



Department for
**Social
Development**
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Resource Accounts

for the year ended
31 March 2006



Department for Social Development Resource Accounts for the Year Ended 31 March 2006

*Laid before the Houses of Parliament
by the Department of Finance and Personnel
in accordance with Paragraph 36 of the Schedule to the
Northern Ireland Act 2000 (Prescribed Documents) Order 2004*

31 October 2006

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Resource Account for the year ended 31 March 2006

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Annual Report

Director's Report

1. The Departmental Accounting Boundary

1.1 These accounts consolidate the financial information of the Department for Social Development (DSD). The Department is the largest of all the eleven Northern Ireland Government Departments and has lead responsibility for:

- social security and pensions;
- child support;
- housing; and
- urban regeneration and community development.

1.2 The Department comprises two executive agencies and two core groups:

- the Social Security Agency;
- the Child Support Agency;
- Resources, Housing and Social Security Group; and
- Urban Regeneration and Community Development Group.

1.2 The functions of each body within the Departmental Accounting Boundary are as set out below:

The Social Security Agency's main business is to:

- assess and pay social security benefits accurately and securely;
- give advice and information about these benefits;
- support people by helping them move closer to work;
- handle reviews and appeals;
- prevent and detect benefit fraud, prosecute offenders and recover any benefit which has been paid incorrectly;
- recover benefit which has been paid in compensation cases;
- assess people's financial circumstances if they are applying for legal aid; and
- provide services to clients in Great Britain on behalf of the Department for Work and Pensions.

The Child Support Agency:

- arranges or collects child support maintenance on behalf of children whose parents live apart; and

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- in addition to providing a service within Northern Ireland, the Northern Ireland Agency also provides services to the people of Eastern England, on behalf of the Child Support Agency in Great Britain.

The Resources, Housing and Social Security Group is responsible for:

- corporate finance and negotiating and managing the allocation and control of the Department's resources;
- personnel and support services;
- social security, housing benefit, pensions and child support policy and legislation (social security, housing benefit and child support policy and legislation and services in Northern Ireland are separate from, but administered in parity with, the corresponding legislation and services in Great Britain.);
- social housing policy and legislation;
- overseeing the private rented sector in Northern Ireland;
- oversight of the Northern Ireland Housing Executive, which also administers housing benefit to the rented sector on behalf of the Department;
- securing funding to meet the needs of the housing programme delivered primarily through the Housing Executive and registered Housing Associations. (These organisations receive grant funding from the Department, which they supplement with income from capital receipts, rental income and, in the case of the registered Housing Associations, from private finance. The Department and the Housing Executive also engage with a number of other statutory and voluntary agencies regarding housing matters.);
- the Appeals Service (Northern Ireland), which provides administrative support to the independent tribunals set up by legislation to hear appeals against decision makers in the Social Security Agency, Child Support Agency, Her Majesty's Revenue and Customs, the Northern Ireland Housing Executive and Rates Collection Agency; and
- the Department's Internal Audit function.

The Urban Regeneration and Community Development Group has responsibility for:

- the overall strategy for tackling social, economic and physical regeneration of urban areas in Northern Ireland;
- overall policy for voluntary sector and community development across Northern Ireland departments;
- a range of social and charities legislation; and

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- all European Union issues which affect the Department, including the Peace II programme.

Responsibility for Funds

1.4 The Department and its executive agencies also have responsibility for the administration of a number of funds:

- **The National Insurance Fund**, which is the responsibility of HM Revenue & Customs, is excluded from the consolidation and the Summary of Resource Outturn in the Statement of Parliamentary Supply. However, certain elements are included in the remaining Primary Statements. These are contributory benefits, all administration costs and their related assets and liabilities;
- **The Social Fund**, which is administered by the Social Security Agency, is consolidated within the Primary Statements; and
- The Child Support Agency operates a **Client Funds Account** to control the receipt of child maintenance and fees from non-resident parents and parents with care. Child maintenance and fees are collected and paid over respectively to persons with care or to the Department (maintenance) and to the Agency (fees). This Fund is not consolidated within these accounts.
- The Department administers a **Central Investments Fund** for Charities into which Northern Ireland Charities invest funds. Dividends are paid twice yearly by the Department. Within the Central Investment Fund the Department invests the capital of the **Charitable Donations and Bequests Fund**. These funds are not consolidated within these accounts as no departmental funds are involved.

Departmental Accounting Boundary

1.5 **Note 42** contains a full list of the bodies for which the Minister had lead policy responsibility during the year, and details those bodies which are consolidated within and those which are excluded from the accounts. The functions of all these public sector bodies are set out below.

Public Corporation

- **The Northern Ireland Housing Executive** is the regional strategic housing authority for Northern Ireland.

Executive Non-Departmental Public Bodies

- **Laganside Corporation** has responsibility for managing the social and economic regeneration of the area of inner city Belfast, which straddles both banks of the river Lagan. On 28 February 2005, John Spellar MP announced that he was affirming the decision taken by Government in 2001 to work towards the de-designation of Laganside Corporation by 31 March 2007 as it will have successfully completed its statutory regeneration remit for the Laganside area. A further announcement on the future arrangements for Laganside's public assets and river management responsibilities is planned by the end of June 2006.
- The Office of the First Minister and Deputy First Minister and the Department for Social Development set up the **Ilex Urban Regeneration Company** as a Government owned company limited by guarantee in July 2003. Created specifically to promote the co-ordinated regeneration of the Derry City Council Area Ilex is responsible for securing the social and physical regeneration of the Ebrington and Fort George sites. Ilex is working in co-operation with the Department, other relevant Departments, Derry City Council, the private sector and other interested parties to facilitate this regeneration activity.

Non-Executive Non-Departmental Public Bodies

- **The Charities Advisory Committee** is an independent body appointed by the Department to advise on matters relating to the investment of charitable funds.
- **The Disability Living Allowance Advisory Board for Northern Ireland** is an independent body whose primary role is to provide advice on medical matters referred to it by the Department or its medical advisors.
- **The Rent Assessment Panel** determines appropriate rents for those properties in the private rented sector which are:
 - controlled under the Rent (Northern Ireland) Order 1978;
 - registered with the Northern Ireland Housing Executive; and
 - subject to appeal by either the landlord or tenant.
- **Vaughan Charity** - the Department appoints one of the 5 trustees of the Charity and holds the Charity's capital. The Department and the Trustee it appoints are bound by Charity law to carry out the Charity's charitable purposes (to promote the advancement of agriculture in Co Fermanagh) rather than the Department's aims.

Independent Statutory Bodies

- **The Office of the Social Fund Commissioner (NI)** delivers an independent review of discretionary Social Fund decisions made in the Social Security Agency. It also shares information and expertise with those who have an interest in the Fund and its review, and participates in social policy research that contributes to the wider debate about the Social Fund and related issues.

2. Management of the Department

Ministers and Senior Officials

- 2.1 The Department operates under the direction of Ministers. The Permanent Secretary, the Department's most senior official, along with the Departmental Board comprising the senior official in charge of each business area (Resources, Housing and Social Security Group, Urban Regeneration and Community Development Group, the Child Support Agency and Social Security Agency), manages the Department. The Department's on-vote Executive Agencies are headed by Chief Executives who are supported by their own Executive Boards.
- 2.2 The Permanent Secretary is the Accounting Officer. Each Agency Chief Executive is an Agency Accounting Officer.
- 2.3 The Minister responsible for the Department during 2005-06 was David Hanson, MP, Minister of State.
- 2.4 The composition of the Departmental Management Board during the year was as follows:

Permanent Secretary:

Mr Alan Shannon 1 April 2005 – 31 March 2006

Deputy Secretary and Head of Resources, Housing and Social Security Group:

Mr Derek Baker 1 April 2005 – 31 March 2006

Deputy Secretary and Head of Urban Regeneration and Community Development Group:

Mr John McGrath 1 April 2005 – 31 March 2006

Chief Executive Social Security Agency

Mr Gerry Keenan 1 April 2005 – 31 March 2006

Appointment of the Permanent Secretary and Members of the Management Board

- 2.5 The Permanent Head of the Department was appointed by the Civil Service Commission under the terms of Article 6 of the Civil Service Commission (NI) Order 1999. The appointment is for an indefinite term under the terms of the Senior Civil Service contract (Part 5, Chapter 8 of the Northern Ireland Civil Service Staff Handbook refers).
- 2.6 Appointments to Departmental Management Board positions were determined in accordance with Northern Ireland Civil Service promotion and appointment procedures.

Pension Liabilities

- 2.7 Pension liabilities in respect of Ministers, the Permanent Secretary and members of the Management Board are covered in the Remuneration Report.

Conflict of Interests

- 2.8 No members of the Departmental Management Board held any positions outside the Department, which may have conflicted with their management responsibilities.

3. Departmental Reporting Cycle

- 3.1 During 2005-06 the Departmental Management Board and the Minister received quarterly progress reports against the Department's Public Service Agreement and other Business Plan targets. An end of year Report is published on the Internet at www.dsdni.gov.uk, under the heading Publications-Business Plans.

4. Auditor Details

- 4.1 During 2005-06 the Department's Internal Audit Unit carried out planned programmes of work as agreed by the appropriate business area Audit

Committees and the Departmental Audit Committee. All reviews were conducted in accordance with the Government Internal Audit Standards. The outcome of these reviews have been reported to Senior Management during the year. In addition the results of the reviews are also reported to the relevant business area Audit Committees and the Departmental Audit Committee.

- 4.2 The accounts and supporting notes relating to the Department's activities for the year end 31 March 2006 have been audited by the Northern Ireland Audit Office. The report of the Comptroller and Auditor General appears on pages 131 to 153.
- 4.3 The cost of the audit for 2005-06 is a notional cost of £0.367 million. This fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. There was no remuneration paid for non-audit work during the year.
- 4.4 The auditor was appointed by statute and will report to Parliament on the audit examination.
- 4.5 So far as the Accounting Officer is aware, there is no relevant audit information of which the Department's auditors are unaware.
- 4.6 The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

Management Commentary

5. Departmental Aims and Strategic Objectives

- 5.1 *'Together, tackling disadvantage, building communities'* provides the overarching theme for the Department's work. This is supported by the Department's vision, *'to be an organisation which delivers high quality services, provides value for money and values its people'*.
- 5.2 Three strategic objectives provide the focus for the Department's work and form the basis of planning activity and resource allocation:

Strategic Objective 1- Delivered Jointly by the Social Security Agency and Child Support Agency

- *To provide a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save.*

Strategic Objective 2 - Delivered by Housing Division, part of Resources, Housing and Social Security Group

- *To promote measurable improvements to housing in Northern Ireland.*

Strategic Objective 3 - Delivered by Urban Regeneration and Community Development Group

- *To improve the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage.*

6. Principal Activities

6.1 The principal activities of the Department during 2005-06 were to:

- target and manage resources efficiently and effectively and to find the most cost effective means of meeting objectives within the finite resources available and to explore and take advantage of value for money opportunities for partnership working;
- maintain Northern Ireland's social security, child support and pensions policy and legislation in line with the corresponding provisions in Great Britain;
- promote and maintain social legislation in the areas of liquor licensing, gambling and unauthorised encampments and consult with stakeholders to ensure that the legislation reflects changing social attitudes and expectations, and to provide an effective framework for control and enforcement, whilst respecting the freedom of the individual and avoiding imposing unnecessary burdens on business;
- assess and deliver most social security benefits and the Social Fund;
- assess, collect and arrange child support maintenance, ensuring parents maintain their children whenever they can afford to do so;
- develop legislation and administrative arrangements to give effect to agreed housing policies;

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- provide funding to the Northern Ireland Housing Executive, registered Housing Associations and voluntary organisations concerned with the provision of housing services;
 - provide ongoing support for the voluntary and community sector by working with voluntary and community based organisations; and
 - tackle social, economic and physical regeneration in urban areas across Northern Ireland.

7. Performance in the Period

- 7.1 The Government's top level **strategic planning document** *Priorities and Budget 2005-08* incorporates the Department's Public Service Agreement. It summarises Government's main policies and priorities and sets out the Department's budget allocation. The Public Service Agreement shows the main outcomes that the Department is working to deliver with the resources that have been made available. Public Service Agreements are intended to set out Departments' plans to deliver results in return for the investment that is made through the Budget allocations. They provide a clear statement of priorities and a clear sense of direction and, as such, are an integral part of Government's policy and spending plans.
- 7.2 The Department had 8 key Public Service Agreement targets during 2005-06 and these were delivered through 48 business level targets. The end of year overall position was positive with 96% of the targets either achieved, substantially achieved or on track for achievement, but with some delay.
- 7.3 There were also 10 other business plan targets, 9 targets in which the Department was not the lead department and 10 reform framework targets. The end year position was similarly positive with 90% of the targets in these areas either achieved, or likely to be achieved, but with some delay.

Actions Underpinning the Delivery of Public Service Agreements

- 7.4 The Department's 2005-06 business plan lists the actions that underpin the delivery of the Public Service Agreement and other targets. These set out agreed overall aims, objectives, detailed actions, key targets and budget allocations.

An electronic copy of the Plan can be obtained from the Department's internet site at: www.dsdni.gov.uk under the heading Publications-Business Plans. Alternatively, a printed copy may be obtained from:

**Corporate Planning and Governance Unit
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
BELFAST
BT7 2JB**

Telephone: 02890 829500

Key Achievements during 2005-2006

- 7.5 Tackling poverty and disadvantage and building communities is central to the Department's efforts to promote social inclusion and improve the quality of life of individuals, vulnerable groups and neighbourhoods within Northern Ireland. During 2005-06, the Department has continued to successfully deliver a wide range of programmes and services while at the same time focusing on service modernisation and working in partnership with others. Extensive use is made of baseline and survey data to underpin the Department's work and to ensure that action has been targeted towards those in greatest need. Some of the key achievements during the year are outlined in the following paragraphs.

Social Security Agency

Modernisation & Efficiency

- 7.6 In order for Northern Ireland to maintain parity with Great Britain in the provision of social security benefits to its customers efficiently and effectively, the Social Security Agency is committed to implementing a Modernisation Programme to match that being carried out by the Department for Work and Pensions. Phase 2 of this programme commenced in April 2005, and is being implemented across the Agency's three main business areas:
- Jobs & Benefits;
 - Pensions & Anti-Poverty; and
 - Disability, Incapacity & Security.
- 7.7 ***Jobs & Benefits*** - The Agency has continued to work with the Department for Employment and Learning to enhance the services provided to customers and ease the transition from 'Welfare to Work'. This combined effort is designed to provide a full range of advice on both looking for

work and benefits in just one visit to an office and is enabling an increased number of benefit customers to engage with the labour market. At the end of March 2005, 25 out of the 35 Social Security Offices had been co-located with Job Centres in new Jobs and Benefit Offices to facilitate the introduction of the new 'jobs and benefits' process.

- 7.8 The results from the recently co-located offices show that the new arrangements provide a more effective means of administering Jobseekers' Allowance. The reductions in the Jobseekers' Allowance register were between 14% - 20% within 3 months of the introduction of the work-focused process and this reduction has been maintained since. Customer service is also continuing to improve under the new joined-up arrangements.
- 7.9 ***Pensions*** – The Pension Service focuses on paying people of pension age the correct amount of benefit to which they are entitled, at the right time; providing accurate information about State Pension and Pension Credit; and directing customers to the right place for other services. It also provides State Pension forecasts to tell future pensioners how much pension they are likely to receive. The Pension Service has made continued improvement in key aspects of its performance during this year. Retirement Pension met the standards in the Customer Charter, achieved its claims clearance times, and exceeded accuracy targets. In relation to Pension Credit although the claims clearance target was missed there has been substantial improvement in the average number of days to clear claims which have improved from 30 days at March last year to 14 days at March this year. Telephone calls continue to be answered within Customer Charter times and the Pension Centre Teleclaims Service is promoted as a quicker and easier way for customers to make a claim.
- 7.10 ***Disability, Incapacity & Benefit Security*** – The Agency provides financial support and guidance to those with disabilities and their carers. Progress continues to be made in relation to Disability Living Allowance claims with further improvement in clearance times this year on last year. The re-organisation of Incapacity Benefits Division in late 2004-05 has also resulted in significant improvement in business performance this year, particularly in relation to claims clearance. The Agency met all of its claims clearance targets to those with disabilities. In addition in association with the Department of Employment and Learning, six Pathways' pilots are operating since last autumn in Northern Ireland with a further three to go live in October 2006. This will bring the Agency into line with the Department for Work and Pensions in that around 30% of new Incapacity

Benefit customers will be captured within the Pathways initiative by October 2006.

- 7.11 The Agency's milestone to modernise welfare services by 2008 by delivering major Government Welfare Reform priorities remains on track. The Agency has succeeded in identifying business processes which can be delivered in a more efficient way, and its initiative to give customers access to e-enabled claim forms for the major benefits continues to make progress.

Anti-Poverty

- 7.12 With the success of the Direct Payment system rolled out in 2004-05, the Agency continued to build on this and exceeded its target of 95% of clients having their payments paid directly into their accounts. The Agency also set out to combat poverty by promoting benefit take-up to selected customer groups, particularly vulnerable groups such as pensioners. 3,750 pensioners were targeted in three pilot schemes and 23,000 pensioners were the subject of an additional Benefit Uptake project organised by the Pension Service. A Benefit Uptake Programme for 2006-07 has been approved by the Minister and will aim to continue the Agency's efforts to make sure that everyone who is entitled to benefits has the opportunity and the knowledge to claim them.

Delivering Better Customer Services and Reducing Losses from Fraud and Error

- 7.13 The Agency's frontline staff have responsibility for assessing and paying social security benefits accurately and securely. They also provide an information and advice service. Financial accuracy and clearance time targets have been established across the 6 main benefit areas. The focus over the coming year will be to manage performance and continuously improve decision making and accuracy in order to meet client expectations and reduce financial losses.
- 7.14 Performance has been improved or maintained over the previous year, in every customer service target area. Furthermore, every customer service target area displays an underlying trend of improvement.
- 7.15 High levels of performance were achieved for seeing callers, answering telephone calls and responding to enquiries and complaints. Of particular note, the Agency received around one-third less customer complaints this year than over the previous 12 months.

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- 7.16 The Agency has responsibility for the recovery of public funds where benefits have been incorrectly paid out through fraud or error. Continued efforts will be made to reduce the number of overpayments of benefit being made, to record and account for those overpayments more accurately, and to be more effective in securing recovery when appropriate. The Agency has seen great success in this area over the past year with the £5 million target for 2005-06 exceeded by £2.6 million. Accordingly the key Ministerial target for the forthcoming year has been raised to £6 million.
- 7.17 The Agency is committed to ensuring that benefits are paid only to those who are entitled to them. The implementation of a robust benefit security strategy will help to prevent fraud and error at the outset, and deliver greater public confidence in benefit administration.

The Social Security Agency's Annual Report and Accounts for 2005-06 can be accessed at: http://www.dsdni.gov.uk/ssa_annual_report_05-06.pdf

Child Support Agency

- 7.18 As previously reported, a number of difficulties with the new computer and telephony system continue to hinder performance. There are still a number of unresolved issues, which it is hoped will be resolved in the coming months. Performance against the main Public Service Agreement Target to increase the number of children receiving child maintenance by March 2006 was 73% against a target of 75%. The Accuracy target was achieved, with 97% performance against the 91% target. The Case Compliance target has been met for the year-end with performance of 64% against the target of 60%. Performance for the Cash Compliance target was 56% against a target of 60%. The Agency is confident of improving this position through ongoing dedicated compliance efforts. By the end of the year the Agency had collected over £13 million from non-resident parents in Northern Ireland and arranged for over £5 million to be paid by them directly to the parents with care. Equivalent figures for the Agency's customers in Great Britain were £102 million and £27 million respectively.

The Child Support Agency's Annual Report and Accounts can be accessed at: http://www.dsdni.gov.uk/csa_annual_report_05-06.pdf

Housing

- 7.19 The Department's Housing Division plays a vital role in the provision of decent affordable housing in Northern Ireland. The Division provides

funding to assist the Northern Ireland Housing Executive, Housing Associations and the private rented and owner occupied sectors to make available and maintain homes to an acceptable standard. This includes special provision, where required, for disabled people and to address the issues of fuel poverty. During 2005-06 the Department's Housing programme contributed significantly to the alleviation of the housing need for both homeless people and those on low incomes.

Access to Housing

- 7.20 Targets were exceeded in a number of critical areas, for example, the Northern Ireland Housing Executive and registered Housing Associations allocated over 1,100 and 300 more houses respectively than planned during the year and home ownership under the Northern Ireland Co-ownership Scheme was accessed by 250 people. The Supporting People Initiative, which provides housing support to enable people to remain in their own homes, was able to assist over 400 more people than the target of 12,000. A rolling programme of social housing provision was also maintained by registered Housing Associations, with 1,519 additional units provided in-year to accommodate people from the waiting list.

Stock Improvements and Maintenance

- 7.21 The Housing Executive's stock improvement and planned maintenance programmes exceeded targets by 180 and 279 respectively, and over 240 more private sector grants were approved for renovations and repairs.

Addressing Fuel Poverty

- 7.22 A Fuel Poverty Strategy for Northern Ireland launched following consultation in 2003-04 aims to eradicate fuel poverty in vulnerable households and the social rented sector by 2010 and in non-vulnerable households by 2016. This is being achieved by a number of initiatives including the Warm Homes Scheme; the Northern Ireland Housing Executive's heating replacement programme; the establishment of a Northern Ireland Fuel Poverty Advisory Group; and an Interdepartmental Group on Fuel Poverty. During 2005-06, the Warm Homes Scheme attracted additional funding of £2.9 million which allowed 10,303 private sector households to receive improvements to the energy efficiency of their homes, while the Northern Ireland Housing Executive improved 10,978 of their dwellings through their various programmes. Funding has been increased for the Warm Homes Scheme in 2006-07 to £20.85

million, while the Northern Ireland Housing Executive has allocated £19.7 million to its programmes. The 2001 House Condition Survey revealed that 203,300 households in Northern Ireland were in fuel poverty. The 2004 Interim House Condition survey, the results of which were announced in late 2005/early 2006, indicated a substantial decrease in the numbers in fuel poverty. 153,500 households in Northern Ireland were in fuel poverty in 2004, a reduction of 49,800 since 2001.

Urban Regeneration

Regenerating Areas & Communities

- 7.23 Implementation of the Department's Neighbourhood Renewal Strategy, which was launched in June 2003, is currently in its second phase. A long-term view is being taken and the strategy has committed to a 7-10 year planning and implementation timescale so that sustainable renewal and stability can be achieved. Full implementation of the strategy will involve the establishment of neighbourhood partnerships in the 32 neighbourhood renewal areas. In 2005-06, neighbourhood partnerships had been formed in 24 areas, with the remainder due to come on stream later this year.

Promoting Viable and Vital Town and City Centres

- 7.24 Throughout Northern Ireland there has been considerable development work in town and city centres to improve their physical, social and economic well-being. This includes comprehensive development work targeted in areas of deprivation throughout the Greater Belfast area and specific projects taken forward through a process of land acquisition, site assembly and disposal, designed to address dereliction and contribute towards regeneration in areas of need. Some of the key developments in 2005-06 are highlighted below.

