Level Agreement | 86 | 187 |
| Work done for Loughs Agency under the terms of a Service Level Agreement | | 6 |
| Work done for Waterways Ireland | 26 | 30 |
| Work done for other Government Departments | 121 | 150 |
| Sundry income | 58 | 49 |
| | <u>291</u> | <u>422</u> |

3 Staff Numbers and Related Costs

3.1 Average number of staff employed

| | 2007/08 Number of staff | 2006/07 Number of staff |
|-----------------------------|--|--|
| Board and Senior Management | 4 | 3 |
| Administration | 51 | 52 |
| Professional and Technical | 113 | 110 |
| Industrial | 254 | 260 |
| | <u>422</u> | <u>425</u> |



3.2 Analysis of Staff Costs

| | 2007/08 £'000 | 2006/07 £'000 |
|----------------------------------|--------------------------------|--------------------------------|
| Salaries and Wages | 9,179 | 8,359 |
| Social security costs | 611 | 590 |
| Superannuation | 1,417 | 1,359 |
| Less Capitalised Engineers' time | (670) | (266) |
| | <u>10,536</u> | <u>10,042</u> |

The PCSPS(NI) is an unfunded defined benefit scheme which produces its own resource accounts, but the Department of Agriculture and Rural Development is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS(NI) resource accounts. For 2007/08, employers' contributions of £1,416,591 were payable to the PCSPS(NI) (2006/07 £1,359,260) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay, based on salary bands (the rates in 2004/05 were between 12% to 18%). These rates have increased from 1 April 2005 as a result of the latest actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £ Nil were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £ Nil, 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. Six people retired early on ill health grounds, and the total additional accrued pension liabilities in the year amounted to £2,673.25.

4 Other operating costs

4.1 Administration costs

| | 2007/08 £'000 | 2006/07 £'000 |
|------------------------------------|--------------------------------|--------------------------------|
| Travel and subsistence | 495 | 500 |
| Telephone | 62 | 76 |
| Staff training | 90 | 113 |
| Printing, stationery & advertising | 20 | 39 |
| Accommodation costs | 309 | 273 |
| Hospitality | 1 | - |
| Miscellaneous | 43 | 23 |
| Permanent diminution | 3 | 7 |
| Notional costs (Note 4.3 below) | 1,302 | 1,266 |
| Cost of capital | 4 | 9 |
| Depreciation | 51 | 43 |
| | <u>2,380</u> | <u>2,349</u> |

4.2 Programme costs

| | 2007/08 £'000 | 2006/07 £'000 |
|-------------------------------|--------------------------------|--------------------------------|
| Supplies, Services and Stores | 843 | 428 |
| PV & E Running costs | 772 | 1,109 |
| Other expenditure | 733 | 389 |
| Other maintenance | 347 | 250 |
| Culvert maintenance | 225 | 208 |
| Impairment of fixed assets | 2,277 | - |
| Profit on disposal of assets | (28) | (118) |
| Cost of capital | 14,127 | 12,886 |
| Depreciation | 3,919 | 5,524 |
| | <u>23,215</u> | <u>20,676</u> |



4.3 Notional

Certain services are provided and received without the transfer of cash. The amounts included in the net cost of operations to reflect these costs are as follows:

| | 2007/08 £'000 | 2006/07 £'000 |
|---------------------------------|--------------------------------|--------------------------------|
| NIAO | 18 | 20 |
| Accommodation | 904 | 302 |
| Core Services | 302 | 866 |
| Services from Other Departments | 35 | 35 |
| BDS | 43 | 43 |
| | <u>1,302</u> | <u>1,266</u> |

Note 1:

The Agency takes out commercial insurance to cover third party risks associated with vehicles, owned or leased on the Agency's behalf, and for buildings leased on its behalf where insurance is a requirement of the lease. No other external insurance is effected against fire, explosion, common law, third party and similar risks. A notional charge, based on standard rates, as advised by the Department of Finance and Personnel, has been calculated to reflect the costs of insurable risks of 2007/08 £110,561 (2006/07 £107,078).

In accordance with paragraph 4.5.2, FReM 2007/08 edition, this has not been charged to the income and expenditure account.