Belfast

- On 28 March 2006, the Department selected the North East Quarter of Belfast City Centre, based on proposals submitted by William Ewart Properties Ltd and their development partners as the next major retail led regeneration scheme subject to obtaining planning permission and meeting other statutory and due diligence requirements. The Ewart proposal aims to bring new shopping, city centre living, office space to attract creative industries and transformation of the Northern Bank at Four Corners as an arts venue.

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- The Public Realm Strategy for Belfast City Centre was published on 28 February 2005 and sets out a detailed programme of work to renew and develop the city centre's public streets, squares and open spaces with a £14 million capital investment programme for phase one. Work on phase 1 will begin in February 2007 and is due to be completed by October 2009.
 - Significant progress continues to be made in the construction of the £320 million Victoria Square development. The scheme is scheduled for completion by Spring 2008 and will bring forward a substantial quantity of retail floor space, enhancing the regional role of the city centre, revitalising its heart, providing the benchmark for further development across the city centre and importantly connecting the city centre to Laganside.
 - In January 2006, the Department purchased the SS Nomadic. The return of the Nomadic to Belfast's waterfront provides the potential for the vessel to be used as a visitor attraction and a symbol of Belfast's proud maritime heritage – adding to the regeneration of Belfast City. The Department will take forward the establishment of a charitable trust to co-ordinate the fundraising and oversee the restoration of the vessel, which arrived back in Belfast in July 2006.
 - The Department's Belfast Regeneration Office acquired 33 sites, at a cost of £3.3 million, which would benefit from physical development and contribute to the regeneration of areas of deprivation. This included the acquisition of a number of key sites at Lanark Way, Shankill Road, Peters Hill and strategically significant sites at Ravenhill Reach, Ormeau Avenue and Falls Road.
 - 7 sites within Belfast were disposed for redevelopment to comply with development scheme objectives and/or the Arterial Routes Programme. Disposals were for numerous purposes including the provision of housing schemes in high demand areas of North and West Belfast, along with commercial provision along arterial routes to the city centre such as the Shankill and Crumlin Roads.
 - Through the Urban Development Grant, 14 development schemes with total development costs of over £12.2 million have been assisted with potential grant in excess of £2 million. A number of schemes were completed in this financial year including the refurbishment of a large office/showroom block in North Belfast at a total development cost of over £1.3 million with grant assistance of £0.25 million.
 - The Department took responsibility for the regeneration of Crumlin Road Gaol and the former Girdwood Barracks in North Belfast. The two sites comprise 30 acres and occupy a strategic location by virtue of their proximity to Belfast City Centre providing a unique opportunity to

regenerate one of the most disadvantaged areas in Northern Ireland. In September 2005 it was announced that the sites would be developed on a comprehensive basis and an international master planning competition was launched on 12 May 2006.

North West

- In February 2004, the Department acquired the Clooney military base from the Ministry of Defence. By bringing these lands into public ownership, Government intends to reinforce wider efforts to help regenerate the Waterside in particular and Londonderry in general. A report on the public consultation was launched in February 2006. There is now consensus within Government that Foyle & Londonderry College and Ebrington Primary School should be co-located at Clooney and in February 2006 the Department's North West Development Office appointed urban design consultants to produce an outline Master Plan for the wider Clooney lands. This Master Plan, which will be published in October 2006, will guide the development of these lands in a way that maximises the regeneration benefits to both the Waterside area and the city as a whole.
- In October 2005, work commenced on the construction of a new £2.8 million Arts and Cultural Centre in Strabane. The centre, which will open in March 2007, is receiving combined funding of some £0.724 million from the Integrated Development Fund and the Executive Programme Funds, both of which are being managed by North West Development Office.
- In Strabane the North West Development Office's work throughout the year with local developers to resolve the many complexities involved in assembling the land required for a major town centre development project will see the local ASDA store relocate to a new purpose built facility. This £15 million development will provide almost 200 new jobs and help revitalise the town. It will also help to consolidate other work carried out by the Department in conjunction with Strabane District Council.
- In Limavady a major Environmental Improvement scheme was completed on the Connell Street Car Park and surrounding area. The scheme, which cost almost £0.3 million, was developed in partnership with the Department for Regional Development's Roads Service and Limavady Borough Council. It has been welcomed as a major boost to the town by local traders and the general public and has stimulated further private sector investment in the immediate area.

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- Also in Limavady, the Department, in partnership with the International Fund for Ireland, has contributed £0.790 million towards the cost of refurbishing the former Roe Valley Hospital. The redevelopment of this B+ listed building, comprising of some 3,800 square metres of space, has provided a range of office accommodation for a wide variety of public, private and community and voluntary sector tenants. A total of 134 people now work in the building and rental income of around £0.2 million per annum is being generated.
 - In December 2005, the Department announced that some £8 million has been secured through the Integrated Development Fund to carry out an ambitious public realm project in the Guildhall Square/Waterloo Place area of Londonderry. Later this year North West Development Office will appoint urban design consultants to design the scheme, which will address urban decline in the existing pedestrian zone through a solution based on design excellence and high quality public realm that gives priority to pedestrian needs, connectivity and social inclusion while supporting a mix of uses in a sustainable urban environment. This project will complement the £10 million Walled City Tourism Destination project led by the Northern Ireland Tourist Board and the Ilex led redevelopment of the former Ebrington military base, which will include new river crossings.
 - The Department is facilitating the £4 million development of the one-acre Distillery Brae site into a purpose built Primary Health Care Centre, serving a population of 25,000 patients. Work commenced on this project during the year and it is anticipated that when complete the development will produce an additional footfall of 1,600 per day in the area contributing to the regeneration of Spencer Road in particular and the wider Waterside in general.

Regional Areas

- The Department's Regional Development Office is responsible for urban regeneration matters outside Belfast and the North West. Two major regeneration proposals for Bangor seafront and Ballymena town centre are currently being considered by the Department. The proposed scheme in Bangor will provide leisure, retail and residential facilities. In Ballymena independent consultants have been appointed to review the proposed retail scheme and a report will be published in May 2006 for public consultation to inform the Department's views in the matter.
- Other towns including Coleraine (two sites) and Enniskillen have had development briefs issued. The Department, the Planning Service and Roads Service will assess the proposals when received and will select a

short list of prospective developments and decide on the most suitable scheme.

- Major public realm schemes completed during the year include:
 - the transformation of the Erne river waterfront in Enniskillen at a cost of £1.3 million featuring upgraded walkways, landscaping and jetties; and
 - the Diamond in the centre of Coleraine which received a makeover worth over £0.7 million.
- Work on a public realm scheme for Omagh town centre costing £1.7 million to improve pedestrian access and provide street furniture and public art has continued during the year and is expected to be completed later in 2006.
- Environmental improvements are also continuing on the Omagh riverside as part of the work on a new Omagh Arts Centre and further Education College, which is expected to be completed by December 2006.
- Some minor public realm schemes were completed during the year in Ballycastle, Randalstown, Tandragee and Newcastle.
- In October 2005 the Department made awards totalling almost £0.9 million towards the cost of town centre promotions and marketing for 17 towns across Northern Ireland. This expenditure will take place up until 2007-08.
- A number of core Community Regeneration Improvement Special Programme (CRISP) projects were completed during the year including Castleberg, Caledon and Castledawson and contract work has commenced on building projects in Ederney, Sixmilecross, Donemana and Feeney. A number of other projects are being assessed, and final decisions will be made in 2006-07.

Developing and Empowering Communities

- 7.25 The Department's Voluntary and Community Unit supports community capacity building activities through a variety of mechanisms. This work is vital because it encourages active participation by individuals and groups in decisions that affect their lives, enhances quality of life and encourages people to work together to solve common problems that are often rooted in disadvantage and inequality.
- 7.26 In-year, the Voluntary and Community Unit created 1,000 volunteering opportunities throughout Northern Ireland through the Volunteer Bureaux

Initiative, with particular focus on opportunities for residents in the most deprived areas and with marginalised groups.

- 7.27 In 2005-06 specific action was also taken to support the development of greater local community capacity through £3 million from the Local Community Fund. A wide range of imaginative and practical activities were supported, involving people from all age groups. For example, the promotion of sporting facilities and environmental activities, together with the development of new and enhanced skills has been a major feature of the fund across all areas. The Community Conventions Development Company continues to plan for the delivery of three pilot conventions in late 2006. Voluntary and Community Unit continues to ensure through correspondence and contact with the Board that the proposed pilots are properly targeted, planned and delivered to effectively respond to the specific needs of the local communities they are aimed at. The Community Conventions Development Company continued to plan for the three pilot community conventions to be held in 2006.
- 7.28 The Community Support Programme in partnership with district councils continued to strengthen local communities, increase community participation and promote social inclusion through the stimulation and support of community groups, community activity and local advice services.
- 7.29 Organisations funded under the Regional Infrastructure Programme included the Northern Ireland Council for Voluntary Action (NICVA), The Law Centre, NI Citizens Advice (CAB NI), Advice (NI), the Volunteer Development Agency and Community Change.
- 7.30 During the year the Outreach Programme bringing together statutory bodies and communities to work in partnership delivered better local services continued to fund the 13 projects selected in April 2003. The Programme will run until March 2007, when an evaluation will be undertaken.

Support for the Voluntary & Community Sector

- 7.31 The Department continues to work with all other Government departments to enhance the capacity of the voluntary and community sector to develop and deliver public services taking account of the actions outlined in “*Positive Steps*”, the Government’s response to the recommendations of the Task Force on Resourcing the Voluntary and Community Sector. *Positive Steps* established two new funding programmes to assist the

sustainability of the sector. These are the Community Investment Fund of £5 million over 3 years and the Modernisation Fund of £3 million revenue and £15 million capital. Through the Modernisation Fund, totalling £18 million over a three year period the Department will continue to support and facilitate the voluntary and community sector to become more efficient and effective particularly in the delivery of public services.

- 7.32 An Inter Departmental Implementation Group was established to take forward the commitments arising from *Positive Steps*. The Group is comprised of senior officials from all Departments and is chaired by the DSD Minister David Hanson. The Department's Voluntary and Community Unit provides the Secretariat for the Implementation Group, and the departmental actions will be monitored by the Unit as part of the Partners for Change Strategy 2005-2008.

Creating and developing Social and Charities Legislation

- 7.33 The Department is the main charity authority for Northern Ireland and has responsibility for policy and most of the legislation relating to charities. Proposed new Northern Ireland charities legislation (introducing a Charity Commission for Northern Ireland and a Northern Ireland Register of Charities) has been drafted and is the subject of formal public consultation with a view to introduction of the new provisions in early 2007.
- 7.34 A review of Northern Ireland Liquor Licensing legislation has been ongoing since May 2004 and a public consultation on proposals for change took place from 1 November 2005 to 31 January 2006. The Minister announced his plans for reform in a written statement to Parliament on 20 July 2006. Consultation on draft legislation is expected to take place at the end of 2006.
- 7.35 Legislation to control unauthorised camping in Northern Ireland completed its Parliamentary stages in July 2005. Implementation of The Unauthorised Encampments (NI) Order 2005 was deferred until July 2006 to coincide with the provision of transit sites for Travellers, who occupy the majority of unauthorised encampments.

Financial Results for the Year

- 7.36 The Net Operating Cost of the Department in 2005-06 was £4.555 billion. The financial results of the Department are set out on pages 53 to 130.

Request for Resources A

7.37 DSD Core Administration:

The variation between the estimate and the outturn was 6.7%. The outturn was £1 million lower than the estimate.

7.38 DSD Core Programme:

The variation between the estimate and the outturn was 5.2%. The outturn was £24.4 million lower than the estimate. The main reason for this was:

The estimate for the expenditure in relation to “grants to voluntary bodies – social security” was 17.4% lower (£1.709 million) lower than the estimate due to reduction in the level of growth of awards.

7.39 SSA Administration:

There was no significant variation between the estimate and the outturn, which was within 3.5% (£5.4 million) of the estimate.

7.40 SSA Programme:

Outturn programme expenditure, which is part of the Annually Managed Expenditure, was 5.1% (£98.4 million) below the estimate. The main reasons for this were:

- Non-contributory Pension Benefits were 20.1% (£6.988 million) lower than the estimate mainly due to an over-estimation of requirements for age related payments.
- Payments of Jobseeker’s allowance (income based) were 12.4% (£9.274 million) lower than expected due to reductions in caseloads and continuing difficulties in estimated requirements arising from the removal of the child elements for new claims following introduction of Child Tax Credit.

7.41 CSA Administration:

Outturn expenditure was 8.7% (£1.5 million) less than the estimate.

Request for Resources B

7.42 Housing Administration:

The variation between the estimate and the outturn was 7.0%. The outturn was £0.3 million lower than the estimate.

7.43 Housing Programme:

Outturn programme expenditure was 2.6% (£11.4 million) less than the estimate.

Request for Resources C

7.44 Urban Regeneration and Community Development Administration:

The variation between the estimate and the outturn was 4.6%. The outturn was £0.6 million lower than the estimate.

7.45 Urban Regeneration and Community Development Programme:

Outturn programme expenditure was 32.6% (£27.6 million) less than the estimate. The main reasons for this were as follows:

- Urban Regeneration was 50.7% (£21.559 million) lower than the estimate due to project slippage into the next financial year, the failure of projects to materialise and non uptake on Urban Regeneration Grants, Neighbourhood Renewal and Public Realm. In addition, the CRISP scheme was coming to an end and uptake was much slower than anticipated and disposals of part of the Department's land portfolio realised much greater profits than anticipated (£7.321 million).
- EU Programme for Peace and Reconciliation was 11.4% (£1.087 million) lower than the estimate due to delays in uptake of grant aid by applicants who had anticipated incurring expenditure in this financial year. Some schemes did not proceed; others will proceed in the next financial year and some schemes, put forward for funding, did not meet eligibility criteria and were withdrawn.
- Executive Programme Funds were 47.8% (£2.040 million) lower than the estimate due to delays in completion of the Omagh Riverside Project which is now expected to complete in the current financial year. Some other schemes, to be funded under Short Term Funding, postponed from 2004-05, and expected to complete in 2005-06, were withdrawn or curtailed.
- Community Initiatives were 27.3% (£0.892 million) lower than the estimate due to schemes not proceeding or being postponed until the next financial year or being withdrawn on the grounds of eligibility criteria.
- Non-cash items were 23% (£1.183 million) higher than the estimate due to unexpected increases in land sales debtors due to higher than expected proceeds of disposal of land and buildings owned by the Department.

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- Grants to Laganside were 28.1% (£2.109 million) lower than the estimate because of capital project slippage into 2006-07.
 - EU Debtors Capital Charges were 48.7% (£0.549 million) lower than the estimate because of an unanticipated large EU Debtor write off.

Fixed Assets

- 7.46 Details of movements in fixed assets are set out in **Note 21**. The Department does not believe that there is any material difference between the market and book value of its fixed assets as at 31 March 2006.

Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting accountability

- 7.47 Contingent liabilities in this context are covered at **Note 36** in the main body of the Accounts.

8. Investment in the Future

- 8.1 Both staff and managers at all levels of the organisation continue to face a programme of modernisation to transform business in order to provide efficient customer-focused services.
- 8.2 The size and scope of the Human Resource function for the Department will undergo dramatic change over the next few years as the Northern Ireland Civil Service e-HR Programme modernises and transforms the civil service's personnel function. Individual departments will no longer provide the full range of Human Resource services to their staff. Instead, many of these will be delivered through an outsourced shared service centre, with the retained functions delivered by the corporate centre and by departmental Human Resource units. A project board has been established in the Department to plan and put in place arrangements to continue to manage Human Resource services for which the Department will remain responsible, in line with the needs of the business.
- 8.3 A new Corporate Human Resource Strategy, covering the period 2006 to 2009, has been developed. It is structured around four themes reflecting the strategic direction endorsed by the Northern Ireland Civil Service strategy document '*Fit for Purpose*'. The four themes are:
- Resource Management

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- Building Capability
 - Embracing Diversity
 - People Management
- 8.4 A Corporate Human Resource action plan for 2006-07 has been developed to support the implementation of the Corporate Human Resource Strategy.
- 8.5 Other specific developments have included the launch of the Grade 6/7 Development Programme, '*Leading for Change*' in partnership with the National School of Government. The results of the Department's first Staff Attitude Survey were published in May 2005 and a number of actions reflecting the outcome of the survey have also been included in the Corporate Human Resource action plan.

9. Events That Have Occurred Since the Financial Year-End

Corporate Plan 2006-08 and Business Plan 2006-07

- 9.1 The Department's Corporate Plan 2006-08 and Business Plan 2006-07 is published on the internet at www.dsdni.gov.uk under the heading Publications Business Plans. The plan is firmly set in the context of *Priorities and Budget 2006-08* which was published on 14 December 2005, and reflects the challenges ahead for the Department in progressing the social development agenda in Northern Ireland.
- 9.2 A number of key events have occurred in the current planning cycle as illustrated below.

Funding for the Voluntary and Community Sector

- 9.3 A Community Investment Fund has been established to provide strategic funding for the support of generic community development activity. The £5 million made available for this over three years will complement existing Government programmes and will be targeted towards community development activity. The programme opened for applications on 27 April 2006 and will close on 8 June 2006.
- 9.4 On 4 April 2006, the Minister launched a cross-departmental action plan aimed at renewing disadvantaged communities. The *Renewing Communities* initiative includes measures valued at over £33 million and places a particular emphasis on addressing the needs of Protestant working class communities, as identified by the Government Taskforce. The plan will complement existing measures aimed at tackling disadvantage and

will concentrate on rebuilding confidence, reviving hope and restoring pride through additional investment in education, community capacity, regeneration, improving public service delivery and freeing communities from paramilitary influence. As part of this initiative, the Department will lead on a number of specific actions, valued at £17.88 million over two years, relating to regeneration, housing and community capacity building.

Regeneration of Belfast City Centre

- 9.5 On 16 May 2006, the Minister announced that the Department in conjunction with Belfast City Council will run an international design competition later in 2006 to revamp Donegall Square. The scheme is estimated to cost £12 million and is subject to securing additional funding beyond 2008.

Unfitness in the Private Rented Sector

- 9.6 On 7 June 2006, new legislation was made for the private rented sector. The Private Tenancies (NI) Order 2006 is the first piece of major legislation for the sector for almost 30 years. It is anticipated that the main provisions in the Order will commence in early 2007. The provisions are based on recommendations made by a multi-agency working group and provide the basis for a co-ordinated inter-agency approach to tackling disrepair in the sector involving District Councils and the Housing Executive. It introduces a system of repair enforcement, and in future, the fitness of a tenancy will be the chief factor in determining rent control. District Councils will have powers to enforce necessary remedial work to bring a property up to the fitness standard. As part of the overall strategy for the private rented sector, the Department will continue to work with the Housing Executive in taking forward proposals on policy issues such as developing best practice guides for use by landlords, licensing and accreditation of landlords and researching the need for arbitration.

Public Interest and Other

10. Policy on Employment of Disabled Persons

- 10.1 The Department aims to provide access to the full range of recruitment and career opportunities for all people with disabilities and to establish working conditions, which encourage the full participation of disabled people. The

Department, where possible, seeks to retain existing staff who are affected by disability through rehabilitation, training and reassignment.

11. Section 75 Equality Duty

11.1 Section 75 of the Northern Ireland Act 1998 places a duty on the Department, requiring it, in carrying out its functions relating to Northern Ireland, to have due regard to the need to promote equality of opportunity between:

- Persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- Men and women;
- Persons with a disability and persons without; and
- Persons with dependants and persons without.

11.2 In addition, the Act also requires the Department to have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

11.3 The promotion of equality of opportunity and good community relations is at the forefront of the Department's programmes and activities. Section 75 has been integrated into the Department's policy development processes and has been an important aspect of governance throughout the year.

11.4 The Department has continued to fulfill the commitments made in its Equality Scheme and has worked closely with the Equality Commission and others in undertaking a 5 year review of the scheme. The Department also submitted an annual review to the Equality Commission outlining progress made in delivering on these statutory obligations throughout the year.

12. Payment Practice Codes

12.1 The Department pays its trade creditors in accordance with the Confederation of British Industry Prompt Payment Code and Government Accounting rules. The Government Accounting rules require that the timing of payment should normally be stated in the contract. Where there is no contractual provision departments should pay within 30 days of receipt of the goods or services or within 30 days of the presentation of a valid invoice, whichever is the later.

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- 12.2 The Late Payment of Commercial Debts (Interest) Act 1998, which came into effect from 1 November 1998, enables suppliers to charge interest on overdue debts. The Department made no payments during the year in respect of such claims.
- 12.3 Details of payment performance are provided at **Note 41** to the accounts.

13. Employee Involvement

- 13.1 The Department places considerable reliance on the involvement of its employees. It makes every effort to ensure that all staff are kept informed of plans and developments. This is effected through meetings, team briefings, circulars, publication of business and training plans and the posting of relevant information on the Departmental intranet.
- 13.2 Staff also have access to welfare services and to trade union membership.
- 13.3 The Department uses the established Whitley process of staff consultation. The Whitley Council and Committees provide an agreed forum for discussion, which both employer and trade union representatives attend. In this way, staff views are represented and information for employees is promulgated.

14. Health and Safety

- 14.1 The Department 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.

15. Electronic Government

- 15.1 The Department has achieved the targets set for electronic service delivery capability in respect of the 15 key services defined in the DSD e-Business Strategy. As reported previously, internal corporate operations are supported by an extensive network of information technology and information systems. The main public services, social security and child support, rely heavily on the use of computer systems and telephony to support the high level of person to person contact that is, and will continue to be, a feature of these services. Work is continuing at a national level on improving the legacy systems used for benefit administration. The

Department's website was re-developed in early 2005 in accordance with Northern Ireland Civil Service corporate design standards.

16. Freedom of Information Act 2000 and Environmental Information Regulations

- 16.1 The Department is fully committed to meeting its obligations under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004, which came into force on 1 January 2005.
- 16.2 The Department has established a network of Local Information Managers located in all business areas through which requests for information are managed. The Departmental Information Manager monitors the Department's compliance with the Freedom of Information Act and the Environmental Information Regulations and provides advice to all business areas.
- 16.3 The Department will continue to publish and review information in accordance with its Publication Scheme.

Remuneration Report

17. Remuneration Policy

- 17.1 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.
- 17.2 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;

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- 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.
- 17.3 The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.
- 17.4 Permanent Secretaries' pay awards are determined by the Northern Ireland Civil Service Permanent Secretary Remuneration Committee.
- 17.5 Further information about the work of the Review Body can be found at www.ome.uk.com.

Performance Management

- 17.6 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

- 17.7 Civil Service appointments are made in accordance with the Civil Service Commissioners for Northern Ireland 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.
- 17.8 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 Staff Handbook.
- 17.9 Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org.

Salary and Pension Entitlements

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

Ministers' Salaries

- 17.11 During 2005-06 the Department for Social Development was under the direction and control of David Hanson, Minister of State. His salary and allowances were paid by the Northern Ireland Office or the Cabinet Office rather than the Northern Ireland Assembly. These costs have not been included as notional cost in the Operating Costs Statement in the same way as Devolved Ministers' salaries. Details of David Hanson's salary and allowances will be provided in the 2005-06 Northern Ireland Office Resource Accounts.

Ministerial Pensions

- 17.12 Pensions benefits for Westminster Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statute based (made under Statutory Instrument SI 1993 No 3253, as amended).
- 17.13 Those Ministers who are Members of Parliament are also entitled to an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an 'average salary' basis with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with all other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution.)
- 17.14 Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Price Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9% to 10% from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance cost. This is currently 24% of the ministerial salary.

Senior Civil Servants

Officials	2005-06		2004-05	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Mr A Shannon Permanent Secretary	115 - 120	-	110 - 115	-
Mr D Baker Deputy Secretary Resources, Housing & Social Security Group	85 - 90	-	80 - 85	-
Mr J McGrath Deputy Secretary Urban Regeneration & Community Development Group	85 - 90	-	75 - 80	-
Mr G Keenan Chief Executive, Social Security Agency	90 - 95	-	80 - 85	-
Mr B McGahan Chief Executive, Child Support Agency	85 - 90	-	80 - 85	-

Salary

- 17.15 The 'salary' of senior civil servants includes gross salary; performance pay or bonuses and any allowance 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

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

Civil Service Pensions

	Accrued pension at age 60 as at 31/3/06 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/06	CETV at 31/3/05	Real increase in CETV	Employer contribution to partnership pension account
Officials	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr A Shannon Permanent Secretary	40 – 45 plus 130 – 135 lump sum	0 – 2.5 plus 5 – 7.5 lump sum	759	698	36	-
Mr D Baker Deputy Secretary Resources, Housing & Social Security Group	25 – 30 plus 80 – 85 lump sum	0 – 2.5 plus 5 – 7.5 lump sum	402	355	31	-
Mr J McGrath Deputy Secretary Urban Regeneration & Community Development Group	25 – 30 plus 85 – 90 lump sum	0 – 2.5 plus 5 – 7.5 lump sum	474	419	33	-
Mr G Keenan Chief Executive, Social Security Agency	40 – 45 plus 125 – 130 lump sum	0 – 2.5 plus 5 – 7.5 lump sum	733	664	45	-
Mr B McGahan Chief Executive, Child Support Agency	30 – 35 plus 95 – 100 lump sum	0 – 2.5 plus 5 – 7.5 lump sum	539	483	33	-

17.17 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 Price 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).

17.18 Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in ‘classic’ accrue at the rate of 1/80th of pensionable salary for each year of service.

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

- 17.19 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).
- 17.20 Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensions-ni.gov.uk.

Cash Equivalent Transfer Values

- 17.21 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 CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within

the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

17.22 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.



Accounting Officer

10 October 2006

Statement of Accounting Officer's responsibilities

Under the Government Resource and Accounts Act (NI) 2001, the Department of Finance and Personnel Northern Ireland has directed the Department for Social Development to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year.

The accounts are prepared on an accruals basis, and must give a true and fair view of the state of affairs of Department for Social Development and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the principal Accounting Officer is required to comply with requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Department of Finance and Personnel Northern Ireland, 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 *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Department of Finance and Personnel Northern Ireland has appointed the Permanent Head of Department as Accounting Officer of the Department for Social Development. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department for Social Development's assets, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and Personnel Northern Ireland and published in Government Accounting Northern Ireland.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Social Development's (DSD) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland (GANI).

I am the Minister's main policy advisor on all matters relating to the Department's areas of responsibility. It is my responsibility to ensure that the Minister is fully aware of and involved as necessary in managing risks which impact on the Department and its sponsored bodies. The Minister approves the Department's Corporate and Business Plans and Public Service Agreement (PSA) targets from which corporate risks are derived. The Minister also receives regular reports on all aspects of departmental performance, including a formal quarterly progress report highlighting any significant deviation from achievement of targets, and any underlying risk realisation.

As Accounting Officer I am supported and advised by the Departmental Management Board (DMB), which I chair and which comprises the Deputy Secretaries of the two Core Groups in the Department and the Chief Executives of the Social Security Agency and the Child Support Agency. In addition, I have appointed the Chief Executives of the NDPBs as Additional Accounting Officers who are accountable for the maintenance and operation of the system of internal control and risk management in their business areas and the for the production of their associated Statement of Internal Control. The Deputy Secretaries have responsibility for the Department's relationship with and oversight of the two Executive NDPBs (Laganside Corporation and ILEX), and the Northern Ireland Housing Executive as a public corporation. All are required under the Department's policy on risk management to ensure that adequate risk management arrangements are applied. A key element of the risk management process is the creation and management of risk management Policy Statements and their robust application, including the provision of annual assurance statements.

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 implement policies and to achieve 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 departmental 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 DSD for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

Capacity to handle risk

Leadership of the risk management process is provided corporately by the Departmental Management Board. The work of the Departmental Management Board regularly involves:

- agreeing the key risks, risk owners and controls to manage risks identified in the Corporate Risk Register;
- taking major decisions affecting the management of risks within the Department;
- monitoring the management and control of key risks to reduce the likelihood of unforeseen occurrence;
- reviewing the Department's approach to risk management; and
- ownership of the Corporate Risk Register.

All business areas within the Department have in place corporate governance arrangements which include risk management policies that are reviewed and endorsed annually and:

- set out the Department's approach to identifying, assessing and managing risk;
- set out the key aspects of the risk management process;
- identify the reporting procedures;
- detail the roles and responsibilities of those involved; and
- reinforce the link between risk management and the business planning process.

I have assigned ownership of key risks to those with the responsibility and authority for implementing controls and assigning resources to manage key risks.

The risk management policies have been embedded across the Department. Prior to the introduction of the new risk management arrangements an extensive programme of training of key staff was undertaken to ensure full understanding of the new methodology. Various groups such as the Departmental Management Board, Agency Management Boards and Audit Committees provide fora for exchanging information and sharing best practice on risk management issues, in

addition to the more formal learning and development opportunities that exist for individual staff. The corporate risk register is also published on the Department's intranet for the information of all staff.

The risk and control framework

The Department's Corporate Governance Framework includes the following organisational elements and support arrangements:

- the Departmental Management Board;
- the Management Boards in each of the Department's two Executive Agencies and two Core Groups;
- additional Accounting Officers for the Department's Agencies and Executive Non-Departmental Public Bodies as required by Government Accounting NI;
- the Finance Director's post as required by Government Accounting NI;
- the Departmental Audit Committee and Fraud Sub-Committee;
- the Audit and Risk Management Committees in each of the Department's two Executive Agencies and two Core Groups;
- the Departmental Internal Audit Service;
- the Departmental Corporate Investigations Unit. The Unit is responsible for providing the Department with an effective investigative capability. It has a prime role in the maintenance and servicing of the Department's Fraud Response Plan as well as providing an objective and professional investigation service;
- a Central Policy and Co-Ordination Unit to facilitate policy development capability and strategic management in the Department;
- a Business Improvement Unit to assist Accounting Officers to meet their responsibilities with regard to the efficient and economical use of human and other resources;
- a professional information service to provide a full communications service to the Department and the Minister;
- the formal relationships established between the Department and external organisations.

All business areas have in place risk management policies and appropriate processes and procedures to:

- identify business objectives and risks, including risk registers;
- evaluate risk and the existing controls in place;
- allocate risk ownership to appropriate staff;

-
- regularly review and report on aspects of risk management and internal control and manage them economically, efficiently and effectively.

At a corporate level, risk management has been incorporated in the corporate and business planning and decision-making processes of the Department, and the Departmental Management Board carries out monthly reviews and updates of key departmental risks, where appropriate.

The Department's corporate and business-planning processes ensure that corporate objectives and targets are delegated to lower management. A system is in place to ensure regular monitoring of progress by the Departmental Management Board against corporate and business plan objectives and targets. Risk management arrangements are similarly delegated to lower management levels and supported by a system of stewardship statements in individual business areas.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department 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 result of my review of the effectiveness of the system of internal control by the Board, the Departmental Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The integrated departmental process, which operates to make certain risk management and internal control issues are regularly reviewed and reported at the appropriate level, provides assurance that effective internal control mechanisms are maintained and developed. Throughout the year, risk owners monitor their respective risks and any new issues or threats identified are reported to a more senior level and ultimately to the Departmental Management Board as appropriate on a monthly basis.

The Audit Committees, which are in place in all business areas, consider and approve the audit programme; the completeness and quality of Internal Audit work; and monitor management action on the implementation of audit recommendations. These Committees assist me by drawing my attention to matters of governance, risk, control and assurance.

The Department's Internal Audit Unit, which operates to the Government's Internal Audit Standards, provides me with an independent opinion on risk

management, control and governance arrangements by measuring and evaluating their effectiveness in achieving the Department's agreed objectives. Internal Audit findings and recommendations are also beneficial to line management in the audited areas, providing an independent and objective consultancy service to help management improve the Department's risk management, control and governance arrangements. I also benefit from comments made by the external auditors in their management letters and reports.

Furthermore, the Department's economists provide me with an assurance on value for money and sound business decisions through quality assurance of economic appraisals in the Department. A new economic appraisal system has been introduced to comply with requirements of DAO 06/05.

A review of corporate governance arrangements in the Department against the new HM Treasury Code of Practice has recently taken place. Further recommended best practice measures are currently being implemented which will enhance corporate governance arrangements across the Department and its sponsor bodies. Their implementation will also help to further embed risk management processes; and to retain full assurance status for the Department as assessed and rated by Internal Audit in 2005.

Significant internal control problems

Resources, Housing and Social Security Group (RHSSG)

Over a number of years the Department has implemented a range of measures to address weaknesses in the financial management and control of Housing Associations. As a consequence of this work, the Comptroller and Auditor General lifted his qualification of this part of the Resource Account in 2004-05.

During 2005-06 the Department has built on the control measures that have been put in place in relation to Housing Associations, in particular developing the role of the Regulatory and Inspection Unit and the application of more robust reporting systems to support implementation of the Social Housing Development Programme.

A number of further measures have been taken. The new Housing Association Guide was published on the Department's website in April 2005. This is a working document that is reviewed and updated as required and is proving beneficial in ensuring that Housing Associations are kept informed of the controls with which they should comply and the manner in which they should be delivering the Social Housing Development Programme.

Procedures were implemented during 2005-06 to produce regular projections of profiled expenditure for the Social Housing Development Programme. This contributed to the successful outcome of the programme in both meeting the target and controlling the financial allocation.

In response to the 2005 Internal Audit review, the Housing Regulation and Inspection Team completed its work on preparing a programme of inspections based on the risk analysis of registered Housing Associations. The management of this programme of inspections has been enhanced by the piloting of an inspection programme control document which was developed in-house.

The recommendations made by the Northern Ireland Audit Office in respect of the 2004-05 Resource Account concerning valuation issues of land for the Social Housing Development Programme have been taken forward with the Northern Ireland Housing Executive. A final solution has yet to be agreed. A further recommendation to customise procurement procedures with Housing Associations has resulted in 16 Associations signing up to a Client's Charter. The Department is currently working with a number of partners to develop a new procurement strategy for the Social Housing Development Programme.

During 2005-06 a revised Management Statement and Financial Memorandum was drawn up for the Northern Ireland Housing Executive, based on DAO(DFP)23/04, in order to provide clear guidance on all the main areas of finance, accountability and control. Final implementation of the work arising from this revision will be carried forward in 2006-07.

The Department's Internal Audit Annual Report for 2005-06 concluded that a rating of substantial assurance is appropriate for the Resources, Housing and Social Security Group.

The payment of Housing Benefit is administered by the Northern Ireland Housing Executive. The Department introduced a target to reduce fraud and error in Housing Benefit by 25% by 2006, from a baseline figure established in 2002. The Housing Executive amended its counter-fraud strategy to ensure that the areas of Housing Benefit most vulnerable to fraud and error were addressed. As a result, the targeted performance level for March 2006 was met a year early and a new target was agreed in October 2005 to achieve a further 10% reduction by April 2008. During the course of 2005-06 the Department initiated a formal Performance Standards Inspection of Housing Benefit administered by the Northern Ireland Housing Executive with a view to benchmarking performance against good practice and identifying areas for improvement. An action plan to implement the review's findings and recommendations will be developed and implemented during 2006-07.

Urban Regeneration and Community Development Group (URCDG)

As a consequence of the audit weaknesses identified in the 2004-05 C&AG's report and internal audit reviews, URCDG gave an undertaking to both share best practice and to put in place a number of actions to further address the reported audit weaknesses. During the course of 2005-06 URCDG has continued to do this and implement the recommendations made by the Comptroller and Auditor General in both his report and those made in the 2004-05 management letter.

The main control issues that arose in 2004-05 related to inadequate Contracts for Funding and checking compliance with the terms and conditions. In one specific case, Fernhill, NIAO reported concerns regarding the appraisal and approval process and the need to document URCDG policies and procedures for potential fast-track funding where time is of the essence.

The actions which have been carried out during 2005-06 are detailed below:

- (1) the embedding of common procedures across URCDG to ensure sound control over grant administration and consistency throughout URCDG. In particular the introduction of a new Contract for Funding template with guidance to staff has improved this part of the award process. Process maps also form part of the guidance;
- (2) the introduction of a system of uniform management checks throughout URCDG in June 2005. This involves checks over key areas of grant administration, the findings of which are reported monthly to the Group Management Board (GMB). Internal Audit previously reported that although new procedures were in place, non-compliance was an issue. These checks detect non-compliance issues at an early stage and enable management to put in place necessary corrective action;
- (3) the centralisation of the Quality Assurance and Improvement Unit (QAIU) tasked with providing independent assurance to GMB monthly on the quality of grant administration. The findings from QAIU are discussed with Business Units and reported to GMB. Agreed remedial action is taken as necessary including any performance issues;
- (4) a dedicated expert on Economic Appraisals to train staff, draft procedures, liaise with Economists/DFP and promote best practice on all appraisal issues;
- (5) the commencement of a pilot project with a key aim to implement a risk based approach to payments throughout URCDG;

-
- (6) the development and delivery of tailored workshops for staff which addressed a number of issues including key audit findings in 2004-05 and action taken to address identified control weaknesses around areas such as insufficient evidence, audited accounts, payments, monitoring and evaluation etc;
 - (7) the drafting of procedures to cover when dealing with projects which require immediate action and therefore require an accelerated assessment and appraisal process. These procedures are to be used in exceptional circumstances only and authorisation must be sought from the Director; and
 - (8) ongoing work by EU Unit and other Business Areas on the issues identified through Internal Audit reviews, Article 4 and Article 10 checks on EU Programmes.

The Group has also made progress in the implementation of a number of generic audit recommendations as detailed in the Internal Audit Annual Report and has maintained a high standard of Governance and Risk Management.

Improvements have been reported by the Internal Audit Service across a number of URCDG programmes and procedures during 2005-06. The Head of Internal Audit has acknowledged that the introduction of the initiatives above has greatly increased the profile of the quality improvement measures being taken by the Group. Internal Audit have advised that the improvements, while reflecting a sound system of control, need further time to bed in and be fully effective. Internal Audit are currently reviewing the new practices. While the Head of Internal Audit acknowledged the continued improvements throughout URCDG he was unable to reassess the audit rating from that previous as key audit testing work had not been completed and therefore the assurance rating for 2005-06 is 'Limited'.

Further actions planned for 2006-07 by the Group are:

- (1) establishment of a Finance Sub Committee consisting of members of GMB;
- (2) continuing customised training for development staff;
- (3) the development of an evaluation framework and any necessary training;
- (4) continuing to improve monitoring activities throughout the group; and
- (5) review and evaluation of the URCDG Grant Administration Procedures.

The Group Management Board acknowledges the progress that has been made during the year in putting in place a Management Control System but acknowledges the system weaknesses that still need to be addressed and has

welcomed the assistance of the audit bodies in addressing the Group's problems. Senior Management recognise that non compliance is also a performance management issue and this is addressed through analysis of the findings from management checks and effective operation of the performance management system.

Social Security Agency (SSA)

Arising from his audit of the 2004-05 Agency accounts the Comptroller and Auditor General (C&AG) reported on two major qualification issues.

The first of these concerned significant levels of estimated fraud and error in certain social security benefits.

During 2005-06 the Agency has continued its regular monitoring and measurement on the levels of fraud and error.

Essentially this involves the measurement of financial accuracy and the official error in the administration of each benefit and, complementary to this benefit reviews which estimate the level of customer fraud and customer error.

During 2005-06 the Agency undertook a review of its approach to measurement and on completion has agreed a new methodology which, in future, should enable the Agency to produce more accurate and transparent estimates of total fraud and error in the benefit system in Northern Ireland. The new 'common sample' approach will be applied to all future measurement exercises from 2006-07 onwards. This should remove the previous problem surrounding the duplication of the calculation of official error commented on in the past by the NIAO.

For 2005-06 very challenging new financial accuracy targets were set for the six main benefits. Income Support, Jobseeker's Allowance, Retirement Pension and Incapacity Benefit were set at 99% and others at 96%. Four Benefits met their new targets. Disability Living Allowance and Income Support while not meeting target, maintained last year's performance.

The most recently published benefit fraud and error figures for the period January 2005- December 2005 are roughly on a par with 2004-05 and 2003-04 in percentage terms.

Comparative estimates for previous years have now been updated and are now based largely on the most recent Benefit Reviews. Benefit Reviews have been published for the calendar year January to December 2005 and also for 2004-05. Previous years' estimates used financial accuracy figures in lieu of full benefit review figures.

Jobseeker's Allowance does show a reduction from 9.2% error in 2003-04 to 4.4% in the period January to December 2005.

In other benefits while fraud and error levels in percentage terms have remained the same the corresponding monetary amounts have increased slightly mainly due to increased benefit expenditure. Pension Credit figures from full benefit review are also now included in the total for the first time. Expenditure on Pension Credit has risen from £114 million in 2003-04 to £285 million in the 2005 calendar year.

For 2005-06 reducing fraud and error was one of the Agency's key priority areas. In addition to improvement plans all benefit branches have Programme Protection plans in place to improve accuracy and identify areas for action to reduce levels of fraud and customer error. Activity levels and success have improved in detecting and removing error. From 01 April 2005 to 31 March 2006, almost 209,000 checks/interventions have been performed compared to the previous year figure of 141,000 checks/interventions.

The second qualification issue on the 2004-05 accounts related to uncertainties surrounding the benefit overpayment debtors balance as reported in the Agency's balance sheet. Significant action has been taken by the Agency throughout 2005-06 in order to address this qualification area. Work has continued under the Debt Transformation Programme. Furthermore extensive testing has been completed on the information held on the current overpayment recovery system in order to validate the amount of overpayment debt. In addition a year-end exercise has been performed to estimate the level of potential debt throughout the Agency. This work to validate the debtor balance has led to the qualification being removed in this year's accounts.

The SSA Internal Audit Annual Assurance report for 2005-06 stated that limited assurance remained appropriate for Programme Expenditure.

The main areas of concern continue to be those areas which Internal Audit have reported on in previous years, namely inherent weaknesses within the computer systems, non-compliance with laid down procedures and incomplete management checks.

With regard to the OPSTRAT difficulties, the Agency remains dependent on the progress made by the Department for Work and Pensions (DWP) to remove OPSTRAT/ system weaknesses.

With regard to non-compliance with laid down procedures and the incompleteness of management/supervisory checks the Agency has ensured throughout 2005-06 that local managers address the relevant concerns within their control and take appropriate action as required. The Social Security Agency Accounting Officer

issued a direction in May 2005 that all operational business units should aim to achieve substantial assurance ratings in relation to the management and control of internal mandatory checks. To support this, an Operational Assurance Control Framework has been drawn up to ensure a consistent and robust approach.

Consequently this year a dual assurance rating has been introduced within the Agency. This dual assurance rating recognises the effort and action taken by local managers to address the internal compliance issues within their control. Where local management have been effective in this Internal Audit have awarded them with a substantial assurance rating in recognition of their efforts. Limited assurance is still appropriate to the operational/system concerns outside local management's control. The dual assurance rating therefore recognises that certain operational internal control issues are outside the scope of the local managers' remit but that management are working towards resolving those internal problems within their area of control.

Throughout the Agency several operational areas have achieved a dual substantial assurance rating and Internal Audit themselves recognise that the Agency is making real progress in addressing those internal control issues within its remit. Internal Audit have commented that the progress made for 2005-06 represents the best ever Agency performance to date in respect of programme expenditure.

DSD Internal Audit also raised concerns last year in relation to the debt management area within the Agency. These concerns focused on the validation of the measurement system for reporting the Overpayment Recovery Target, and problems concerning the completeness of overpayment information forwarded to the Agency's Debt Management Unit.

It is anticipated that all of the work undertaken by the Agency throughout 2005-06 in the validation the benefit overpayment debtors balance, together with the ongoing development of the Debt Transformation Programme will effectively help to address the concerns raised by Internal Audit.

Child Support Agency (CSA)

The Child Support Agency has made progress in implementing the new Child Support System, however significant system problems still exist. The migration and conversion of old cases has now been deferred. A programme of system fixes and enhancements has been agreed and it is expected that this will improve system reliability.

Sir David Henshaw has produced a report on the redesign of Child Support, which considers the longer term policy and delivery arrangements for Child Support.

Government will be considering the proposals in Sir David Henshaw's report over the summer, including the costs, benefits and delivery arrangements.

Internal Audit did not reveal any significant weaknesses within the Administration expenditure of the Agency.



Accounting Officer

10 October 2006

Department for Social Development

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements of the Department for Social Development for the year ended 31st March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual 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 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 Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department 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 pages 38 to 49 reflects the Department's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department'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 only the Directors' Report, the Management Commentary and the unaudited part of the Remuneration Report. 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 Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

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

However, I did not have reasonable assurance, or the evidence available to me was limited in the following areas:

- the estimated losses of £151 million in benefits through fraud and error; and

-
- weaknesses in financial control and monitoring of expenditure in respect of urban regeneration and community development grants to the voluntary and community sector.

In consequence, I was unable to carry out auditing procedures necessary to obtain adequate assurance on the amounts and disclosures included in the financial statements in respect of these issues.

Opinion: qualified opinion on the view given by financial statements and qualified opinion on the regularity of income and expenditure

Except for the estimated losses due to errors in payment of benefits and fraudulent claims made in receipt of those benefits, 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 there under by the Department of Finance and Personnel, of the state of the Department's affairs as at 31st March 2006 and of the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001;

Except for the expenditure relating to erroneous benefit awards and arising from fraudulent claims and the weaknesses in financial control and monitoring of expenditure in respect of urban regeneration and community development grants, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Details of these matters can be found in my report on these financial statements.