5. Tangible Fixed Assets

| | Land, Bldgs & Sluices | Plant, Vehicles Equipt | Computer Equipt | Flood Defence Assets | Culverts | Assets Under Constr- uction | Hydro- metric Network | TOTAL |
|----------------------------|--|---------------------------------------|----------------------------|-------------------------------------|-----------------|--|--------------------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | |
| At 1 April 2007 | 16,386 | 8,690 | 240 | 105,719 | 370,655 | 8,022 | 0 | 509,712 |
| Additions (Note 1) | 27 | 317 | 30 | 2,934 | 544 | 1,099 | 74 | 5,025 |
| Disposals | | (307) | (24) | | | | | (331) |
| Transfers (Note 2) | | (7) | 2 | | | | | (5) |
| Reclassifications (Note 3) | | | | 2,883 | 3,789 | (6,672) | | 0 |
| Revaluations (Note 4) | 975 | | | | | | 2,544 | 3,519 |
| Impairments | | | (6) | | | | | (6) |
| Indexation | 1,674 | (50) | 1 | 3,794 | 12,754 | | 89 | 18,262 |
| At 31 March 2008 | 19,062 | 8,643 | 243 | 115,330 | 387,742 | 2,449 | 2,707 | 536,176 |
| Depreciation | | | | | | | | |
| At 1 April 2007 | 394 | 4,589 | 98 | 31,039 | 70,320 | - | - | 106,440 |
| Charge for year | 398 | 926 | 51 | 2,193 | | | 372 | 3,940 |
| Disposals | | (284) | (23) | | | | | (307) |
| Transfers (Note 2) | | (7) | - | | | | | (7) |
| Revaluations (Note 4) | | | | | | | | |
| Impairments | | | (3) | | 2,277 | | | 2,274 |
| Indexation | 94 | (30) | 1 | 1,060 | 2,392 | | | 3,517 |
| At 31 March 2008 | 886 | 5,194 | 124 | 34,292 | 74,989 | - | 372 | 115,857 |
| NBV @ 31/3/08 | 18,176 | 3,449 | 119 | 81,038 | 312,753 | 2,449 | 2,335 | 420,319 |
| NBV @ 31/3/07 | 15,992 | 4,101 | 142 | 74,680 | 300,335 | 8,022 | - | 403,272 |



Note 1: - Capitalisation of Engineers' Time –

Culverts and flood defence asset additions include engineers' salary costs which have been capitalised.

Note 2: - Transfers –

Relates to assets transferred in or out of the Agency, to or from another part of the Department of Agriculture and Rural Development.

Note 3: - Reclassification of Assets –

The reclassifications relate to assets transferred from assets under construction to additions to culverts and flood defence Assets.

Note 4: - Revaluation of Land & Buildings and Infrastructure Assets -

A revaluation of land and buildings was carried out by the Valuation and Lands Agency in accordance with the Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors. The date of the valuation was 1 April 2005. The index at March 2008 has been applied to these valuations for the purpose of these accounts.

A revaluation of sea defences (an element of the flood defence assets) was carried out by RPS Consulting Engineers. The date of the valuation was 31 March 2006.

A revaluation of the culvert network was carried out by in-house staff using an industry standard recognised methodology. The date of the valuation was 31 March 2005. The index at March 2008 has been applied to the culvert valuation for the purpose of these accounts.

The hydrometric network was previously valued at zero with costs written off annually. This strategy was revised during the financial year and the network was valued at £2.544m.

6. Intangible Fixed Assets

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

| Purchased software licences | |
|------------------------------------|-----------|
| £'000 | |
| Cost or Valuation | |
| At 1 April 2007 | 95 |
| Additions | 27 |
| Indexation | 5 |
| | <hr/> |
| At 31 March 2008 | 127 |
| | <hr/> |
| Amortisation | |
| At 1 April 2007 | 24 |
| Charge for year | 31 |
| | <hr/> |
| At 31 March 2008 | 55 |
| | <hr/> |
| NBV @ 31/3/08 | 72 |
| | <hr/> |
| NBV @ 31/3/07 | 71 |
| | <hr/> |

7. Stocks

| | 2007/08 | 2006/07 |
|-------|----------------|----------------|
| | £'000 | £'000 |
| Stock | 301 | 211 |
| | <hr/> | <hr/> |



8. Debtors – amounts falling due within one year

| | 2007/08 £'000 | 2006/07 £'000 |
|----------------|--------------------------------|--------------------------------|
| VAT | 247 | 548 |
| Trade debtors | 95 | 170 |
| Sundry debtors | 11 | 17 |
| | <u>353</u> | <u>735</u> |

Included within debtors is £61,567 (2006/07: £74,666) that will be due from other central government bodies.

9. Cash

| | 2007/08 £'000 | 2006/07 £'000 |
|-----------------------------|--------------------------------|--------------------------------|
| Balance at 1 April 2007 | 2 | 2 |
| Net change in cash balances | - | - |
| Balance at 31 March 2008 | <u>2</u> | <u>2</u> |

10. Creditors – amounts falling due within one year

| | 2007/08 £'000 | 2006/07 £'000 |
|------------------------------------|--------------------------------|--------------------------------|
| Other taxation and social security | 33 | 113 |
| Trade creditors | 12 | 285 |
| Capital creditors | 1,447 | 1,064 |
| Accruals and deferred income | 513 | 510 |
| Other creditors | <u>164</u> | <u>142</u> |
| | <u>2,169</u> | <u>2,114</u> |

Included within creditors is £13,928 (2006/07: £ Nil) that will be due to other central government bodies.

11. Provisions for liabilities and charges – litigation costs

| | 2007/08 £'000 | 2006/07 £'000 |
|--------------------------------------|--------------------------------|--------------------------------|
| Balance at 1 April 2007 | 116 | 43 |
| Provided in the year | 142 | 82 |
| Provisions not required written back | (22) | (7) |
| Provisions utilised in the year | (14) | (2) |
| Balance at 31 March 2008 | <u>222</u> | <u>116</u> |

Litigation costs –

Legal claims are assessed together and a provision of the likely maximum claim value is made. This value is reviewed on an ongoing basis to ensure it continues to represent a reasonable estimate of the expenditure of the Agency on such claims. During the accounting period the methodology utilised changed from 50% provision of the estimated value to 100% of the estimated value. Therefore an additional £103,000 was provided in year to cover existing provisions. Additionally, industrial injury provision responsibility moved from the Agency to DARD Personnel division.

A figure of £13,000 was released from the 2006/07 closing balance of £116,000 as a result of this policy. Claims greater than or equal to £100,000 are assessed on a case-by-case basis, and provided for or disclosed as a contingent liability as applicable.



12. Reconciliation of movement in reserves and government funds

12.1 General Fund

| | Note | 2007/08 £'000 | 2006/07 £'000 |
|---|-------------|------------------|------------------|
| Balance as at 1 April 2007 | | 259,767 | 257,310 |
| Net cash inflow from financing | 16 | 18,731 | 20,677 |
| Net cost of operations | | (35,840) | (32,645) |
| Notional and other non-cash costs | 4.3 | 1,302 | 1,266 |
| Cost of capital | | 14,131 | 12,895 |
| CFER's repayable to the Consolidated Fund | | | - |
| Transfer of assets to Waterways Ireland | | | - |
| Transfer of assets to/from Core Department | | 2 | - |
| Transfer of realised element from revaluation reserve | 12.2 | 288 | 264 |
| Balance as at 31 March 2008 | | <u>258,381</u> | <u>259,767</u> |

12.2 Revaluation Reserve

| | Land, Bldgs & Sluices £'000 | Plant, Vehicles Equipmt £'000 | Intangible Assets £'000 | Flood Defence Assets £'000 | Culverts £'000 | Hydro- metric Network £'000 | TOTAL £'000 |
|---|--------------------------------------|--|-------------------------------|-------------------------------------|-------------------|--------------------------------------|----------------|
| At 1 April 2007 | 5,914 | 436 | 5 | 28,458 | 107,481 | - | 142,294 |
| Revaluations | 2,555 | (20) | 5 | 2,734 | 10,362 | 2,633 | 18,269 |
| Transfer of realised elements to general fund (note 12.1) | (164) | (123) | (1) | - | - | - | (288) |
| At 31 March 2008 | <u>8,305</u> | <u>293</u> | <u>9</u> | <u>31,192</u> | <u>117,843</u> | <u>2,633</u> | <u>160,275</u> |

13. Notes to the Cash Flow Statement

13.1 Reconciliation of the net cost of operations to net cash outflow from continuing operating activities

| | 2007/08 | 2006/07 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Net cost of operations | (35,840) | (32,645) |
| Cost of capital | 14,131 | 12,895 |
| Depreciation | 3,970 | 3,483 |
| Notional and other non-cash costs | 1,302 | 1,266 |
| Profit on sale of assets | (28) | (118) |
| Impairment of fixed assets | 2,277 | 2,083 |
| Increase in stock | (90) | (29) |
| (Decrease) / Increase in debtors | 382 | (166) |
| Decrease / (increase) in creditors | (328) | 111 |
| Increase in provisions | 107 | 72 |
| Permanent diminution | 3 | 7 |
| Net cash outflow from continuing activities | <u>(14,114)</u> | <u>(13,041)</u> |