J M Dowdall CB
Comptroller and Auditor General
16 October 2006

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

Statement of Parliamentary Supply

Summary of Resource Outturn 2005-06

	2005-06						2004-05	
	Estimate			Outturn			Net total outturn compared with Estimate saving/ (excess)	Outturn Net Total
	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Request for Resources A (Notes 2 and 19)								
Providing a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save:	2,692,848	(99,388)	2,593,460	2,551,468	(88,766)	2,462,702	130,758	2,437,696
Request for Resources B (Notes 2 and 19)								
Promoting measurable improvements to housing in Northern Ireland:	666,825	(222,773)	444,052	655,067	(222,773)	432,294	11,758	372,999
Request for Resources C (Notes 2 and 19)								
Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage:	99,287	(2,327)	96,960	71,157	(2,327)	68,830	28,130	75,193
Total resources	3,458,960	(324,488)	3,134,472	3,277,692	(313,866)	2,963,826	170,646	2,885,888
Non-operating AR			(6,856)			(6,830)	(26)	(31,656)

Statement of Parliamentary Supply (continued)

Net cash requirement

	Note	2005-06			2004-05
		Estimate	Outturn	Net total outturn compared with Estimate saving/(excess)	Outturn
		£'000	£'000	£'000	£'000
Net cash requirement	10	3,108,956	2,902,799	206,157	2,858,263

Summary of income payable to the Consolidated Fund

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

	Note	2005-06 Forecast		2005-06 Outturn	
		Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Total	11	13,743	<i>10,768</i>	34,654	<i>20,667</i>

Explanations of variances between Estimate and Outturn are given in Note 2 and in the Management Commentary in the Annual Report.

The notes on pages 60 to 130 form part of these accounts.

Operating Cost Statement for the year ended 31 March 2006

	Note	2005-06			2004-05		
		Staff Costs £'000	Other Costs £'000	Income £'000	Staff Costs £'000	Other Costs £'000	Income £'000
Administration costs:							
Staff costs	15	143,026			142,072		
Other administration costs	16		121,880			126,825	
Operating Income	19			(46,652)			(40,273)
Programme Costs:							
Request for Resources A							
Staff costs	15	687			442		
Programme Costs	17		2,283,732			2,251,459	
Income	19			(3,141)			(4,844)
Request for Resources B							
Staff costs	15	-			-		
Programme Costs	17		652,601			614,627	
Income	19			(231,042)			(247,769)
Request for Resources C							
Staff costs	15	343			308		
Programme Costs	17		84,896			68,374	
Income	19			(22,499)			(17,682)
National Insurance Benefits and Non-Voted Expenditure							
Programme Costs	17		1,571,048			1,509,338	
Income	19			(9)			(8)
Totals		144,056	4,714,157	(303,343)	142,822	4,570,623	(310,576)
Net operating cost	9 & 20			4,554,870			4,402,869

The notes on pages 60 to 130 form part of the accounts.

Operating Cost Statement for the year ended 31 March 2006 (continued)

**Statement of recognised gains and losses for the year ended
31 March 2006**

	2005-06 £'000	2004-05 £'000
Net gain on revaluation of tangible fixed assets	34,218	9,229
Recognised gains and losses for the financial year	34,218	9,229

The notes on pages 60 to 130 form part of these accounts.

Balance Sheet as at 31 March 2006

	Note	31 March 2006 £'000	31 March 2006 £'000	31 March 2005 £'000	31 March 2005 £'000
Fixed assets:					
Tangible assets	21	193,205		160,652	
Investments	22	20,408		21,591	
			213,613		182,243
Debtors falling due after more than one year	23		1,172,250		1,250,157
Current assets:					
Assets held for resale	21b	500			
Debtors	23	251,353		276,756	
Cash with paying agents	24	-		22,507	
Cash in hand	24	4,477		65	
		256,330		299,328	
Creditors (amounts falling due within one year)	25	(302,638)		(310,363)	
Net current (liabilities)			(46,308)		(11,035)
Total assets less current liabilities			1,339,555		1,421,365
Creditors (amounts falling due after more than one year)	25	(1,071,393)		(1,168,017)	
Provisions for liabilities and charges	26	(14,954)		(7,274)	
			(1,086,347)		(1,175,291)
Net Assets			253,208		246,074
Taxpayer's Equity:					
General fund	27	145,835		173,013	
Revaluation reserve	27	107,373		73,061	
			253,208		246,074

The notes on pages 60 to 130 form part of the accounts.



Accounting Officer
10 October 2006

Consolidated Cash Flow Statement for the year ended 31 March 2006

	Note	2005-06 £'000	2004-05 £'000
Net cash (outflow) from operating activities	28.1	(4,489,430)	(4,416,944)
Capital expenditure and financial investment	28.3	3,091	12,814
Payments of amounts due to the Consolidated Fund		(10,962)	(25,699)
Financing from the Consolidated Fund	28.4	2,866,843	2,930,510
Net financing from the National Insurance Fund	28.4	1,646,559	1,483,849
Agencies' Net Cash Inflow	27	-	17,063
Increase in cash in the period	28.5	16,101	1,593

The notes on pages 60 to 130 form part of these accounts.

Consolidated Statement of Operating Costs by Departmental Aim and Objectives for the year ended 31 March 2006

	2005-06 £'000			2004-05 £'000		
	Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000
Objective 1						
Providing a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save:	4,105,993	(49,461)	4,056,532	4,016,623	(44,619)	3,972,004
Objective 2						
Promoting measurable improvements to housing in Northern Ireland:	655,067	(231,042)	424,025	617,040	(247,769)	369,271
Objective 3						
Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage:	97,153	(22,840)	74,313	79,782	(18,188)	61,594
Net operating costs	4,858,213	(303,343)	4,554,870	4,713,445	(310,576)	4,402,869

The notes on pages 60 to 130 form part of these accounts.

Notes to the Financial Statements for the year ended 31 March 2006

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2005-06 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice (UK GAAP) for companies to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The consolidated Statement of Operating Costs by Departmental Aim and Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

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

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets, where material, at their value to the business by reference to their current costs.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (NI) Orders 1986 and 1990, accounting standards issued or adopted by the Accounting Standards Board, UK GAAP and accounting and disclosure requirements issued by DFP as far as those requirements are appropriate.

1.2 Basis of consolidation

These accounts comprise a consolidation of the core Department, its on-vote Executive Agencies, and a number of its non-executive non-Departmental public bodies as shown in italics in Note 42. Transactions between entities included in the consolidation are eliminated.

The Executive Agencies of the Department are the Child Support Agency (CSA) and the Social Security Agency (SSA).

The Social Fund is consolidated within the Primary Statements. Although elements of the National Insurance Fund (NIF) are included in the Operating Costs Statement, Balance Sheet, Consolidated Cash Flow Statement and Consolidated Statement of Operating Costs by Departmental Aim and Objectives, they are excluded from the Summary of Resource Outturn, Statement of Parliamentary Supply.

The NIF, which is now the responsibility of HM Revenue and Customs, is excluded from the consolidation. These are contributory benefits, all administration costs and their related assets and liabilities.

A full list of bodies and funds consolidated within the accounts is given in Note 42, together with a list of excluded bodies.

This consolidation boundary ensures that all items which fall within DSD expenditure are reflected in the operating cost statement whereas the summary of resource outturn reflects only those items which fall within the supply process.

Each Executive Agency produces its own Annual Report and Accounts. Separate White Paper Accounts are produced for the Social Fund and the NIF.

1.3 Tangible fixed assets

Fixed assets comprise the land and buildings, computers and equipment held by the Department or DFP.

Freehold land and buildings have been restated at current cost using professional valuations by the Valuation and Land Agency (VLA) every five years and appropriate indices in intervening years. The valuations were carried out by members of the Royal Institute of Chartered Surveyors (RICS) in accordance with procedures laid out in the RICS Appraisal and Valuation Manual. The next valuation will be carried out before the 1 April

2008 and revaluations will be at five yearly intervals thereafter. Other tangible assets have been stated at current cost using appropriate indices at 31 March 2006. All assets in the same class have been revalued.

The new towns development land in Craigavon, Ballymena and Antrim have been on the books of the Department (and before it, the Department of the Environment) for in excess of 30 years and, although not the original intention, are currently held for rental under a piecemeal programme of disposal, economic conditions permitting (so as not to adversely affect the property markets in those areas).

The capitalisation thresholds are £1,000 for office machinery and fixtures and fittings, and £5,000 for property improvements, cabling, software and licences. All personal computer equipment is also capitalised irrespective of cost.

Title

Title to the freehold land and buildings shown in the accounts is held as follows:

- (i) Property on the Departmental estate, title to which is held by DSD; and
- (ii) Property held by DFP, which is in the name of the Secretary of State for Northern Ireland.

1.4 Depreciation

No depreciation is provided on freehold land since they have unlimited or very long estimated useful lives.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of freehold buildings and other tangible fixed assets on a straight-line basis over their estimated useful lives, or lease period if shorter.

Asset lives are normally in the following ranges:

Asset type	Asset life			
	DSD Core	Housing & Urban Regeneration	CSA	SSA
Freehold buildings	25 – 60 years	100 years	10 - 25 years	5 - 60 years
Leasehold property	Lease period remaining	100 years	Lease period remaining	25 - 60 years
Computer equipment	3 – 10 years	3 - 5 years	3 - 5 years	3 - 10 years
Other equipment	3 – 15 years	3 - 10 years	5 - 10 years	3 - 10 years

The majority of furniture and fittings are rented from DFP and have not been capitalised. Instead this forms part of the notional accommodation costs included in the Operating Cost Statement.

The CSA does not own any land or buildings, however fitting out of the Great Northern Tower and Royston House has been capitalised, as leasehold improvements, over the period of the lease – 25 years and 10 years respectively.

Most of the buildings used by the core Department and its agencies are part of the Government Estate. As rents are not paid for these properties, notional accommodation costs are based on a capital charge for the properties. These costs have been charged to the Operating Cost Statement.

1.5 Intangible fixed assets

Software licences, i.e. the right to use software developed by third parties are treated as intangible assets and the capitalisation threshold is £5,000. They are depreciated over the life of the licences. Software developed either inhouse or by third parties is capitalised as a tangible asset.

1.6 Development Assets

Development Assets comprise land and property which is acquired for redevelopment and which will not be held on a long term basis. These are included in the financial statements at the lower of net current replacement cost (or the historic cost, if this is not materially different) and net realisable value. Net realisable value is estimated as Open Market Value which is determined in accordance with the Appraisal and Valuation

Manual of the Royal Institution of Chartered Surveyors (RICS) by the Valuation and Lands Agency.

1.7 Investments

Fixed asset investments consist of loan stock. The loan stock is valued at cost, which is considered to be a close approximation of the market value.

1.8 Vesting of land

In certain instances, the Department will vest property with the intention of facilitating Urban Regeneration. In such circumstances the Department assumes ownership at the date of which the vesting order becomes operative and the property is capitalised at its VLA valuation.

The estimated compensation payments payable to the owner of the vested property are provided for in the period in which the vesting order becomes operative.

1.9 Stocks

Within the core Department and its on-vote Executive Agencies, stocks consist only of consumable items and are therefore expensed in the year of purchase.

1.10 Operating income

Operating income is income, which relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided to external customers and public sector repayment work, but also includes other income such as that from investments. It includes both income appropriated-in-aid of the Estimate and income to the Consolidated Fund, which in accordance with the FReM is treated as operating income. It excludes Accruing Resources and Consolidated Fund extra receipts treated as capital. Receipts under EU Peace and Reconciliation Programme or other EU initiatives are also treated as operating income.

1.11 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme costs.

Administration costs reflect the costs of running the Department, its on-vote Executive Agencies and its non-executive non-Departmental public bodies. These include both those administrative costs and associated operating income. Income is analysed in the notes between that which, under the administrative cost control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not.

Programme costs reflect non-administration costs including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery. The Department's main areas of programme expenditure are Social Security, Housing, Urban Regeneration and Community Development and grants to the Voluntary Sector.

Social Security programme expenditure comprises statutory payments including contributory benefit expenditure, which is funded from the NIF and expenditure which is borne by the Social Fund in addition to the programme expenditure, which is within the supply process.

1.12 Social security programme expenditure

In 2005-06 Social Security benefits were paid by cheques, payable orders and bankers automated credit transfer. Direct Payment is the Social Security's main method of payment for all benefits with more than 95% of customers being paid directly into a bank, building society or Post Office card account.

1.13 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs.

The charge is calculated at the Government's standard rate of 3.5% in real terms on the average carrying amount of all assets less liabilities, except for:

-
- donated assets and assets financed by grants other than from the EU where the charge is nil; and
 - liabilities for amounts to be surrendered to the Consolidated Fund where the credit is at a nil rate.

1.14 Pensions

Present and past employees of the core Department and its Agencies are covered by the Principal Civil Service Pension Scheme [PCSPS(NI)] which are described in Note 15. The defined benefit schemes are unfunded and are non-contributory except in respect of dependents benefits. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS(NI). The Department and its Agencies meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS(NI) as a whole.

For the year 2005-06, contributions of £18.817 million (2004-05 £13.970 million) were paid to the PCSPS(NI) at rates determined by the Government Actuary and advised by the Department of Finance and Personnel. These rates were in the range 16.5% - 23.5% of pensionable pay (2004-05 12% - 18%).

1.15 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Department it is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.16 Grants payable

Grants payable are recorded as expenditure in the period in which the underlying event or activity giving entitlement to the grant occurs, in so far as is practicable to do so. Grants in aid, deficit grants and payments to other public bodies who operate grant schemes are expensed in the period

in which the payments are made. Grant expenditure incurred and claimed by recipients but unpaid by the Department by the year end is accrued, as is grant expenditure incurred by the recipient before the year end but not claimed until after the year end. A provision is also made for grant expenditure incurred by the recipient before the year end but where the Department has been notified of the amount of the claim, but the claim has not yet been submitted. Any future amounts payable under EU Letters of Offer are disclosed as commitments. Overpayments of grants are shown as debtors.

Housing Association Grants are repayable to the Department on the sale of housing properties and land. In addition, most grants provided by Urban Regeneration contain a provision within the Letter of Offer for clawback of the grant in particular circumstances. The amount of the repayment that is known with reasonable certainty has been included within debtors (Note 23).

1.17 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with Technical Note No.1 (Revised), entitled How to Account for PFI Transactions as required by the FReM. Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where at the end of the PFI contract a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

Where the balance of risks and rewards of ownership of the PFI property is borne by the Department, the property is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.18 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability

purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Government Accounting Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.19 Provisions

The Department provides for 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.

1.20 Value Added Tax

VAT is recovered centrally by the Department (from DFP) on a cash basis. The Operating Cost Statement is stated net of VAT. Both trade debtors and trade creditors are stated gross of VAT and the VAT account balance is adjusted accordingly.

1.21 Third party assets

The CSA operates a Client Funds Account to control the receipt of child maintenance and fees from non-resident parents and parents with care. Child maintenance and fees are collected and paid over respectively to persons with care or to the Department (maintenance) and to the Agency (fees). These are not Departmental assets and are not included in the Balance Sheet.

The CSA Client Funds Account shows that £13.2 million was received during 2005-06 (2004-05 £12.9 million) by the Agency from non-resident parents. Of the £13.2 million (2004-05 £12.9 million) subsequently paid out in the year, £9.8 million (74%) (2004-05 £9.1 million (71%)) was paid over to persons with care and £2.9 million (22%) (2004-05 £3.4 million (26%)) was paid to DSD where persons with care were in receipt of income support and £0.2 million (2%) (2004-05 nil) was paid over to the

Great Britain Agency, and £0.3 million (2%) (2004-05 £0.3 million (3%)) was refunded to non-resident parents.

DSD administers a Central Investment Fund for Charities into which NI Charities invest funds and a Charitable Donations and Bequests Fund. These are not Departmental funds and are not consolidated within the Departmental accounts. The value of the Central Investment Fund as at 30th September 2005 was £25.7 million (30th September 2004 - £21.6 million) on which Dividends are paid twice yearly by DSD.

1.22 National Insurance Fund (NIF)

As stated in Note 1.2, the NIF is excluded from the consolidation. However, contributory benefits funded from the NIF and the costs to the Department of administering the National Insurance Fund are included in the Operating Cost Statement. The NIF provides financing to the Department to cover this contributory benefit expenditure and the administration costs incurred by the Department. The financing from the NIF shown in the Cash Flow Statement is the net financing due to the Department. Any difference between the net financing due to the Department and the net financing received from the NIF will be reflected in the current account maintained between the Department and the NIF.

1.23 Early departure costs

The Department is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the PCSPS(NI) Vote. The amount provided is shown net of any such payments.

The Civil Service White Paper, 'Continuity and Change' (Cm 2627) published in July 1994, announced arrangements for funding early departure costs of civil servants departing between 1 October 1994 and 31 March 1997. Under these arrangements 20% of the cost will normally be borne by Agencies and Departments and the remaining 80% which would otherwise fall upon Departments' running costs, will be met centrally from the DFP Superannuation Vote. In Northern Ireland the full costs falling in

1994-95 of departures between 1 October 1994 and 31 March 1995 have been funded by DFP Superannuation Vote. Recovery of 20% of the costs falling after 1 April 1995 of departures between 1 October 1994 and 31 March 1995, and the 20% of both the lump sum and ongoing costs of staff departing between 1 April 1995 and 31 March 1997, will be made from Departments.

Government policy is to include the full cost of a Department's activities in its accounts even where, as in this case, some of the costs are borne elsewhere in Government. Normal accounting practice is to provide for the full cost of early departure of employees in the year in which the early departure decision is made. However, for departure costs covered by the 80:20 arrangements, such treatment would not reflect the fact that 80% of the cost will be borne by DFP Superannuation Vote rather than the Department. Consequently DFP has issued a direction that whereas the 20% element borne by the Department should be charged to the Operating Cost Statement and charged to a Provision on the Balance Sheet, the annual payments from Superannuation Vote in respect of the 80% element should be reflected as notional costs in the Department's Operating Cost Statement when actually paid.

For early departures occurring after 31 March 1997 the Department has to fund 100% of the costs.

1.24 EU income

All receipts from the EU are separately identified and shown as income in the Operating Cost Statement. A distinction is made between receipts earned by the Department on infrastructure development which are paid over to the consolidated fund and receipts in support of Departmental grant schemes which are netted off the cost of the schemes. All EU income is treated by the Department as non-public expenditure and thereby reduces the burden on the UK exchequer.

1.25 Funding from parliamentary vote

Vote funding is not treated as income on the face of the Operating Cost Statement, instead cash voted and drawn down is credited to the general fund.

1.26 Provision of agency services

The Department provides agency services to the Department of Work and Pensions (DWP) in administering the Belfast Child Support Agency Centre, the Belfast Benefit Centre, and the Paid Order Unit. The direct cash costs incurred in operating the Belfast Child Support Agency Centre and the Belfast Benefit Centre are recovered in full from DWP. Of the direct cash costs incurred by the Paid Order Unit 96% is recovered from DWP with the remaining 4% being the Department's share of running costs.

The expenditure in relation to these services is reported as administration costs in the Operating Cost Statement with the related Accruing Resources treated as operating income.

1.27 Derivatives and Other Financial Instruments

The Department uses financial instruments to manage the financial risks associated with the Department's underlying business activities. The Department has reported these in accordance with Financial Reporting Standard (FRS) 13, Derivatives and Other Financial Instruments: Disclosures. The Department does not undertake any trading activities in financial instruments.

1.28 Presentation of Consolidated Accounts

Within the Department the Core Accounts are not material in comparison to the results of the Consolidated Departmental Resource Account. Therefore, the Department has not disclosed the transactions and flows for the financial year and the balances at the year-end between the Core Department and the Consolidated Group.

2 Analysis of net resource outturn by section

	Outturn						Estimate	
	Admin	Other	Grants	Gross	Accruing	Net	Net	Net total
	£'000	current	£'000	resource	Resources	Total	Total	outturn
			Expenditure	£'000	£'000	£'000	£'000	compared
								with
								Estimate
								£'000
2005-06								
Request for Resources A (RfR A)								
Providing a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save:								
Departmental Expenditure in DEL								
Social Security Administration	168,852	11,453	1	180,306	(30,624)	149,682	154,667	4,985
Belfast Benefit Centre	14,580	-	-	14,580	(13,867)	713	785	72
Paid Order Unit	688	-	-	688	(610)	78	138	60
Belfast Child Support Agency Centre	28,186	-	-	28,186	(28,186)	-	-	-
Child Support Agency for Northern Ireland	15,490	2	-	15,492	(9)	15,483	16,941	1,458
Financial Assistance Scheme (Payments)	-	-	-	-	-	-	20	20
Annually Managed Expenditure (AME)								
Non-contributory and means tested benefits:								
- Pension benefits	-	-	27,743	27,743	-	27,743	34,731	6,988
- Disability benefits	-	-	892,746	892,746	-	892,746	918,303	25,557
- Industrial injuries benefits	-	-	25,869	25,869	-	25,869	26,000	131
- Pension credit	-	-	288,518	288,518	(1)	288,517	296,000	7,483
Income support – non-Pensioners and Jobseeker's allowance:								
- Income support – non-pensioners	-	-	462,787	462,787	(3,088)	459,699	508,750	49,051
- Jobseeker's allowance (income based)	-	-	65,774	65,774	(48)	65,726	75,000	9,274
- Jobseeker's allowance (contribution based)	-	-	12,332	12,332	(12,332)	-	-	-

2 Analysis of net resource outturn by section (continued)

	Outturn						Estimate	
	Admin	Other	Grants	Gross	Accruing	Net	Net	Net total outturn compared with Estimate
	£'000	£'000	£'000	resource Expenditure £'000	Resources £'000	Total £'000	Total £'000	
2005-06								
Job grant	-	-	878	878	-	878	850	(28)
Grants to voluntary bodies – social security	-	-	8,141	8,141	-	8,141	9,850	1,709
Housing benefit (rent)	-	-	332,901	332,901	-	332,901	357,467	24,566
Discretionary housing payments	-	-	1,049	1,049	-	1,049	1,142	93
Compensation payments to providers of existing support accommodation	-	-	-	-	-	-	1	1
Financial Assistance Scheme (Provisions)	-	9,000	-	9,000	-	9,000	9,000	-
Non-Budget								
Housing benefit (rates)	-	-	47,288	47,288	-	47,288	45,400	(1,888)
Payments into the Social Fund (Regulated)	-	-	8,104	8,104	-	8,104	8,104	-
Payments into the Social Fund in respect of Winter Fuel Payments	-	-	50,750	50,750	-	50,750	50,750	-
Payments into the Social Fund (Discretionary)	-	-	16,490	16,490	-	16,490	16,490	-
Payments into the Northern Ireland National Insurance Fund	-	-	39,116	39,116	(1)	39,115	39,112	(3)
Notional Charges	22,730	-	-	22,730	-	22,730	23,959	1,229
Total	250,526	20,455	2,280,487	2,551,468	(88,766)	2,462,702	2,593,460	130,758

2 Analysis of net resource outturn by section (continued)

	Outturn						Estimate	
	Admin	Other	Grants	Gross	Accruing	Net	Net	Net total outturn compared with Estimate
	£'000	current £'000	£'000	resource Expenditure £'000	Resources £'000	Total £'000	Total £'000	
2005-06								
Request for Resources B (RfR B)								
Promoting measurable improvements to housing in Northern Ireland:								
Departmental Expenditure in DEL								
Assistance to the voluntary housing movement	-	-	136,679	136,679	(3,842)	132,837	140,442	7,605
Housing - other expenditure	2,074	864	738	3,676	-	3,676	3,766	90
Housing grants to the Northern Ireland Housing Executive	-	224,628	129,120	353,748	(104,165)	249,583	253,379	3,796
Renovation grants and group repair of dwellings	-	-	45,607	45,607	-	45,607	45,538	(69)
Interest Payments on Housing Loans	-	114,766	-	114,766	(114,766)	-	-	-
Executive Programme Funds	-	-	-	-	-	-	-	-
E-Government Fund	-	102	49	151	-	151	268	117
Non-Budget								
Other Expenditure	-	-	48	48	-	48	49	1
Notional Charges	392	-	-	392	-	392	610	218
Total	2,466	340,360	312,241	655,067	(222,773)	432,294	444,052	11,758

2 Analysis of net resource outturn by section (continued)

	Outturn					Estimate		Net total outturn compared with Estimate £'000
	Admin £'000	Other current £'000	Grants £'000	Gross resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	
2005-06								
Request for Resources C (RfR C)								
Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage:								
Department Expenditure in DEL								
Urban Regeneration	8,791	5,524	8,973	23,288	(2,327)	20,961	42,520	21,559
Community and Voluntary Sector Funding	1,311	-	15,363	16,674	-	16,674	16,836	162
EU Programme for Peace and Reconciliation	-	-	8,460	8,460	-	8,460	9,547	1,087
ERDF Grants to district councils, community groups and the private sector	-	-	2,185	2,185	-	2,185	2,394	209
Executive Programme Funds	34	-	2,194	2,228	-	2,228	4,268	2,040
Community Initiatives	-	-	2,374	2,374	-	2,374	3,266	892
Integrated Development Fund	-	-	-	-	-	-	434	434
Annually Managed Expenditure (AME)								
Urban Regeneration/Community Development Non-cash items	52	6,026	240	6,318	-	6,318	5,135	(1,183)
Non-Budget								
Grants to Laganside	-	-	5,400	5,400	-	5,400	7,509	2,109
Grants to ILEX	-	-	675	675	-	675	1,000	325
EU Debtors Capital Charges	-	579	-	579	-	579	1,128	549
Cost of Laganside Development Assets	-	-	1,250	1,250	-	1,250	837	(413)
Notional Charges	1,726	-	-	1,726	-	1,726	2,086	360
Total	11,914	12,129	47,114	71,157	(2,327)	68,830	96,960	28,130
Resource Outturn	264,906	372,944	2,639,842	3,277,692	(313,866)	2,963,826	3,134,472	170,646

2 Analysis of net resource outturn by section (continued)

This Note shows the NIF administration costs for Northern Ireland being incurred in the 'Admin' column and offset by the income in the 'AR' column.

Explanation of the variation between Estimate and outturn for Request for Resources A (RfR A)

- Non-contributory Pension Benefits were 20.1% (£6.988 million) lower than the estimate mainly due to an over-estimation of requirements for age related payments.
- Payments of Jobseeker's allowance (income based) were 12.4% (£9.274 million) lower than expected due to reductions in caseloads and continuing difficulties in estimated requirements arising from the removal of the child elements for new claims following introduction of Child Tax Credit.
- The estimate for the expenditure in relation to "grants to voluntary bodies – social security" was 17.4% (£1.709 million) lower than the estimate due to reduction in the level of growth of awards.

Explanation of the variation between Estimate and outturn for Request for Resources C (RfR C)

- Urban Regeneration was 50.7% (£21.559 million) lower than the estimate due to project slippage into the next financial year, the failure of projects to materialise and non uptake on Urban Regeneration Grants, Neighbourhood Renewal and Public Realm. In addition, the CRISP scheme was coming to an end and uptake was much slower than anticipated and disposals of part of the Department's land portfolio realised much greater profits than anticipated (£7.321 million).
- EU Programme for Peace and Reconciliation was 11.4% (£1.087 million) lower than the estimate due to delays in uptake of grant aid by applicants who had anticipated incurring expenditure in this financial year. Some schemes did not proceed, others will proceed in the next financial year and some schemes, put forward for funding, did not meet eligibility criteria and were withdrawn.
- Executive Programme Funds were 47.8% (£2.040 million) lower than the estimate due to delays in completion of the Omagh Riverside Project which is now expected to complete in the current financial year. Some other schemes, to be funded under Short Term Funding, postponed from 2004-05, and expected to complete in 2005-06, were withdrawn or curtailed.

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- Community Initiatives were 27.3% (£0.892 million) lower than the estimate due to schemes not proceeding or being postponed until the next financial year or being withdrawn on the grounds of eligibility criteria.
 - Non-cash items were 23% (£1.183 million) higher than the estimate due to unexpected increases in the value of in land sales debtors due to higher than expected proceeds of disposal of land and buildings owned by the Department.
 - Grants to Laganside were 28.1% (£2.109 million) lower than the estimate because of capital project slippage into 2006-07.
 - EU Debtors Capital Charges were 48.7% (£0.549 million) lower than the estimate because of an unanticipated large EU Debtor write-off.

2 Analysis of net resource outturn by section (continued)

	Outturn					Estimate		
	Admin £'000	Other current £'000	Grants £'000	Gross resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000
2004-05								
Request for Resources A (RfR A)								
Providing a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save:								
Departmental Expenditure in DEL								
Social Security Administration	180,152	11,016	8	191,176	(30,830)	160,346	167,239	6,893
Belfast Benefit Centre	12,911	-	-	12,911	(12,306)	605	705	100
Paid Order Unit	2,729	-	-	2,729	(2,470)	259	390	131
Belfast Child Support Agency Centre	24,234	-	-	24,234	(24,234)	-	-	-
Child Support Agency for Northern Ireland	14,352	2	-	14,354	(8)	14,346	16,263	1,917
Annually Managed Expenditure (AME)								
Non-contributory and means tested benefits:								
- Pension benefits	-	-	15,646	15,646	-	15,646	15,668	22
- Disability benefits	-	-	861,532	861,532	-	861,532	884,811	23,279
- Industrial injuries benefits	-	-	25,103	25,103	-	25,103	26,200	1,097
- Income support for the elderly/Pension Credit	-	-	283,121	283,121	-	283,121	280,000	(3,121)
Income support - non-pensioners and Jobseeker's allowance:								
- Income support - non-pensioners	-	-	489,101	489,101	(3,556)	485,545	523,552	38,007
- Jobseeker's allowance (income based)	-	-	72,331	72,331	(50)	72,281	92,500	20,219
- Jobseeker's allowance (contribution based)	-	-	12,360	12,360	(12,360)	-	-	-

2 Analysis of net resource outturn by section (continued)

	Outturn					Estimate		Net total outturn compared with Estimate £'000
	Admin £'000	Other current £'000	Grants £'000	Gross resource expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	
2004-05								
Job grant	-	-	443	443	-	443	300	(143)
Grants to voluntary bodies – social security	-	-	7,984	7,984	-	7,984	8,700	716
Housing benefit (rent)	-	-	335,201	335,201	-	335,201	335,602	401
Discretionary housing payments	-	-	1,029	1,029	-	1,029	1,142	113
Compensation payments to providers of existing support accommodation	-	-	-	-	-	-	1	1
Non-Budget								
Housing benefit (rates)	-	-	41,986	41,986	-	41,986	41,600	(386)
Payments into the Social Fund (Regulated)	-	-	9,293	9,293	-	9,293	9,293	-
Payments into the Social Fund in respect of Winter Fuel Payments	-	-	48,676	48,676	-	48,676	48,676	-
Payments into the Social Fund (Discretionary)	-	-	15,809	15,809	-	15,809	15,809	-
Payments into the Northern Ireland National Insurance Fund	-	-	37,485	37,485	-	37,485	37,467	(18)
Notional Charges	21,006	-	-	21,006	-	21,006	19,104	(1,902)
Total	255,384	11,018	2,257,108	2,523,510	(85,814)	2,437,696	2,525,022	87,326

2 Analysis of net resource outturn by section (continued)

	Outturn					Estimate		
	Admin £'000	Other current £'000	Grants £'000	Gross resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000
2004-05								
Request for Resources B (RfR B)								
Promoting measurable improvements to housing in Northern Ireland:								
Departmental Expenditure in DEL								
Assistance to the voluntary housing movement	-	-	102,443	102,443	(9,554)	92,889	104,420	11,531
Housing - other expenditure	2,034	850	675	3,559	-	3,559	3,694	135
Housing grant to the NI Housing Executive	-	162,618	141,479	304,097	(110,550)	193,547	195,348	1,801
Renovation grants and group repair of dwellings	-	-	45,580	45,580	-	45,580	45,580	-
Interest Payments on Housing Loans	-	123,937	-	123,937	(123,937)	-	-	-
Executive Programme Funds	-	-	48	48	-	48	152	104
Annually Managed Expenditure (AME)								
Supporting people (Transitional Housing Benefit funding element)	-	-	36,910	36,910	-	36,910	36,910	-
Non Budget								
Other Expenditure	-	-	87	87	-	87	90	3
Notional Charges	379	-	-	379	-	379	461	82
Total	2,413	287,405	327,222	617,040	(244,041)	372,999	386,655	13,656

2 Analysis of net resource outturn by section (continued)

	Outturn					Estimate		
	Admin £'000	Other current £'000	Grants £'000	Gross resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000
2004-05								
Request for Resources C (RfR C)								
Tackling disadvantage amongst individuals, communities and neighbourhoods, with particular emphasis on greatest need and encouraging, developing and supporting community development:								
Department Expenditure in DEL								
Urban Regeneration	7,898	1,363	10,783	20,044	(2,630)	17,414	34,313	16,899
Community and Voluntary Sector Funding	1,112	-	14,442	15,554	-	15,554	15,609	55
EU Programme for Peace & Reconciliation	-	-	8,437	8,437	-	8,437	8,454	17
ERDF Grants to district councils, community groups and the private sector	-	-	1,915	1,915	-	1,915	2,125	210
Executive Programme Funds	204	-	2,499	2,703	-	2,703	5,394	2,691
EU Community Initiatives	-	-	2,320	2,320	-	2,320	4,661	2,341
Annually Managed Expenditure (AME)								
Urban Regeneration/ Community Development Non-cash items	83	16,275	83	16,441	-	16,441	16,513	72
Non Budget								
Grants to Laganside	-	-	7,055	7,055	-	7,055	7,146	91
Grants to ILEX	-	-	649	649	-	649	820	171
EU Debtors Capital Charges	-	-	902	902	-	902	1,030	128
Notional Charges	1,803	-	-	1,803	-	1,803	1,626	(177)
Total	11,100	17,638	49,085	77,823	(2,630)	75,193	97,691	22,498
Resource Outturn	268,897	316,061	2,633,415	3,218,373	(332,485)	2,885,888	3,009,368	123,480

This Note shows the NIF administration costs for Northern Ireland being incurred in the 'Admin' column and offset by the income in the 'AR' column.

3 Contributory benefit expenditure paid from the National Insurance Fund

Note	2005-06			2004-05		
	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000
Pension benefits						
Retirement pension						
- basic element	1,007,583	-	1,007,583	963,804	-	963,804
- additional component	192,039	-	192,039	173,702	-	173,702
Christmas bonus	3,501	-	3,501	3,325	-	3,325
Widow's benefit						
- basic element	19,355	-	19,355	20,918	-	20,918
- additional component	4,929	-	4,929	5,462	-	5,462
- widow's payment	4,416	-	4,416	4,452	-	4,452
Unemployment, Invalidity and Sickness Benefits.	(132)	-	(132)	(21)	-	(21)
Unemployment, incapacity and other benefits						
Jobseeker's Allowance – Contributions Based	12,332	(9)	12,323	12,360	(8)	12,352
Incapacity Benefit						
- basic element	311,862	-	311,862	308,216	-	308,216
- additional component	10,677	-	10,677	12,102	-	12,102
Family benefits						
Maternity Allowance	4,486	-	4,486	4,304	-	4,304
Total	1,571,048	(9)	1,571,039	1,508,624	(8)	1,508,616

4 Non-contributory benefit expenditure

	2005-06			2004-05		
	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000
Pension benefits						
Non-contributory retirement pension	1,887	-	1,887	1,909	-	1,909
Christmas bonus	988	-	988	1,110	-	1,110
Other	24,868	-	24,868	12,627	-	12,627
Disability allowance						
Attendance allowance	187,389	-	187,389	186,558	-	186,558
Carers allowance	82,105	-	82,105	84,664	-	84,664
Severe disablement allowance	40,656	-	40,656	40,782	-	40,782
Disability living allowance	582,599	-	582,599	549,523	-	549,523
Disability working allowance	(5)	-	(5)	1	-	1
Miscellaneous Diseases Scheme	2	-	2	4	-	4
Industrial injuries benefits	25,869	-	25,869	25,103	-	25,103
Income support for the elderly/Pension Credit						
Income support for the elderly	4,222	(1)	4,221	4,734	-	4,734
Pension Credit	284,296	-	284,296	278,387	-	278,387
Family benefits						
Family credit	(7)	-	(7)	(13)	-	(13)
Child Support Maintenance bonus	25	-	25	92	-	92
Income support - non-pensioners and Jobseeker's Allowance						
Income support (non-pensioners)	462,788	(3,088)	459,700	487,426	(3,556)	483,870
Jobseeker's allowance (income based)	66,623	(48)	66,575	72,472	(50)	72,422
Back to work bonus	11	-	11	221	-	221
Total	1,764,316	(3,137)	1,761,179	1,745,600	(3,606)	1,741,994

5 Statutory benefits

	2005-06			2004-05		
	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000
Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP)	39,116	-	39,116	37,485	-	37,485
Total	39,116	-	39,116	37,485	-	37,485

6 Other social grants and disbursements

	2005-06			2004-05		
	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000
Grants to independent bodies						
Independent living funds	7,507	-	7,507	7,385	-	7,385
Motability	634	-	634	600	-	600
Housing benefit						
Rent rebate	168,432	-	168,432	170,674	-	170,674
Rent allowances	164,830	-	164,830	164,572	-	164,572
Rates	47,288	-	47,288	41,986	-	41,986
Discretionary Housing Payments	1,049	-	1,049	1,029	-	1,029
Social Fund disbursements						
Funeral payments	2,663	-	2,663	2,457	-	2,457
Cold weather payments	1	-	1	6	-	6
Maternity payments	4,512	-	4,512	4,574	-	4,574
Community care grants	13,505	-	13,505	12,661	-	12,661
Winter fuel payments	50,197	-	50,197	49,910	-	49,910
Budgeting loans, Crisis loans and Funeral payment transfers to GB	275	-	275	305	-	305
Total	460,893	-	460,893	456,159	-	456,159

7 National Insurance Fund administration

	Note	2005-06 £'000	2004-05 £'000
NIF Administration costs incurred by the Department		29,850	30,200
Total	12 & 9.1	29,850	30,200

Costs incurred by other government Departments are reimbursed from the NIF.

8 Programme overheads

	Note	2005-06 £'000	2004-05 £'000
Increase in provision for doubtful debt	8.1	5,706	1,585
Programme debt written off	8.2	14,150	8,115
Other programme overheads	8a	2,862	3,217
Total		22,718	12,917

Non-contributory programme overheads	17	20,971	12,203
Contributory programme overheads		1,747	714
Total		22,718	12,917

8.1 Movement in provision for doubtful debt

The movement in the provision for doubtful debt consists of a movement in the provisions for debt relating to the overpayments of the following:

	Note	2005-06 £'000	2004-05 £'000
Contributory benefits		240	(116)
Non-contributory benefits		5,501	1,187
Social Fund payments		(272)	431
Other programme		237	83
Total	8	5,706	1,585

8.2 Bad debts written off

The bad debts written off consist of the write-off of overpayments of the following benefits:

	Note	2005-06 £'000	2004-05 £'000
Contributory benefits			
Pension benefits		496	224
Incapacity benefits		909	520
Other	8b	102	86
Non-contributory benefits			
Disability benefit		1,974	568
Income support		5,688	3,467
Family benefits		2	7
Other	8c	1,851	1,028
Social Fund			
Funeral grant		2,890	2,063
Other	8d	238	152
Total		14,150	8,115

8a Other programme overheads include:

Housing: Wages and salaries paid to the Construction Service of £0.955 million. This includes all expenditure relating to the Rent Assessment Panel, i.e. wages and salaries and all other administration costs; and

Urban Regeneration: Consultancy £0.416 million, interest payable on compensation (Victoria Square) £0.567 million, maintenance £0.383 million, legal and professional fees £0.253 million, database development costs £0.109 million, land registry fees £0.010 million and other £0.169 million.

8b Other contributory benefits include Unemployment Benefit £0.002 million, Sickness Benefit £0.001 million, Maternity Allowance £0.002 million, Invalidity Benefit £0.036 million, and JSA (C) £0.061 million.

8c Other non-contributory benefits include Pension Benefits £1.411 million, Industrial Injuries £0.005 million, IIB Disablement Benefit £0.004 million and JSA (NC) £0.431 million.

8d Other Social Fund includes Budgeting Loans and Crisis Loans.

9 Reconciliation of outturn to net operating cost and against Administration Budget

9.1 Reconciliation of net resource outturn to net operating cost

	Note	2005-06			2004-05
		Outturn £'000	Supply Estimate £'000	Outturn compared with Estimate £'000	Outturn £'000
Net resource outturn		2,981,251	3,134,472	153,221	2,885,888
Non-supply Expenditure (net)	9.2	1,571,039	1,590,467	19,428	1,509,330
AR not treated as income – funding from NIF to cover Administration costs	7	29,850	29,850	-	30,200
Excess of Social Fund grant over Social Fund operating cost expenditure		(4,191)	-	4,191	(3,865)
Non-supply Income (CFERs)	11	(23,079)	(13,743)	9,336	(18,684)
Net operating cost		4,554,870	4,741,046	186,176	4,402,869

Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement. Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate. The outturn against the estimate is shown in the Summary of Resource Outturn (Statement of Parliamentary Supply).

9.2 Non-supply expenditure

	Note	2005-06 £'000	2004-05 £'000
Contributory benefits (gross)	3	1,571,048	1,508,624
NIF write-offs and movement on debt provision	8	-	714
Total gross non-supply expenditure	17	1,571,048	1,509,338
Contributory benefits – Accruing Resources	3	(9)	(8)
Total net non-supply expenditure	9.1	1,571,039	1,509,330

9.3 Outturn against final Administration Budget

Note	2005-06 Budget £'000	2005-06 Outturn £'000	2004-05 Outturn £'000
Gross Administration Budget	244,137	239,929	268,897
Income allowable against the Administration Budget	(46,222)	(46,652)	(40,273)
Net outturn against final Administration Budget	197,915	193,277	228,624

The Gross administration outturn figure excludes notional costs and URCDG's administration non-cash costs. This is because the budget figure is the admin DEL (Departmental Expenditure Limit) figure whereas notional costs are non-budget items and URCDG's admin non-cash costs are treated as AME (Annually Managed Expenditure) in budgeting terms.

10 Reconciliation of resources to cash requirement:

	Note	2005-06		Net total outturn compared with Estimate saving/(excess) £'000	2004-05
		Estimate £'000	Outturn £'000		Outturn £'000
Resource Outturn	2	3,134,472	2,963,826	170,646	2,885,888
Capital:					
Acquisition of fixed assets	21	22,975	10,928	12,047	53,380
Investments	22	-	-	-	-
Non-operating AR:					
Proceeds of fixed asset disposals		(5,647)	(5,647)	-	(30,378)
Repayment of loans to other bodies	22	(1,209)	(1,183)	(26)	(1,278)
Accruals adjustments:					
• Non-cash items	18.2	(51,879)	(41,975)	(9,904)	(48,809)
• Changes in working capital other than cash		10,119	(117,768)	127,887	(34,498)
• Changes in creditors falling due after more than one year	25.2	-	96,624	(96,624)	90,036
• Use of provision	26	125	2,185	(2,060)	1,271
• Excess of Social Fund grant to operating cost expenditure	9.1	-	(4,191)	4,191	(3,865)
• Agencies' Net Cash Inflow/(Outflow)	27	-	-	-	(17,063)
Asset transferred from DRD/DFP		-	-	-	(36,421)
Net cash requirement		3,108,956	2,902,799	206,157	2,858,263

Explanation of the variation between Estimate and outturn (net cash requirement):

- (i) The main reason for the variation between the Estimate and the Outturn, in respect of net cash requirement, is the variation in total Resource Outturn (£2,963,826) and its Estimate (£3,134,472) (as above) and lower than anticipated capital expenditure and non-cash items.

11 Analysis of income payable to the Consolidated Fund

Summary of income payable to the Consolidated Fund.

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

	Note	2005-06 Forecast		2005-06 Outturn	
		Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Operating income and receipts – excess AR		-	-	7,629	4,576
Other operating income and receipts – not classified as AR		13,743	<i>10,768</i>	15,450	<i>16,091</i>
Subtotal		13,743	<i>10,768</i>	23,079	<i>20,667</i>
Non-operating income and receipts – excess AR	13	-	-	11,575	-
Other non-operating income and receipts not classified as AR	14	-	-	-	-
Excess Cash Surrenderable to the Consolidated Fund	10	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Total income payable to the Consolidated Fund	27	13,743	<i>10,768</i>	34,654	<i>20,667</i>

12 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2005-06 £'000	2004-05 £'000
Operating Income		294,772	308,617
NIF Administration Cost (SSA)	7	28,000	27,960
NIF Administration Costs (DSD Core)	7	1,850	2,240
NIF Contributory Benefits	3	12,332	12,360
NIF Accruing Resources	3	(9)	(8)
Adjustment for transactions between RFRs		-	-
Gross Income		336,945	351,169
Income authorised to be Accruing Resource (deduct the lower of AR and Estimate)		(313,866)	(332,485)
Operating Income payable to the Consolidated Fund	11	23,079	18,684

13 Non-operating income – Excess AR

	Note	2005-06 £'000	2004-05 £'000
Proceeds of tangible fixed assets disposed of		11,575	145
Repayments of loans to other bodies		-	-
Other		-	-
Non-operating income – Excess AR	11	11,575	145

14 Non-operating income not classified as AR

There was no non-operating income not classified as Accruing Resources during 2005-06.

15 Staff numbers and related costs

Staff costs comprise:

15.1 Administration staff costs consist of:

	2005-06					2004-05
	Total £'000	Permanently employed staff £'000	Others £'000	Ministers £'000	Special Advisers £'000	Total £'000
Wages and salaries	116,609	116,345	264	-	-	120,286
Social security costs	7,347	7,329	18	-	-	7,645
Other pension costs	19,070	19,070	-	-	-	14,141
Sub Total	143,026	142,744	282	-	-	142,072
Less Recoveries in respect of outward secondments	-	-	-	-	-	-
Total net administration staff costs	143,026	142,744	282	-	-	142,072

Programme staff costs consist of:

	Note	2005-06					2004-05
		Total £'000	Permanently employed staff £'000	Others £'000	Ministers £'000	Special Advisers £'000	Total £'000
Wages and salaries	17	817	817	-	-	-	619
Social security costs	17	67	67	-	-	-	45
Other pension costs	17	146	146	-	-	-	86
Sub Total		1,030	1,030	-	-	-	750
Less Recoveries in respect of outward secondments		-	-	-	-	-	-
Total net programme staff costs		1,030	1,030	-	-	-	750
Total Net Costs		144,056	143,774	282	-	-	142,822

The PCSPS(NI) is an unfunded multi-employer defined benefit scheme which produces its own resource accounts, but the Department 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 2005-06, employers' contributions of £18.817 million (2004-05 £13.970 million) were payable to the PCSPS(NI) at one of four rates in the range 16.5% to 23.5 % of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% to 18%). The 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 £7,934 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% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £706, 0.8% of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

10 persons (2004-05 49 persons) retired early on ill health grounds, the total additional accrued pension liabilities in the year amounted to £32,649 (2004-05 £54,557).