13.2 Net cash outflow from capital expenditure activities

| | 2007/08 | 2006/07 |
|------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Tangible fixed asset additions | (10,599) | (2,559) |
| Intangible fixed asset additions | (27) | (45) |
| (Decrease) / increase in AICC | 5,574 | (5,876) |
| Increase in capital creditors | 383 | 227 |
| Proceeds from sale of fixed assets | 52 | 617 |
| | <u>(4,617)</u> | <u>(7,636)</u> |



14. Capital commitments

The capital commitments at the end of the financial year for which no provision has been made in the accounts amounted to £3,610,000.

15. Contingent Liabilities

Due to the serious prejudice that would be caused to the Agency's position in relation to disputes with other parties, full disclosure of its contingent liabilities is not possible. The Agency cannot reliably estimate the cost of its contingent liabilities, but considers that the cost should not exceed £20,000.

16. Source of Funds

| | Note | 2007/08 £'000 | 2006/07 £'000 |
|---|-------------|--------------------------------|--------------------------------|
| Net cash outflow from continuing operating activities | 13.1 | (14,114) | (13,041) |
| Net cash outflow from capital expenditure activities | 3.2 | (4,617) | (7,636) |
| Total cash inflow from financing | | <u>(18,731)</u> | <u>(20,677)</u> |

The Agency has no borrowings and relies on DARD for its cash requirements, and is therefore not exposed to liquidity risks. It has no deposits and all assets and liabilities are denominated in sterling, so it is not exposed to interest rate or currency risk.

17. Related Party transactions

The Rivers Agency is an Executive Agency within the Department of Agriculture and Rural Development ('the Department').

The Department is regarded as a related party. During the year, the Agency has had material transactions with the Department.

In addition the Agency has had a small number of transactions with other Government Departments and other central government bodies.

During the year, none of the Board members, members of the key management staff or other related parties have undertaken any material transactions with the Agency.

18. Losses and special payments

Losses statement

There were no cases during the year.

Special payments

There were no special payments during the year.

19. Post Balance Sheet Events

Since the balance sheet date, the former Minister for Finance and Personnel announced measures to address equal pay issues in the Northern Ireland Civil Service. This is likely to involve the payment of back pay in excess of £100m to some 9,000 civil servants across Northern Ireland Civil Service Departments and their agencies. Details of the final settlement will be progressed over the coming months and an exact figure will not be available until this process has concluded.

These financial statements were authorised for issue by the Accounting Officer on 20 June 2008.



Appendices



Appendix I

Agency Offices

Agency Headquarters

Hydebank
4 Hospital Road
BELFAST BT8 8JP

Tel: 028 9025 3355

Fax: 028 9025 3455

Western Region

Regional Office
Woodside Avenue
Gortin Road
OMAGH BT79 7BS

Tel: 028 8225 4900

Fax: 028 8225 4901

Coleraine Office

37 Castleroe Road
COLERAINE BT51 3RL

Tel: 028 7034 2357

Fax: 028 7032 0628

Fermanagh Office

Riversdale
Ballinamallard
ENNISKILLEN BT94 2NA

Tel: 028 6638 8529

Fax: 028 6638 8972

Eastern Region

Regional Office
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Appendix 2

Agency Management Board

| Chief Executive Mr J R Hagan | | |
|---|---|---|
| Director of Development Corporate Mr J Clarke Capital Works Programme Construction Procurement Hydrometrics Asset Management Information Technology Professional Standards | Director of Operations Mr P Mehaffey Operational Management Design Plant Health & Safety Environment Emergency Planning Planning Advice | Director of Services Mr E Gaw Finance Human Resource Management and Development Corporate Policy, Planning and Correspondence Legislation Drainage Council Secretariat |