Of the total expenditure on staff costs in 2005-06 of £144.056 million (2004-05 £142.822 million) £132.769 million relates to Request for Resources A (2004-05 £132.598 million), £1.972 million relates to Request for Resources B (2004-05 £1.866 million) and £9.315 million relates to Request for Resources C (2004-05 £8.358 million).

Average number of persons employed

15.2 The average number of whole-time equivalent persons employed during the year is shown in the table below. These figures include those working in the Department as well as in agencies and other bodies included with the consolidated Departmental resource account.

	2005-06 Number of Staff					2004-05 Number of Staff
	Total	Permanent staff	Others	Ministers	Special advisers	Total
Objective 1						
Providing a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save:	6,661	6,490	171	-	-	6,948
Objective 2						
Promoting measurable improvements to housing in Northern Ireland:	69	66	3	-	-	67
Objective 3						
Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage:	303	292	11	-	-	285
Staff engaged on capital projects	-	-	-	-	-	-
Total	7,033	6,848	185	-	-	7,300

16 Other Administration Costs

16.1 Other administration costs

The other administration costs of the core Department, its on-vote Executive Agencies, and its non-executive non-Departmental public bodies include:

	Note	2005-06 £'000	2004-05 £'000
Rentals under operating leases:			
- Hire of plant and machinery		260	568
- Other operating leases		-	316
Interest charges		-	-
PFI service charges:			
- Off-Balance Sheet contracts		2,827	2,872
- Service element of on-Balance Sheet contracts		-	-
Research and development expenditure		-	-
Accommodation costs		4,665	3,811
Contracted services		30,339	34,546
CSA GB running costs (fully reimbursed)		28,186	24,234
Travel and subsistence		2,451	2,660
Management consultancy		140	911
Medical adjudication		6,417	5,666
Postage		2,158	2,681
Printing and stationery		2,702	2,924
Service charges		4,676	3,611
Computer and office running costs		2,079	2,239
Other expenditure		4,083	9,113
Non-cash items	16.2	30,897	30,673
Total		121,880	126,825

Of the total expenditure on other administration costs in 2005-06 of £121.880 million (2004-05 £126.825 million) £118.444 million relates to Request for Resources A (2004-05 £123.228 million), £0.494 million related to Request for Resources B (2004-05 £0.547 million) and £2.942 million relates to Request for Resources C (2004-05 £3.050 million).

16.2 Administration costs: non-cash items

	Note	2005-06 £'000	2004-05 £'000
Notional costs (excluding Ministers' salaries)	16.3	25,621	24,127
Depreciation on administration fixed assets	21	4,467	3,696
Loss on disposal of administration fixed assets		-	-
Movement in administration provision	26	514	740
Permanent diminution in value of administration fixed assets		295	2,110
Other		-	-
Total	16.1, 18	30,897	30,673

16.3 Notional costs

Certain services are provided and received by the Department without the transfer of cash. Amounts of £25.621 million (2004-05 £24.127 million) are included in the net cost of operations and are made up as follows:

	Note	2005-06 £'000	2004-05 £'000
Services provided by other Departments			
Accommodation costs	16.3a	20,716	11,233
Other indirect charges and services	16.3b	3,765	11,603
Other		-	-
		24,481	22,836
Other notional costs			
Notional cost of capital charge in respect of net administration assets		773	937
Auditors' remuneration and expenses	16.3c	367	354
Other		-	-
		1,140	1,291
Total	16.2, 27	25,621	24,127

16.3a Accommodation costs include charges levied from the Accommodation and Construction Division of DFP.

16.3b Other indirect charges and services are levied by DFP, DHSSPS, DRD, DWP and NICS Recruitment Service.

16.3c The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. There was no remuneration paid for non-audit work during the year.

The notional cost of capital charge in respect of net programme assets is included in Note 17 below.

17 Net programme costs

	Note	2005-06 Net Expenditure £'000	2004-05 Net Expenditure £'000
Grants and other current expenditure		2,964,428	2,902,079
Seconded out staff – wages and salaries	15.1	817	619
Seconded out staff – social security costs	15.1	67	45
Seconded out staff – other pension costs	15.1	146	86
Non-contributory programme overheads	8	20,971	12,203
Non-supply expenditure: contributory benefits	9.2	1,571,048	1,509,338
Depreciation on programme fixed assets	18, 21	28	15
Notional cost of capital charge in respect of programme assets	18, 27	8,957	7,638
Movement in provisions (excluding amounts utilised in year)	18, 26	9,351	279
Loss on disposal of fixed assets	18	41	242
Permanent diminution in value of programme fixed assets	18	22	11,921
Other programme costs		17,431	83
		4,593,307	4,444,548
Less: programme income	19	(256,691)	(270,303)
Total		4,336,616	4,174,245

Grants and other expenditure and contributory benefits expenditure is the amount of expenditure incurred in the year and excludes programme overheads. The expenditure analysed in Note 2 includes programme overheads.

Included within current grants and other expenditure is £1.250 million which relates to a development asset that was transferred from Laganside Corporation at a cost of £1 and revalued to £1.250 million.

18 Non-cash items

	Note	2005-06 £'000	2004-05 £'000
Administration (excluding Ministers' salaries)	16.2	30,897	30,673
Administration (Ministers' salaries)	15.1	-	-
		30,897	30,673
Programme	17	19,649	20,095
Other		-	-
Total		50,546	50,768

The programme non-cash items in 2005-06 of £19.649 million (2004-05 £20.095 million) comprises notional cost of capital charge in respect of programme assets £8.957 million, movements in provision (excluding amounts utilised in year) £9.351 million, other programme costs £1.272 million, programme depreciation £0.028 million and loss on disposal of fixed assets £0.041 million. (2004-05 comprises notional cost of capital charge in respect of programme assets £7.638 million, movements in provision (excluding amounts utilised in year) £0.279 million, other programme costs £11.921 million, programme depreciation £0.015 million and loss on disposal of fixed assets £0.242 million).

18.1 The total of non-cash transactions included in the Reconciliation of Operating Costs to Operating Cashflows in Note 28.1 comprises:

	Note	2005-06 £'000	2004-05 £'000
Non-cash items (as above)		50,546	50,768
Less non-cash income			
- profit on sale of fixed assets		(8,571)	(1,959)
Other		-	-
Total non-cash transactions		41,975	48,809

18.2 The total of non-cash items included in the Reconciliation of Resources to Cash Requirement in Note 10 comprises:

	Note	2005-06 £'000	2004-05 £'000
Total non-cash transactions as above		41,975	48,809
Other		-	-
Non-cash items per Reconciliation of Resources to Cash Requirement		41,975	48,809

19 Income

19.1 Operating Income

Operating income not Accruing Resources (i.e. surrenderable to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not (see Note 9). In 2005-06 all operating income not classified as Accruing Resources was within public expenditure.

Operating income is as follows:

	Note	2005-06				2004-05			
		RfR A £'000	RfR B £'000	RfR C £'000	Total £'000	RfR A £'000	RfR B £'000	RfR C £'000	Total £'000
Administration income:									
Allowable within administration cost limit		9	-	-	9	8	-	-	8
Fees and charges to external customers		114	-	341	455	184	-	506	690
Fees and charges to other Departments		-	-	-	-	-	-	-	-
Interest receivable		-	-	-	-	-	-	-	-
Profit on disposal of administration assets		-	-	-	-	-	-	-	-
Other	19a	46,188	-	-	46,188	39,575	-	-	39,575
		46,311	-	341	46,652	39,767	-	506	40,273
Programme income:									
EU receipts		-	-	9,388	9,388	-	-	12,972	12,972
Interest receivable		-	2,225	-	2,225	-	2,691	-	2,691
Profit on disposal of programme assets		-	-	8,571	8,571	-	-	1,959	1,959
Other	19b	3,150	228,817	4,540	236,507	4,852	245,078	2,751	252,681
	17	3,150	231,042	22,499	256,691	4,852	247,769	17,682	270,303
Total		49,461	231,042	22,840	303,343	44,619	247,769	18,188	310,576

19a Other administration Accruing Resources include:

- (i) SSA - Amounts received from DWP back office processing services carried out at the Belfast Benefits Centre and Paid Order Unit, Seconded officer and miscellaneous receipts £17.955 million;

(ii) CSA - Recoveries from DWP and miscellaneous receipts £28.232 million; and

(iii) Core – Miscellaneous receipts £0.001 million.

19b Other programme Accruing Resources include:

(i) Housing – Additional receipts of £3.842 million for long term loans recoverable, £104.165 million relating to NIHE Sales, £114.766 million interest reimbursements from NIHE and Miscellaneous £6.044 million;

(ii) Urban Regeneration - Victoria Square recoupment £1.771 million, proceeds of disposal of assets transferred from Laganside development asset £1.250 million, Recoupment from IFI £0.319 million, Grant clawback £0.964 million and miscellaneous £0.236 million;

(iii) SSA Benefits – Income from Income Support (IS) Non-Pensioner £3.089 million, JSA Non-contributory £0.048 million, JSA Contributory £0.009 million and miscellaneous £0.003 million; and

(iv) Core – Miscellaneous £0.001 million.

All of the interest receivable is external.

The above analysis is not disclosed for the purposes of SSAP 25.

An analysis of income from services provided to external and public sector customers is as follows:

	2005-06			2004-05		
	Income £'000	Full Cost £'000	Surplus/ (deficit) £'000	Income £'000	Full Cost £'000	Surplus/ (deficit) £'000
Income from external customers	455	423	32	690	148	542
Total	455	423	32	690	148	542

20 Analysis of net operating cost by spending body

This Note analyses funding by the Department to the relevant spending body.

	2005-06		2004-05	
	Estimate £'000	Outturn £'000	Estimate £'000	Outturn £'000
Core Department (RHSSG and URCDG)	1,016,562	884,721	920,043	804,871
Social Security Agency	2,011,577	2,008,071	1,986,336	2,000,334
Child Support Agency	17,246	15,695	17,009	14,556
National Insurance Fund	1,620,317	1,571,039	1,560,193	1,509,330
Social Fund	75,344	75,344	73,778	73,778
Net Operating Cost	4,741,046	4,554,870	4,557,359	4,402,869

21 Tangible fixed assets

	Land & Buildings excluding Dwellings £'000	Dwellings £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Total £'000
Cost or valuation							
At 1 April 2005	154,147	1,294	14,085	89	682	5	170,302
Adjustments to opening balances	-	-	(3)	-	-	-	(3)
Additions	10,205	-	562	-	148	13	10,928
Transfers in	889	-	-	-	-	-	889
Disposals	(8,603)	(59)	(482)	(27)	(5)	(5)	(9,181)
Upward Revaluations	30,908	3,325	-	-	11	-	34,244
Downward Revaluations	(55)	-	(526)	(2)	(1)	-	(584)
At 31 March 2006	187,491	4,560	13,636	60	835	13	206,595
Depreciation							
At 1 April 2005	2,928	-	6,177	65	476	4	9,650
Adjustments to opening balances	-	-	(1)	-	-	-	(1)
Charged in year	600	6	3,819	11	52	7	4,495
Disposals	(4)	-	(447)	(25)	(6)	(5)	(487)
Upward Revaluations	-	-	-	-	7	-	7
Downward Revaluations	(37)	-	(236)	(1)	-	-	(274)
At 31 March 2006	3,487	6	9,312	50	529	6	13,390
Net book value							
At 31 March 2006	184,004	4,554	4,324	10	306	7	193,205
At 31 March 2005	151,219	1,294	7,908	24	206	1	160,652
Asset Financing at 31 March 2006							
Owned	182,078	4,554	4,324	10	306	7	191,279
Capitalised leasehold	1,926	-	-	-	-	-	1,926
Net book value at 31 March 2006	184,004	4,554	4,324	10	306	7	193,205

Analysis of tangible fixed assets

	2005-06 £'000	2004-05 £'000
The net book value of tangible fixed assets comprises:		
Core Department	173,278	136,634
Agencies	19,927	24,018
Total	193,205	160,652

Freehold land and buildings were revalued during 2004-05. The next revaluation will be carried out before 1 April 2008 in line with accounting policy note 1.3. Other tangible assets were revalued on the basis of the latest available indices.

21b Assets held for resale

	2005-06 £'000	2004-05 £'000
Assets held for resale	500	-
	-	-
Balance at 31 March 2006	500	-

In accordance with the FReM assets which the Department has identified as surplus to requirement and held pending disposal have been written down to their recoverable amount and included as current assets.

22 Investments

	2005-06 £'000	2004-05 £'000
Balance at 1 April 2005	21,591	22,869
Repayments	(1,183)	(1,278)
Revaluations	-	-
Balance at 31 March 2006	20,408	21,591

Investments consist of Housing loans.

The balance at 31 March comprises:

	2005-06 £'000	2004-05 £'000
Core Department	20,408	21,591
Agencies	-	-
Total	20,408	21,591

23 Debtors

23.1 Analysis by type - Amounts falling due within one year

	Note	2005-06			2004-05		
		Gross debtors £'000	Provision for doubtful debt £'000	Net debtors £'000	Gross debtors £'000	Provision for doubtful debt £'000	Net debtors £'000
Administration							
Trade debtors		157	-	157	121	-	121
VAT		780	-	780	1,302	-	1,302
Deposits and advances		-	-	-	-	-	-
Prepayments and accrued income	23.1c	6,443	-	6,443	5,862	-	5,862
Inter-Departmental debtor with DWP		-	-	-	12	-	12
Consolidated Fund debtor for cash undrawn	27	-	-	-	-	-	-
Other administration debtors		373	-	373	630	-	630
Programme							
Benefit overpayments							
- Contributory benefits		431	(73)	358	345	(7)	338
- Non-contributory Benefits		5,697	(1,026)	4,671	4,233	(390)	3,843
- Social Fund		(30)	-	(30)	17	-	17
Benefit prepayments							
- Contributory benefits		6,762	-	6,762	8,398	-	8,398
- Non-contributory Benefits		5,196	-	5,196	6,906	-	6,906
Social Fund loans							
- Funeral loans		80	-	80	72	-	72
- Other loans	23.1a	29,508	-	29,508	27,357	-	27,357
NIF Debtor		18,472	-	18,472	59,780	-	59,780
Interest receivable		-	-	-	-	-	-
Consolidated Fund debtor for cash undrawn	27	-	-	-	-	-	-
Prepayments and accrued income		105	-	105	21	-	21
NIHE debtor	23.1e	96,604	-	96,604	89,939	-	89,939
Other programme debtors	23.1b - 23.1d	84,872	(2,998)	81,874	74,934	(2,776)	72,158
Total debtors falling due within one year		255,450	(4,097)	251,353	279,929	(3,173)	276,756

23.1a Other Social Fund loans consist of Budgeting Loans £23.862 million (2004-05 £20.672 million) and Crisis Loans £5.646 million (2004-05 £6.685 million).

23.1b Other programme debtors consist of:

- (i) **Housing:** Loan interest receivable £0.887 million, housing grants repayable as a result of equity sales £0.576 million, NIHE £2.813 million, other housing grants recoverable £0.290 million, prepayment £0.020 million, Housing Association Grant prepayment £36.780 million, vesting orders recoverable £0.065 million and disposal proceeds fund recoverable £2.596 million;
- (ii) **Urban Regeneration:** EU Debtor £9.145 million, Clawback Debtor £0.431 million, SEUPB & LCF Debtor £7.410 million, NBCAU debtor £0.861 million, Land sale Debtors £15.672 million, Other Debtors £0.173 million and Provision for Bad Debts (£2.637) million;
- (iii) **DSD Core:** Housing Benefit and Rates Prepayments £5.004 million and Independent Living Fund £0.311 million; and
- (iv) **SSA Benefits:** Child Support Agency £0.023 million, Overseas Governments £0.076 million, others £0.104 million, Compensation Recovery Unit £0.786 million, unadjudicated debt £0.849 million and Provision for Bad Debts (£0.361) million.

EU grant income is recognised by the Department in the Operating Cost Statement but as it is CFER income, it is not reflected in the Statement of Parliamentary Supply with EU receipts remitted to the Consolidated Fund. The Department has reviewed the level of debtors in respect of EU grant income receivable for the period 1994 to 31st March 2006. This has resulted in a reduction in debtors of £17.425 million, which is reflected in the 2005-06 debtor balance.

23.1c Included within Other debtors and prepayments and accrued income is £27.089 million (2004-05 £30.527 million) that will be due to the Consolidated Fund once the debts are collected.

23.1d In 2005-06 the Social Security Agency has undertaken an exercise to value the benefit overpayment debt not yet identified to Debt Management Unit and held at local and central benefit offices. The valuation is based on a stock count at 31 March 2006 and historical trends of average overpayment values. This has been valued in total at £8.488 million and is disclosed as

£0.849 million in other programme debtors less than one year, and £7.639 million in other debtors falling due after more than one year.

23.1e NIHE loans with DFP of £96.604 million (2004-05 £89.939 million) are shown in the DSD Balance Sheet. There is a debtor from NIHE and corresponding creditor to DFP (Consolidated Fund).

23.2 Analysis by type - Amounts falling due after more than one year

	Note	2005-06			2004-05		
		Gross debtors £'000	Provision for doubtful debt £'000	Net debtors £'000	Gross debtors £'000	Provision for doubtful debt £'000	Net debtors £'000
Administration							
Prepayments and accrued income		655	-	655	847	-	847
Programme							
Benefit overpayments							
- Contributory benefits		2,444	(929)	1,515	2,079	(763)	1,316
- Non-contributory benefits		51,276	(21,536)	29,740	39,592	(16,650)	22,942
- Housing benefit		13,671	(7,374)	6,297			
Social Fund loans							
- Funeral loans		4,552	(2,439)	2,113	4,817	(2,667)	2,150
- Other loans	23.2a	18,930	(177)	18,753	17,270	(222)	17,048
NIHE debtor	23.2d	1,071,393	-	1,071,393	1,168,017	-	1,168,017
Other programme debtors	23.2b, 23.2c	41,784	-	41,784	37,837	-	37,837
Total debtors falling due after more than one year		1,204,705	(32,455)	1,172,250	1,270,459	(20,302)	1,250,157
Total debtors				1,423,603			1,526,913

23.2a Other Social Fund loans consist of Budgeting Loans £10.849 million (2004-05 £9.317 million) and Crisis Loans £7.904 million (2004-05 £7.731 million).

23.2b Other Programme Debtors consist of:

- (i) **Urban Regeneration:** Victoria Square Development Debtor £34.145 million.

Included in other programme debtors is a debtor which relates to the Victoria Square Development Scheme. This is in accordance with Clause 4.4 of the Development Agreement signed between the Department for Social Development (DSD) and the Victoria Square Developer (AM Development UK Limited) on 23 October 2003 under which the Developer would purchase the vested properties from DSD. The subsequent Vesting Order was made by DSD on 7 November 2003.

- (ii) **SSA Benefits:** Unadjudicated debt £7.639 million.

23.2c Other programme debtors consist of £7.639 million relating to the valuation of benefit overpayment debt not yet identified to Debt Management Unit and held at local and central offices.

23.2d NIHE loans with DFP of £1,071.393 million (2004-05 £1,168.017 million) are shown in the DSD Balance Sheet. There is a debtor from NIHE and a corresponding creditor to DFP (Consolidated Fund).

23.3 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2005-06 £'000	2004-05 £'000	2005-06 £'000	2004-05 £'000
Balances with other central government bodies	19,615	114,676	655	1,168,864
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	104,731	1,958	1,071,393	-
Subtotal: intra-government balances	124,346	116,634	1,072,048	1,168,864
Balances with bodies external to government	127,007	160,122	100,202	81,293
Total debtors at 31 March	251,353	276,756	1,172,250	1,250,157

Potential debt – Compensation Recovery Unit (SSA)

Debt will only be recognised in the Balance Sheet at the point at which a settlement is notified to the Compensation Recovery Unit by the compensator. For benefit recoveries, this needs to be shown on the Programme Balance Sheet.

Certificates of recoverable benefit are issued upon request to compensators (primarily insurance companies) where a compensation claim is made as a result of an accident or injury. Until there is acceptance of liability by the compensator and a payment made for compensation, the SSA has no right to demand recovery of benefit payments made as a consequence of this accident or injury. Therefore, no acknowledgement is made in the SSA's Balance Sheet, apart from those cases that have been settled but where the recoverable benefit element has not yet been received.

As an indication of the cash generated from this income stream for the SSA for the year to 31 March 2006, £8.375 million, on an annualised basis, has been included in the Operating Cost statement as a reduction to Gross Expenditure. There is no information to suggest that this level of cash generation will differ significantly in the next financial year.

24 Cash at bank and in hand

24.1 Cash with paying agents

	2005-06 £'000	2004-05 £'000
Post Office Counters Ltd	-	-
Alliance & Leicester Commercial Bank plc	-	22,507
Balance at 31 March	-	22,507

As at 31 March 2006 the balance held with the Alliance & Leicester Commercial Bank plc (ALCB plc) is a credit balance of £5.470 million disclosed with other programme creditors as per Note 25.1.

24.2 Cash at bank and in hand

Note	2005-06 £'000	2004-05 £'000
Balance at 1 April	(11,624)	(13,217)
Net change in cash balances	16,101	1,593
Balance at 31 March	4,477	(11,624)

Balances at 31 March are held at:

	2005-06 £'000	2004-05 £'000
Commercial bank balances	4,412	(11,689)
Cash at bank and in hand	65	65
Balance at 31 March	4,477	(11,624)

Bank balances are shown net of outstanding liabilities for instruments of payment due to be encashed against the Department's bank accounts.

The Department for Social Development (DSD) was established on 2 December 1999 in response to devolution. A number of functions of the former Department of Health and Social Services (DHSS), and the Department of the Environment (NI) (DOE) transferred to DSD. To facilitate the successful establishment of the new Department some elements of the former structures were retained. This included the banking arrangements. With the exception of National Insurance Fund monies, the public funding and other receipts of DSD were lodged to a bank account, which was shared with the Department of Health and Social Services and Public Safety (DHSSPS).

In the Departmental Resource Account for 2001-02 this bank account, then called the DHSS Number One Account, was treated as belonging to DHSSPS, with the balance relating to DSD treated as an inter-Departmental creditor with DHSSPS. The bank account was renamed the DSD Number One Account in late March 2002 and from August 2002 DHSSPS receipts were lodged to a new account in that Department's name. The DSD Number One Account was then renamed the DSD General Account on 1 April 2003. Consequently in 2004-05 the balance on the DSD General Account has been treated as belonging to DSD, with the balance relating to DHSSPS treated as an inter-Departmental creditor with DHSSPS. In 2005-06 a control mechanism was put into operation which eliminated this inter-Departmental balance.

25 Creditors

25.1 Analysis by type - Amounts falling due within one year

	Note	2005-06 £'000	2004-05 £'000
Administration			
Bank overdraft	24.2	-	11,689
Trade Creditors - Capital		1	49
Inter-Departmental creditor with DHSSPS		-	19
Inter-Departmental creditor with DWP		1,051	-
Early retirement		19	38
Consolidated fund extra receipts received and due to be paid to the consolidated fund		47	19
Consolidated fund extra receipts receivable and other due to be paid to the consolidated fund		9	1
Amounts issued from the consolidated fund for supply but not spent at year end	27	-	-
Accruals and deferred income		7,265	6,576
Other taxation and social security		50	33
Other administration creditors		22	598
Programme			
Benefit accruals:			
- Contributory benefits		16,158	20,768
- Non-contributory benefits		24,455	22,411
- Social Fund		87	102
Encashment control		3,161	4,574
Consolidated fund extra receipts received and due to be paid to the consolidated fund		18,771	9,095
Consolidated fund extra receipts receivable and other due to be paid to the consolidated fund		27,080	30,526
Amounts issued from the consolidated fund for supply but not spent at year end	27	3,079	39,035
EU grants accrual		631	1,082
NIHE creditor	25.1b	96,604	89,939
Other programme creditors	25.1a	104,148	73,809
Total creditors falling due within one year		302,638	310,363

25.1a Other programme creditors consist of:

- (i) **Housing:** Housing Association Grant £40.334 million, Small Adaptation Grant £0.335 million, other accruals £0.107 million, Deferred income £0.076 million, NIHE creditor £1.432 million and Voluntary Purchase Grant accrual £0.453 million;
- (ii) **Urban Regeneration:** Road Service creditor £0.057 million, Vested Land creditor £14.693 million, Grant Accruals £21.812 million, Ilex £0.236 million, other creditors £0.059 million and sundry accruals £1.238 million;
- (iii) **DSD Core:** Housing Benefit and Rate Accruals £13.417; and
- (iv) **SSA Benefits:** Inland Revenue £0.465 million, Inter-Government £0.072 million, DEL £0.293 million, Health Service £0.707 million, Overseas Government creditors £0.014 million, Third Party Control £2.734 million, Alliance and Leicester Commercial Bank £5.471 million and sundry creditors £0.143 million.

25.1b NIHE loans with DFP of £96.604 million (2004-05 £89.939 million) are shown in the DSD Balance Sheet. There is a debtor from NIHE and corresponding creditor to DFP (Consolidated Fund). Included in this balance is a creditor of £1.563 million (2004-05 £1.463 million) to Local Authorities.

25.2 Analysis by type - Amounts falling due after more than one year

	Note	2005-06 £'000	2004-05 £'000
Programme			
NIHE creditor	25.2a	1,071,393	1,168,017
Total creditors falling due after more than one year		1,071,393	1,168,017
Total creditors		1,374,031	1,478,380

25.2a NIHE loans with DFP of £1,071.393 million (2004-05 £1,168.017 million) are shown in the DSD Balance Sheet. There is a debtor from NIHE and corresponding creditor to DFP (Consolidated Fund). Included in this balance is a creditor of £28.560 million (2004-05 £30.115 million) to Local Authorities.

25.3 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2005-06 £'000	2004-05 £'000	2005-06 £'000	2004-05 £'000
Balances with other central government bodies	159,661	166,406	1,042,833	1,137,902
Balances with local authorities	1,563	1,463	28,560	30,115
Balances with NHS trusts	708	600	-	-
Balances with public corporations and trading funds	13,417	10,883	-	-
Subtotal: intra-government balances	175,349	179,352	1,071,393	1,168,017
Balances with bodies external to government	127,289	131,011	-	-
Total creditors at 31 March	302,638	310,363	1,071,393	1,168,017

26 Provisions for liabilities and charges

	Note	2005-06			2004-05					
		Administration		Programme	Total	Administration		Programme	Total	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 1 April			1,178	6,096	7,274	750		6,776	7,526	
Transferred to Creditors			-	-	-	-		-	-	
Provided in the year		597		12,321	12,918	869		4,809	5,678	
Provisions not required written back		(83)		(2,970)	(3,053)	(129)		(4,530)	(4,659)	
Unwinding of discount		-		-	-	-		-	-	
	16.2, 17		514		9,351		740		279	1,019
Provisions utilised in the year			(438)		(1,747)		(312)		(959)	(1,271)
Balance at 31 March			1,254		13,700		1,178		6,096	7,274

Administration provisions include:

- (i) **DSD Core:** Early Departure Costs £0.097 million, Equal Opportunity Provision £0.021 million and Personnel Provision £0.015 million;
- (ii) **Urban Regeneration:** Tribunal Cases £0.021 million and Provision for back salary payments for contract staff £0.125 million; and
- (iii) **SSA:** Early Departure costs £0.137 million, Personal Injury cases £0.553 million and Equal Opportunity costs £0.285 million.

Programme provisions include:

- (i) **Core:** Financial Assistance Scheme Provision £9.000 million;
- (i) **Housing:** Warm Homes Provision £0.925 million, Adaptations Provision £1.263 million and Voluntary Purchase Grants £1.097 million;
- (ii) **Urban Regeneration:** Public Liability Claims £0.072 million; and
- (iii) **SSA Benefits:** Compensation Recovery Unit provisions on review and appeal £1.343 million.

27 General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	Note	2005-06			2004-05		
		General Fund £'000	Revaluation Reserve £'000	Total £'000	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April		173,013	73,061	246,074	123,515	69,286	192,801
Net parliamentary funding							
– Drawn Down		2,866,843	-	2,866,843	2,897,298	-	2,897,298
Net parliamentary funding							
– Deemed Supply		39,035	-	39,035	-	-	-
Net funding from the National Insurance Fund		1,646,559	-	1,646,559	1,483,849	-	1,483,849
Net cost of operations		(4,554,870)	-	(4,554,870)	(4,402,869)	-	(4,402,869)
Non-AR income payable to the consolidated fund	11	(34,654)	-	(34,654)	(18,829)	-	(18,829)
EU debtor write-off		17,425	-	17,425			
Arising on revaluation during the year (net)		-	34,218	34,218	-	9,229	9,229
Consolidated fund creditor for cash unspent	25	(3,079)	-	(3,079)	(39,035)	-	(39,035)
Consolidated fund debtor for cash undrawn	23	-	-	-	-	-	-
Notional costs	15.1, 16.3, 17	34,578	-	34,578	31,765	-	31,765
Fixed Assets purchased by DHSS/PS for DSD		28	-	28	-	-	-
Fixed Asset transferred from DRD/DFP to DSD		-	-	-	36,421	-	36,421
Agencies' Net Cash Inflow/(Outflow)		-	-	-	17,063	-	17,063
Other	27a	(40,699)	1,750	(38,949)	38,381	-	38,381
		144,179	109,029	253,208	167,559	78,515	246,074
Transferred to the General Fund in respect of the realised element of the Revaluation Reserve resulting from:							
- depreciation		-	-	-	-	-	-
- disposal or impairment of assets		1,656	(1,656)	-	5,454	(5,454)	-
- other		-	-	-	-	-	-
Balance at 31 March		145,835	107,373	253,208	173,013	73,061	246,074

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets and those financed by Government grants).

27a Other movements in the general fund consist of:

- (i) **Urban Regeneration:** Asset additions from prior periods £0.464 million;
- (ii) **SSA Benefits:** Movement in NIF debtor balance of £(41.308) million; and
- (iii) **Other:** Sundry adjustments £0.145 million.

Other movements in the revaluation reserve consist of:

- (i) **Urban Regeneration:** Revaluation of assets transferred from Laganside £1.750 million.

28 Notes to the Consolidated Cash Flow Statement

28.1 Reconciliation of operating cost to operating cash flows

	Note	2005-06 £'000	2004-05 £'000
Net operating cost	20	(4,554,870)	(4,402,869)
Adjustments for non-cash transactions	18.1	41,975	48,809
Decrease/(Increase) in cash with Paying Agents	24.1	22,507	(9,733)
Increase in investments	22	-	-
Decrease in debtors	23	103,310	27,807
less movements in debtors relating to items not passing through the OCS		(29,794)	48,119
(Decrease) in creditors	25	(104,349)	(51,823)
less movements in creditors relating to items not passing through the OCS		33,855	(75,983)
Use of provisions	26	(2,185)	(1,271)
Adjustment to Net Operating Cost		121	-
Net cash outflow from operating activities		(4,489,430)	(4,416,944)

28.2 Analysis of capital expenditure and financial investment

	Note	2005-06 £'000	2004-05 £'000
Tangible fixed asset additions		(10,900)	(16,981)
Proceeds of fixed asset disposals		17,222	28,517
(Repayments) from other bodies		1,183	1,278
Net cash inflow from investing activities		7,505	12,814

28.3 Analysis of capital expenditure and financial investment by Request for Resources

	Capital Expenditure £'000	Loans etc £'000	Accruing Resources £'000	Net Total £'000
Request for Resources A	(695)	-	-	(695)
Request for Resources B	-	-	1,183	1,183
Request for Resources C	(10,205)	-	17,222	7,017
	(10,900)	-	18,405	7,505
Net movement of debtors/creditors	7,100	-	(11,514)	(4,414)
Total 2005-06	(3,800)	-	6,891	3,091
Total 2004-05	(16,981)	-	29,795	12,814

28.4 Analysis of financing

	Note	2005-06 £'000	2004-05 £'000
From Consolidated Fund (Supply): current year	27	2,905,878	2,897,298
From Consolidated Fund (Supply): prior year	25	(39,035)	33,212
From the Consolidated Fund (Non-supply)		-	-
From the National Insurance Fund	27	1,646,559	1,483,849
Payments to the National Insurance Fund		(1,600,889)	(1,539,530)
Net financing		2,912,513	2,874,829

28.5 Reconciliation of Net Cash Requirement to increase in cash

	Note	2005-06 £'000	2004-05 £'000
Net Cash Requirement	10	2,902,799	2,858,263
From Consolidated Fund (Supply): current year	28.4	(2,905,878)	(2,897,298)
From Consolidated Fund (Supply): prior year	28.4	39,035	(33,212)
Amounts due to the Consolidated Fund received in a prior year and paid over		9,115	13,832
Amounts due to the Consolidated Fund received and not paid		(18,818)	(4,598)
From the National Insurance Fund	28.4	(1,646,559)	(1,483,849)
Payments to the National Insurance Fund	28.4	1,600,889	1,539,530
Other Government Financing		3,316	5,739
Increase in cash		(16,101)	(1,593)

29 Notes to the Consolidated Statement of Operating Costs by Departmental Aim and Objectives

The Consolidated Statement of Operating Costs by Departmental Aim and Objectives provides an analysis of expenditure against the three objectives that underpin the Department's aim.

Administration expenditure has been apportioned to objectives in accordance with the Department's normal management accounting practices, wherever possible, or has been allocated in the same proportions as programme expenditure.

Programme grants and other current expenditure have been allocated as follows:

	2005-06 £'000	2004-05 £'000
Objective 1	3,852,317	3,756,387
Objective 2	421,559	366,858
Objective 3	62,740	51,000
Total	4,336,616	4,174,245

Capital Employed by Departmental Aim and Objectives

	2005-06 £'000	2004-05 £'000
Objective 1	61,867	76,031
Objective 2	14,176	23,818
Objective 3	177,165	146,225
Total	253,208	246,074

30 Capital commitments

	2005-06 £'000	2004-05 £'000
Contracted capital commitments at 31 March for which no provision has been made	163	-
Total	163	-

31 Commitments under leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

Operating leases

	2005-06 Total £'000	2004-05 Total £'000
Obligations under operating leases comprise:		
Land & buildings		
- Expiry within one year	-	-
- Expiry after 1 year but not more than 5 years	26	26
- Expiry thereafter	610	580
Total	636	606
Other		
- Expiry within one year	5	5
- Expiry after 1 year but not more than 5 years	91	181
- Expiry thereafter	-	-
Total	96	186
Total obligations under operating leases	732	792

Other obligations under operating leases include leasing of office equipment £0.096 million (2004-05 £0.186 million).

The Department had no obligations under finance leases and hire purchase agreements.

32 Commitments under PFI contracts

The Department has entered into the following PFI contracts.

Off Balance Sheet

During the year 2001-02 the Agency entered into a PFI agreement for the provision of IT hardware and software solutions in relation to the processing of a number of benefits. The anticipated total rentals payable are over a 10 year period. The rentals are charged to the Operating Cost Statement over the period of the agreement. This agreement was renegotiated during 2003-04 resulting in a revised cost of £22.616 million, the rentals being charged at £2.827 million over the remaining eight years.

Charges to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-Balance Sheet PFI transactions was £2.827 million (2004-05 £2.872 million); and the payments to which the Department is committed during 2005-06, analysed by the period during which the commitment expires, is as follows:

	2005-06 Total £'000	2004-05 Total £'000
- Expiry within one year	-	-
- Expiry within two to five years	-	-
- Expiry within six to ten years	2,827	2,872
Total	2,827	2,872

33 Government grant commitments

	2005-06 £'000	2004-05 £'000
Government grant commitments at 31 March for which no provision has been made	196,172	175,361
Total	196,172	175,361

34 Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments: Disclosure*, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way Government Departments are financed, the Department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited powers to borrow or invest surplus funds and its financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months have been omitted from the currency profile.

Liquidity Risk

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

Interest Rate Risk

100% of the Department's financial assets and liabilities carry either nil or fixed rates of interest and it is not therefore exposed to significant interest rate risk.

Interest Rate Profile

The following two tables show the interest rates and currency profiles of the Department's financial liabilities and assets.

Financial liabilities

Currency	Total £'000	Fixed rate Financial Liabilities £'000	Non-interest bearing financial liabilities £'000	Fixed rate financial liabilities		Non-interest bearing financial liabilities
				Weighted Average Interest rate %	Weighted Average period for which rate is fixed Years	Weighted average period until maturity Years
At 31 March 2006						
Sterling	1,173,468	1,167,997	5,471	8.03%	30	-
Gross financial liabilities	1,173,468	1,167,997	5,471	8.03%	30	-
At 31 March 2005						
Sterling	1,269,645	1,257,956	11,689	8.03%	30	-
Gross financial liabilities	1,269,645	1,257,956	11,689	8.03%	30	-

Financial assets

Note 1: the Department's non-interest bearing financial assets comprise cash with paying agents and cash at bank and in hand. This is available on demand.

Note 2: the gross financial assets and financial liabilities include the NIHE loans with DFP.

Foreign Currency Risk

The Department has no exposure to foreign currency risk.

Fair values

Set out below is a comparison by category of book values and fair values of the Department's financial assets and liabilities at 31 March 2006.

	Book value £'000	Fair value £'000	Basis of Fair Valuation
Primary financial instruments			
Financial assets			
Cash with paying agents	-	-	
Cash at bank and in hand	4,477	4,477	
Housing loans	20,408	20,408	Note a
NIHE Debtor	1,167,997	1,167,997	
Financial liabilities			
NIHE Creditor	1,167,997	1,167,997	
Bank overdraft	5,471	5,471	

Note a – given the nature of the Housing loans, the reason for their existence and the Department's policy towards them, the fair value is not materially different from the book value.

35 Contingent liabilities disclosed under FRS 12

CSA

From April 1995 the CSA has deferred some debt, which will not be recoverable from clients provided certain conditions have been met. This could result in the CSA taking over such debt from persons with care. The maximum potential liability at 31 March 2006 is £0.009 million (2004-05 £0.018 million), subject to all cases meeting the criteria. To date only £0.194 million (2004-05 £0.189 million) has been paid out, and as a result it is deemed too soon to predict with any accuracy, the amount which may be compensated and therefore no provision has been made in the accounts this year.

There are twenty five Industrial Tribunal cases, which are being dealt with as at 31 March 2006 and the CSA may be liable to pay compensation depending on the decision made on each case. The estimated potential liability is less than £0.017 million (2004-05 £0.020 million).

There are five outstanding Health & Safety litigation cases as at 31 March 2006. The estimated potential liability is less than £0.015 million (2004-05 £0.010 million).

SSA Benefits

Following the suspension of Deficiency Notices from 1996-97 there is a significant number of people who are unaware of a possible shortfall in the level of their state pension. Accordingly the Reinstatement of Deficiency Notices project was created to notify those pensioners who reached State Pension age since 6 April 1997 who may be able to improve their State Pension, or qualify for a basic State Pension, by paying voluntary class 3 National Insurance contributions. As a result of the work of this project throughout 2005-06 approximately £0.800 million (2004-05 £nil) has been paid out to customers to restore their State Pension position. In addition Special Payments of £0.017 million (2004-05 £nil) relating to 194 cases have been paid out as interest.

Estimates of further costs for State Pension arrears likely to be incurred in restoring the remaining customers cannot be measured with sufficient reliability to enable an accurate value to be determined. However, the Social Security Agency considers an estimate of net arrears of £0.590 million (2004-05 £0.735 million) and an associated interest payment (Special Payment) of approximately £0.068 million (2004-05 £0.055 million) as an indication of the amounts like to be due.

Urban Regeneration

There is an estimated contingent liability in relation to outstanding public liability claims of £0.025 million.

36 Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability

The Department has not entered into any contingent liabilities, quantifiable or unquantifiable, not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability.

37 Losses and Special Payments

Losses and Special Payments

The information presented here is on a cash basis.

RfR A

Administration and miscellaneous services	2005-06 £'000	2004-05 £'000
Losses		
Total (5,120 cases)	370	45
	£'000	£'000
Special Payments		
Total (6,319 cases)	1,462	825
Comprising:		
Ex-gratia payments (1,263 cases)	572	352
Extra-statutory payments (5,056 cases)	890	473
	£'000	£'000
Social security – administered by the Social Security Agency		
Losses		
Total (30,231 cases)	9,590	4,869
Total losses in relation to Post Office Card Accounts (2,906 cases)	365	-

RfR B

Housing	2005-06 £'000	2004-05 £'000
Special Payments		
Total (474 cases)	367	253
Comprising:		
Ex-gratia payments (2 cases)	3	5
Extra-statutory payments (472 cases)	364	248

RfR C

Urban regeneration and community development	2005-06 £'000	2004-05 £'000
Losses		
Total (15 cases)	35	1,381
Special Payments		
Total (1 case)	1	7
Comprising:		
Ex-gratia payments (1 case)	1	7

Claims above the £250,000 threshold include:

The use of Post Office Card Accounts (POCA's) were established in April 2003 as part of the Payment Modernisation Programme. During the operation of these cards it was discovered that certain benefit payments were being paid into the wrong customer card account. Accordingly corrective action was taken by the Agency to reduce the possibility of further incorrect payments and to recover those erroneous payments already made.

As at 31 March 2006 an amount of £0.020 million relating to 150 cases, affecting 75 customers was outstanding (2004-05: approximately £0.400 million relating to 5,000 cases affecting 2000 customers.) During the 2005-06 year £0.365 million of incorrect benefit payments were written off as a cash loss (2004-05 £nil) as it was deemed that this money was no longer recoverable due to legislative and procedural issues. The Agency is continuing to pursue recovery action for repayment of incorrect card payments.

38 Related-party transactions

The Department for Social Development sponsors those bodies listed at Note 42. All these bodies are regarded as related parties with which the Department has had material transactions during the year.

In addition, the Department has had a small number of transactions with other Government Departments and Central Government bodies. Most of these transactions have been with the Department of Health, Social Services and Public Safety and the Department for Regional Development. Other entities include the Department of Employment and Learning, the Training and Employment Agency, the Department of Finance and Personnel and the Department of Work and Pensions in Great Britain, and their Executive Agencies.

None of the Board members, key managerial staff or other related parties has undertaken any material transaction with the Department for Social Development during the year.

39 Third-party assets

The CSA operates a Client Funds Account to control the receipt of child maintenance and fees from non-resident parents and parents with care. Child maintenance and fees are collected and paid over respectively to persons with care or to the Department (maintenance) and to the Agency (fees). These are not Departmental assets and are not included in the Balance Sheet.

	2005-06 £'000	2004-05 £'000
Balance at 1 April	407	397
Gross inflows	13,194	12,959
Gross (outflows)	(13,162)	(12,949)
Balance at 31 March	439	407

40 Post Balance Sheet events

There were no post balance sheet events which could have had material effect on the state of affairs of the Department as at 31 March 2006 or the results for the year ended on that date, which have not been adequately provided for or disclosed.

41 Prompt payment performance

Regular reviews conducted to measure how promptly the Department pays its bills found that approximately 96.05% were paid within 30 days.

The Late Payment of Commercial Debts (Interest) Act 1998 provides small businesses with a statutory right to claim interest on the late payment of commercial debt. No payments were made by the Department during the year.

42 Bodies for which the Minister has lead policy responsibility

The following are the bodies for which the Minister had lead policy responsibility during the year:

Executive Groups

Resources, Housing and Social Security Group (RHSSG)

Urban Regeneration and Community Development Group (URCDG)

Executive Agencies

Northern Ireland Child Support Agency

Northern Ireland Social Security Agency

Public Corporation

Northern Ireland Housing Executive

Executive Non-Departmental Public Body

Laganside Corporation

ILEX Urban Regeneration Company

Non-Executive Non-Departmental Public Bodies

Charities Advisory Committee

Disability Living Allowance Advisory Board for Northern Ireland

Rent Assessment Panel

Vaughan Charity (Trustees)

Directly Provided Services

The Department performs a range of services for other bodies throughout its Agencies. The resources allocated to those activities come mainly from outside the Department. The Belfast Benefits Centre, the Paid Order Unit and the Belfast Child Support Agency Centre (CSAC) process social security benefit claims, provide filing/retrieval systems for paid benefit orders and process child support cases respectively on behalf of agencies in Great Britain.

Independent Statutory Bodies

Office of the Social Fund Commissioner

The accounts of the bodies in italics have been consolidated in the group accounts of the Department.



Northern Ireland Audit Office

Department for Social Development

Resource Accounts 2005-06

Report by the Comptroller and
Auditor General for Northern Ireland

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Part 1: Introduction and Executive Summary

Summary

Introduction

- 1.1 The Department for Social Development is responsible for administering a wide range of expenditure aimed at helping those in need, promoting measurable improvements to housing in Northern Ireland and tackling disadvantage amongst individuals and communities. Through the Social Security Agency and the Northern Ireland Child Support Agency, the Department is responsible for the administration of social security benefits and child support. The Northern Ireland Housing Executive is responsible for administering Housing Benefit. The Department's financial assistance to the housing and urban regeneration sectors is administered through its Resources, Housing and Social Security Group and the Urban Regeneration and Community Development Group respectively. In 2005-06, the Department accounted for expenditure of £4.6 billion on these areas, including associated administration costs, in its consolidated Resource Account.
- 1.2 This report:
- summarises the results of my audit and sets out the reasons for my qualified audit opinion (Part 1);
 - reviews the results of my audit of expenditure on social security benefits and social fund benefits administered by the Social Security Agency and explains the reason for removing the previous qualification on benefit overpayment debtors (Part 2); and
 - reviews the results of my audit of expenditure by the Department on urban regeneration and community development grants (Part 3).