Appendix 3

Membership of the Drainage Council for Northern Ireland

| Name of Member | Interest Represented |
|---|---|
| Mr Gerald Crawford (<i>Chairman</i>) | Fisheries |
| Alderman Hubert Nicholl (<i>Vice-Chairman</i>) | Ballymena Borough Council |
| Alderman Roy Beggs | Larne Borough Council |
| Mr Garth Boyd | Industry |
| Mr Robert Cummings | Agriculture |
| Miss Janice Gault | Tourism |
| Cllr Michael Gillespie | Dungannon and South Tyrone Borough Council |
| Cllr Alan Graham | North Down Borough Council |
| Cllr Oliver Hughes | Magherafelt District Council |
| Dr Harold Johnston | Drainage Specialist |
| Cllr William King MBE | Coleraine Borough Council |
| Cllr Jim McBriar | Ards Borough Council |
| Mr Pat McBride (<i>Retired after 21/02/08</i>) | DOE Planning Service |
| Cllr Catherine McCambridge | Moyle District Council |
| Mr John Hagan | DARD Rivers Agency |
| Dr Alexandra McGarel | Conservation |
| Cllr Gerry McHugh | Fermanagh District Council |
| Ald Edwin Poots (<i>Retired after 21/02/08</i>) | Lisburn City Council |



Appendix 4

Key Performance Targets 2008/2009

Key Objective 1:

To deliver sustainable flood risk management policies to meet society's social, environmental and economic needs

- 1.1 Provide flood risk information and advice to Planning Service on 48 hectares of land under its Area Plan development process.
- 1.2 In response to the Flood Management Policy Review establish an agreed policy framework by May 2008 (PSA Target).
- 1.3 Complete a detailed resourcing & structural analysis of flood risk management delivery.

Key Objective 2:

To implement the requirements of the European Directive for the assessment and management of flood risks

- 2.1 Establish a strategic stakeholder group with agreed Terms of Reference.
- 2.2 Complete a flood mapping pilot study to support delivery of flood mapping requirements of the Floods Directive.
- 2.3 Establish a stakeholder group to progress assessment of flood risk to Belfast.

Key Objective 3:

To reduce the number of properties currently at risk of flooding from rivers and the sea

- 3.1 Refine number of properties at risk from base flood maps by end of May 2008 (PSA Target).
- 3.2 Reduce number of properties at significant risk from 28000 to 27923 by end of 2009 (PSA Target).
- 3.3 Increase no. of Housing Equivalents benefiting from a reduced risk of flooding from 19566 at 31 March 2008 to 19696 at 31 March 2009.
- 3.4 Improve drainage infrastructure to cater for development of 94 hectares of land.
- 3.5 Respond to 98% of Schedule 6 applications within 3 months.
- 3.6 Ensure response to 90% of requests for assistance with flood emergencies within 3 hours.

Appendix 4 (continued)

Key Objective 4:

To maintain flood defence and drainage infrastructure in a satisfactory condition

- 4.1 By end of March 2009 complete a condition assessment of flood defence infrastructure namely:-
 - Urban Flood Defences
 - Sea Defences
 - Culvert Network
 - Benchmark the NI situation against the wider industry
- 4.2 Complete structural repairs to circa 1.04 km of the designated culvert network where collapse is likely or imminent.
- 4.3 Inspect & maintain as required, 98% of all designated urban open watercourses in accordance with the Maintenance Manual.
- 4.4 Inspect & maintain as required, 98% of all designated culvert inlet grilles. categorized as critical to flood protection of urban areas at least once a week
- 4.5 Inspect & maintain as required, 98% of all other designated culvert inlet grilles once a month.
- 4.6 Maintain a minimum of 503 designated rural watercourses as part of the Agency's 6 year annual maintenance programme.

Key Objective 5:

To operate to resource limits

- 5.1 Maintain expenditure within Resource Limits and to approved budgets.
- 5.2 Produce unqualified accounts which are laid in the Assembly by the summer recess.



Appendix 4 (continued)

Key Performance Targets 2008/2009

Key Objective 6:

To support and motivate all our people to achieve the Agency's objectives

- 6.1 Deliver a 20% reduction in lost time work related accidents from the 2006-07 base figure of 21.
- 6.2 Maintain staffing levels at a minimum of 96% of complement.
- 6.3 Reduce average annual level of absenteeism due to sickness for non industrial staff to not more than 8.5 days.
- 6.4 Reduce average annual level of absenteeism due to sickness for industrial staff by 5%.

Key Objective 7:

To deliver quality services for our customers and stakeholders in a fair and equitable way

- 7.1 Issue substantive replies to 80% of written enquiries within 15 working days of receipt.
- 7.2 Respond to 80% of planning application consultations to publish first stage of strategic Flood Mapping product Planning Service within 21 working days of receipt
- 7.3 Establish an Agency communication strategy.
- 7.4 Publish first stage of Strategic Flood Mapping products.