Executive Summary

On the reasons for my qualified audit opinion

- 1.3 I have qualified my opinion on the account because of:
- significant levels of estimated fraud and error in certain social security benefits; and

-
- weaknesses in the financial control and monitoring of expenditure in relation to urban regeneration and community development grants to voluntary and community bodies.

Fraud and Error in Social Security Benefits

- 1.4 The estimated level of losses through fraud and error in social security benefits in 2005-06 is £151 million which is 4.0 per cent of expenditure on benefits.
- 1.5 I have qualified my audit opinion on the account because of significant levels of estimated fraud and error in certain social security benefits.

Debtor Balances – removal of previous qualification

- 1.6 In previous years I qualified my audit opinion as there was significant uncertainty over the accuracy and completeness of the amounts due to the Agency in respect of benefit overpayments and the Agency were unable to provide me with a sufficient audit trail to test the balances included. In 2005-06 the Agency undertook a significant amount of work on these debtor balances and I have been satisfied that the amounts included as overpayment debtors are not materially misstated, consequently I have not qualified my audit opinion on this issue this year.

Financial Control Weaknesses over Urban Regeneration and Community Development Grants to Voluntary and Community Bodies

- 1.7 On the basis of my audit findings, I have concluded that, although further progress has been made, the Department's financial controls and monitoring of expenditure in relation to grants to voluntary and community bodies is still not satisfactory. The basis for this conclusion is detailed in Part 3 of this report.
- 1.8 The Department has or is currently implementing some new initiatives to improve financial control and monitoring of expenditure. These are detailed at paragraphs 3.19 to 3.26 of this report.
- 1.9 As a result of the weaknesses in the Department's financial controls and monitoring of this expenditure I am unable to determine whether the expenditure was applied to the purposes intended and was regular. I have therefore qualified my audit opinion on the financial statements.

Part 2: Qualified Audit Opinion Arising from the Level of Estimated Fraud and Error in Social Security Benefits

Introduction

- 2.1. The Departmental Resource Account (Request for Resources A) provides for expenditure by the Department for Social Development (DSD) on “a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save.”
- 2.2. During 2005-06, the Department accounted for expenditure of £1.76 billion on non-contributory Social Security benefits, £1.57 billion on contributory Social Security benefits and £71 million on Social Fund expenditure, administered by the Social Security Agency. This included Income Support £462 million, Jobseeker’s Allowance £79 million, Disability Living Allowance £583 million, Attendance Allowance £187 million, Carer’s Allowance £82 million, Pension Credit £284 million, Retirement Pension & Bereavement Benefits £1,228 million, Incapacity Benefit £322 million and Social Fund £71 million. Additionally, the Department accounted for expenditure of £380 million on Housing Benefit, which is administered by the Northern Ireland Housing Executive (NIHE).
- 2.3. This part of my report sets out:
 - the background and the accounting arrangements for this expenditure; (*paragraphs 2.4 to 2.6*)
 - NIAO audit approach (*paragraphs 2.7 to 2.10*);
 - summary of audit findings and conclusion (*paragraphs 2.11 to 2.38*).

Background and the accounting arrangements for this expenditure

- 2.4 Part 1 of this report explains the structure of the Department. The Social Security Agency (the Agency) is an Executive Agency within the Department. As the Agency is part of the Department, benefits expenditure accounted for within the Agency Account is also included within 2005-06 DSD Resource Account programme expenditure.
- 2.5 My audit of the 2005-06 Social Security Agency Account has now been completed. The Agency Account was qualified because of significant levels of estimated fraud and error in certain social security benefits. This

qualification of the Agency Account also impacts upon the Department's Resource Account.

- 2.6 As well as the Social Security Agency's benefit expenditure, the Department's Resource Account also includes Housing Benefit which is administered by NIHE and accounted for by the Department. I reported the results of my audit of the 2005-06 NIHE Accounts on 30th June 2006. The NIHE Accounts were qualified because of a limitation of audit scope as a result of the estimated losses due to fraud and error within Housing Benefit. This qualification also impacts upon the Department's Resource Account.

NIAO Audit Approach

- 2.7. The Agency's Standards Assurance Unit examines statistical samples of all benefit awards on a continuous basis. From these samples they are able to monitor the accuracy of payments made, the quality of decision making and estimate the gross monetary value of error. The Unit also completes a programme of benefit reviews which are designed to produce a reasonable estimate of the level of customer fraud and error in benefit awards.
- 2.8. As part of our audit work in this area my staff examined and reperformed a sample of the Unit's non – contributory and social fund case work during the year for both the caseload accuracy and decision making and the benefit review exercises. I can report that I am content that the work undertaken continues to be of good standard and the results produced by the Unit are both accurate and complete. The Agency also administers contributory benefit expenditure on behalf of Her Majesty's Revenue and Customs (previously known as the Inland Revenue). As part of their work on the Northern Ireland National Insurance Fund, NAO also examine and reperform a sample of contributory benefit cases and have indicated that they consider the work of the Unit to be of a good standard.
- 2.9. The benefit review reports give an estimate of the levels of customer fraud and error. The information included within benefit review reports enables the Agency to consider how effective their processes have been at addressing these levels over time. The Agency also carries out financial accuracy exercises which estimate the levels of internal Agency error.
- 2.10. In previous years evidence available to me to support significant benefit overpayment debtor balances was limited. My staff reviewed progress made by the Agency in addressing this issue. The results of the review of this matter are outlined in paragraphs 2.32 to 2.36.

Findings

- 2.11 This section reviews the results of my audit of expenditure on contributory, non –contributory and means tested social security benefits administered by the Social Security Agency and NIHE.

Total levels of estimated fraud and error

- 2.12. In order to assist me in determining my opinion on the Department's accounts, I have prepared (see Figure 1 below) an estimate of the total level of fraud and error for 2005-06 which indicates a level of £151 million. I welcome the Agency's work in estimating total levels of fraud and error for benefits administered by it and note that the Agency intends to disclose this information in a note to the Annual Accounts in future years.
- 2.13. The level of fraud and error of £151 million represents 4.0 per cent of total benefit expenditure for the year, indicating a small increase from the 3.9 per cent of total benefit expenditure reported in 2004-05. I have used the Department's estimate of total levels of fraud and error for 2004-05 as those are more comparable than the figures I stated in my report last year.
- 2.14 I remain concerned with the overall levels of fraud and error. I recognise the considerable efforts and resources committed by the Department to address fraud and error but it is my view that these levels continue to be unacceptably high and can be reduced.
- 2.15 In response to the reported levels of fraud and error the Department has told me that reducing losses from fraud and error is one of the Social Security Agency's five key priorities for benefits within the Agency's control. I am concerned by the increase in the level of fraud and error for Housing Benefit from the previous year and would encourage the Department to continue to employ strategies to reduce the levels of loss. The Department has told me that the Northern Ireland Housing Executive has implemented a new Housing Benefit Strategy in 2005/06 which includes measures to prevent overpayments such as the use of information on the causes of overpayment to target client groups and problem areas. The Department advised that the Housing Executive has increased the use of datamatching and has begun a programme of regular interventions to help the reduction of fraud. Furthermore the Department also indicated that with regard to helping reduce the level of official error the Housing Executive has introduced a programme of refresher training for existing staff in the latter part of 2005/06. The Department expects that all these

measures will help address the levels of fraud and error from Housing Benefit.

Figure 1: Estimated level of fraud and error 2005-06

	Benefit	2005-06 £million	% of benefit expenditure	2004-05 # £million	% of benefit expenditure
Non –contributory	Income Support	25.6*	5.4	24.2*	5.0
	Jobseeker’s Allowance	4.1*	4.4	6.3*	6.4
	Disability Living Allowance	54.7**	9.5	52.2**	9.5
	Attendance Allowance	4.2***	2.2	5.7***	3.1
	Carer’s Allowance	7.5**	9.0	7.7**	9.0
	Pension Credit	16.3*	5.7	15.2*	5.5
	Housing Benefit	14.0*	3.7	11.6*	2.9
National Insurance Fund Contributory	Retirement Pension & Bereavement Benefits	9.2***	0.8	4.7***	0.4
	Incapacity Benefit	13.8**	4.3	13.8*	4.3
Social Fund	Payments, grants and loans	1.6***	2.3	1.5***	2.1
	Total	151.0		142.9	
	% of benefit expenditure		4.0%		3.9%

* Benefit Review undertaken in year

** No Benefit Review undertaken during 2005 – figures estimated by applying percentage error from most recent Benefit Review

*** Financial Accuracy figure only (i.e. internal Agency error only)

Restated, where necessary, to reflect most recent figures available and enhance comparability

Source: Figures provided by the Department.

- 2.16 The Department emphasised that different factors contribute to fraud and error and referred to the comments made in a report by the House of Commons Committee on Public Accounts (the Committee) “Tackling the Complexity of the Benefits System” published in April 2006 (HC 765). The Department noted that in this report the Committee said that “the complexity of the benefits system is a key factor affecting performance” and that “the consequences of complexity include high levels of error by staff and customers. It also helps create a climate in which fraud against the benefit system can more easily take place and go undetected.” Furthermore the Department highlighted that the Committee had

considered the factors that are required to improve the levels of fraud and error within the complexity of the benefit system specifically stating, that “Managing complexity requires well trained staff supported by accessible guidance and assistance and efficient information technology systems.” The Department also referred to an earlier report from the Committee “Fraud and Error in benefit expenditure” (HC411 published in October 2005) where it was stated that “the complexity of means tested benefits remains a key problem”.... “but fraud and error are unlikely ever to be brought under proper control without further action to simplify the rules”. The Department highlighted that simplification of the benefit system and improvements to existing information technology are not within it’s control.

- 2.17 The Department also indicated that while the overall value of error reported has increased from £142.9 m in 2004-05 to £151m in 2005-06 the actual percentage this represents of total benefit expenditure remains approximately the same at 4.0 per cent for 2005-06 compared to 3.9% for 2004-05 and the increased monetary amount is mainly due to increased benefit expenditure.
- 2.18 The Department advised that it has in place programme protection plans to improve accuracy and identify areas for action to reduce levels of customer fraud and error and in implementing these plans it has checked almost 209,000 cases of Income Support, Jobseeker’s Allowance, Disability Living Allowance, Incapacity Benefit, Retirement Pension and Pension Credit between April 2005 and March 2006 in order to prevent and detect fraud and error. The Department noted that this has resulted in a change in the amount of benefit paid, totalling £38.2 m and also during this same period over 2,600 fraud cases were successfully concluded and benefit was adjusted to the value of £13.3m. The Department also indicated that in addition 985 benefit fraud sanctions such as prosecutions, Administrative Penalties and cautions were imposed.
- 2.19 The Department told me it is continuing to pursue vigorously its strategy of identifying and removing fraud and error that has penetrated the system while at the same time securing the gateways into the benefits system. The Department emphasised that it should also be recognised that external fraud and error is not within the direct control of the Department and there are therefore limitations on how much this can be effectively reduced. The Department also told me that improvement plans are in place across all benefits to drive up standards and reduce the levels of official error. The Department also referred me to the 2004-05 report of the Comptroller and Auditor General for the United Kingdom on the resource accounts

of the Department for Work and Pensions in order to contextualise the issues facing it in relation to reducing fraud and error within a complex benefit system. In particular the Department noted that in qualifying the accounts of the Department for Work and Pensions for the sixteenth year in succession, the Comptroller and Auditor General for the United Kingdom also commented on “those aspects of complexity in the benefit system which I have long maintained are the main cause of the repeated qualification”.

Disability Living Allowance

- 2.20 Figure 1 indicates that the level of fraud and error for this benefit represents 9.5 per cent of the expenditure on this benefit. Whilst I recognise that this is a complex benefit to administer I am concerned that the level of fraud and error remains high. I have recently issued a report on this benefit where I made a number of recommendations regarding the levels of error in the decision making process. The Agency has advised me that it has implemented specific recommendations detailed within the NIAO report and has put in place an action plan to improve performance.
- 2.21 I note that the most recent benefit review for this benefit related to 2003-04. I also note that the majority of cases where customer error was found were categorised as ‘benefit correct, change in circumstances’. This is a new category which identifies cases where a customer’s condition has improved or deteriorated but the customer has not notified the Agency of their change in condition and therefore the benefit payment is incorrect. The Agency further clarified that this category included cases where a customer’s condition had improved or deteriorated but at the time of the payment the customer was not deemed at fault in not recognising the gradual change of circumstances – the resulting payments are therefore in excess of, or less than, the actual entitlement due, but still procedurally correct. My staff have had a number of discussions with Agency staff regarding this category of error and in particular methods the Agency can employ to ensure customers are more actively encouraged to inform the Agency of any change in their circumstances. In response to this issue, the Agency told me it has adopted a risk-based approach and worked with statisticians to identify the existing customers most likely to fall within this category. In April 2006 the Agency indicated that a programme has commenced which over the next 3 years will see these ‘at risk’ customers contacted either for a formal review or through a mailshot.

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- 2.22 I welcome the action taken by the Agency and will monitor the impact on the levels of error for this very important and complex benefit.

Financial Accuracy

- 2.23 Figure 2 below indicates the total estimated level of internal Agency error reported by the Agency's Financial Accuracy process. This process is a continuous programme of measurement of the level of internal Agency error in the main social security benefits. Figure 2 also contains the estimated monetary value of error and the financial accuracy correctness as a percentage of expenditure for each benefit and the targets set by the Agency for the main benefits. The Department told me that while there is no financial accuracy target set for Housing Benefit, the NIHE currently include a Processing Accuracy Target which is set at 95 per cent of claims. The Department informed me that this target relates to the percentage of cases for which the calculation of the amount of benefit due was correct on the basis of the information available. The Department told me that the outturn for 2005-06 was 95.4 per cent.
- 2.24 The 2005-06 Financial Accuracy programme has indicated an estimated level of internal error of £79.8 million. Although there has been no change in financial amount and in percentage of error from 2004-05, I am concerned by the level of internal Agency errors as this type of error is within the Agency's control and significant resources have been committed to reducing these errors. I asked the Agency to comment on the seemingly static position in the levels of internal Agency error and the Agency told me that it recognises the concern of the Comptroller and Auditor General regarding the level of internal error. The Agency indicated that the complexity of the Benefits system is one issue contributing to staff making mistakes as highlighted by the Committee of the Public Accounts (see paragraph 2.16) but, nevertheless the Agency is pursuing this problem and is working steadily to drive up quality standards. The Agency told me that in 2005-06, very demanding targets were set for financial accuracy. The Agency highlighted that, for example, Income Support, Jobseeker's Allowance, Retirement Pension and Incapacity Benefit had financial accuracy targets set at 99 per cent and that Income Support, Attendance Allowance, Carer's Allowance, Incapacity Benefit and Social Fund all exceeded 97 per cent financial accuracy. The Agency also stated that in reality it is a very difficult task to maintain these levels of financial accuracy let alone improve them especially in the context of staff headcount reductions. The Agency also pointed out that the financial accuracy calculations is a statistical estimating process based

on random sampling and sample sizes used have a tolerance of around +/- 1 %, so actually measuring the limited improvements now possible in most benefits is becoming increasingly difficult to do with statistical precision. The Agency feels that overall the financial accuracy results do reflect the major effort that has been made to improve accuracy across all benefits and realistically fulfils expected performance improvement year by year. However, the Agency does concede that there is still room for improvement in Disability Living Allowance and Pension Credit and are working to that objective. The Agency told me that in both of these benefits a lot of the error lies in the caseload and efforts are being focussed on 'at risk' cases to seek improvement.

- 2.25 I would encourage the Agency to continue to consider methods and processes to reduce the levels of these errors and I would expect to see a decreasing trend when I consider these figures during my 2006-07 audit.
- 2.26 Figure 2 also indicates that six financial accuracy targets covering the major benefits were set by the Agency. In 2005-06, three of the six targets set were achieved. The Agency told me that the target for Incapacity Benefit was also achieved as its result was within the statistical tolerance level. The Agency also told me that it considers that the very exacting targets which have been set attest to the Agency's commitment to do better and that improvement plans are in place across all benefit areas to drive up standards.

Figure 2: Internal Agency Financial Accuracy

Benefit	2005-06 Monetary Value of Error £million	2005-06 Financial Accuracy correctness as a % of expenditure	2005-06 Target	2004-05 Monetary Value of Error £million	2004-05 Financial Accuracy correctness as a % of expenditure	2004-05 Target
Non-contributory						
Income Support	11.0	97.7%	99.0%	11.0	97.8%	98.5%
Jobseeker's Allowance	0.7	99.2%	99.0%	1.6	98.4%	98.5%
Disability Living Allowance	37.3	93.5%	96.0%	36.0	93.5%	95.0%
Attendance Allowance	4.2	97.8%	Not available*	5.7	96.9%	Not available*
Carer's Allowance	1.1	98.7%	Not available*	0.9	98.9%	Not available*
Pension Credit	11.0	96.2%	96.0%	12.7	95.4%	95.0%
National Insurance Fund Contributory						
Retirement Pension & Bereavement Benefits	9.2	99.2%	99.0%	4.7	99.6%	95.0%
Incapacity Benefit	3.7	98.8%	99.0%	5.7	98.2%	98.5%
Social Fund						
Payments, grants and loans	1.6	97.7%	Not available*	1.5	97.8%	Not available*
Total	79.8	97.7%		79.8	97.6%	

* Not available as targets not set for these benefits

Tackling Customer Fraud and Error

2.27 As part of the ongoing efforts to address the level of customer fraud and error, the Agency established the Benefit Security Directorate in 1998 to coordinate and drive strategies for reducing fraud and error. Following from this, the Benefit Investigation Service (BIS) was introduced to contribute to the reduction in customer generated benefit fraud. BIS's services are also extended to cover Housing Benefit under a Service level Agreement with NIHE. In 2005-06, BIS's work lead to benefits being adjusted in over 40 per cent of their investigations.

2.28 The following two case studies illustrate the positive work being done by BIS.

Case Study 1 – Claiming benefit during a period of employment

This case arose from a data matching process which identified that the customer had been working during the time he was claiming and receiving Job Seekers Allowance. Checks performed on the benefit system revealed that the customer had been employed for a 12 week period before he had ceased to claim the benefit. The employer was contacted and the employment details confirmed. The customer was interviewed under caution and, after initially denying the allegations, admitted to the circumstances on seeing the evidence. The overpayment was confirmed as £668.28 and the benefit Decision Maker deemed an administrative penalty of £200.48 appropriate. Procedures were followed and a decision was taken to offer the customer to pay an ‘administrative penalty’. The customer accepted the decision and the repayment of the amounts due from the customer has now commenced.

Case Study 2 – Living together as husband and wife

An anonymous telephone call was received in alleging that Customer X was claiming benefit and living with their partner. Various lines of enquiry were pursued and details were taken from the Driving Vehicle Licensing Agency showing that the Customer’s partner’s car was registered to the Customer’s address. Authorised surveillance was carried out over an extended period of time and showed that the Customer’s partner may reside at that address. The Customer, accompanied by a solicitor, was interviewed under caution and denied the allegation. The benefit Decision Maker accepted the evidence and raised an overpayment of £5,086.19. The information was gathered and passed to the Public Prosecution Service (PPS) who confirmed that the case would be taken forward for prosecution. The Customer was found guilty and received a conditional discharge on two counts for 12 months each. The Customer has now commenced repayment of the amounts fraudulently claimed.

- 2.29 I note the recently published report from the Criminal Justice Inspection Northern Ireland ‘Inspection of the Benefit Investigation Service of the Social Security Agency. The report highlighted a number of areas of good practice within BIS but noted that there is scope for improvements. In particular, a joined up approach to manage counter fraud activities within the Agency and using the information the system generates to target fraud would help tackle fraud more effectively. In response to the

Report, the Agency has developed an action plan to implement the major recommendations as soon as possible. I will monitor the Agency's progress on this action plan.

- 2.30 The progress of the Agency in tackling issues related to fraud and error in the administration of social security benefits will also be addressed in a value for money report on Social Security Fraud and Error which I am currently undertaking.
- 2.31 As noted in paragraph 2.10 my staff reviewed the progress made by the Agency in respect of Social Security programme debtor balances.

Contributory and Non Contributory Benefit Overpayment debtors - Removal of previous audit qualification

- 2.32 In previous years I qualified my audit opinion on the Department's account because of the uncertainties regarding the amounts included as benefit overpayments. In 2005-06 the Social Security Agency undertook a significant amount of work on the debtors balance and I can confirm that as a result of the testing completed by my staff I am able to remove the previous qualification on these balances.
- 2.33 Overpayments to customers arise as a result of fraud or error on the part of the customer, and to a lesser extent errors by officials. Currently when an overpayment is identified, local social security offices notify Debt Management Unit (DMU). DMU records the amount of the overpayment on their debt management system, the Overpayment Recovery System (OPREC) and pursue recovery. These and subsequent movements in debt outstanding are posted to the Programme Accounting Computer System (PACS) general ledger in total rather than by the individual amounts. In previous years the debtor balance recorded in the PACS general ledger was considered to be more accurate, and being lower, more prudent and this was the balance that was included within debtors in the accounts. However, the PACS system cannot provide a listing of individual customers owing money for my staff to test. A listing of individual balances was available from the OPREC system but the total overpayments did not agree with the balance recorded on the PACS system. In previous years the Agency were unable to satisfactorily reconcile the two balances and as a consequence I was uncertain about the accuracy and completeness of the overpayment debtors balance in the accounts and I had qualified my audit opinion on the basis that the scope of my audit was limited.

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- 2.34 However, in 2005-06 a significant amount of work has been invested by Agency staff to address my concerns about the overpayment debtor balance. An exercise to validate and update the individual customer balances on the OPREC system was undertaken and the results indicated that the debtor balances on OPREC were robust to the extent that it was considered more accurate for the overpayment debtor in the 2005-06 Agency accounts to be based on the OPREC balance. Consequently my staff had access to an overpayment debtors listing that agrees with the balance shown in the accounts to perform audit work on.
- 2.35 I previously had concerns about the completeness of customer overpayment debt. However, this year in preparation for the Debt Modernisation Project the Agency has put significant effort into addressing my previous audit concerns over completeness and as a result they have identified a high level of debt cases which have not yet been fully assessed and included on OPREC at the year end. These cases are considered to be “potential debt” until operational staff have correctly established whether a genuine overpayment debt does in fact exist. Using historical statistical information the Agency has estimated the value of this “potential debt” to be £8.5 million and this figure has been accounted for within debtors in the 2005-06 accounts. I am concerned that such a significant level of unassessed debt (27,990 cases) exists within the Agency and strongly encourage the Agency to take immediate steps to fully assess the amounts due and pursue the outstanding balances. I asked the Agency to comment on this matter and it told me that a reduction in the level of unassessed debt is one of the priority areas for the Debt Modernisation Project. The Agency informed me that operational managers have put in place recovery plans to clear the backlog of unassessed debt cases. Furthermore the Agency indicated that the objectives of the Debt Modernisation Project will also contribute to more streamlined debt management processes and the more efficient management of benefit overpayment debt.
- 2.36 The Agency acknowledge that the systems for handling overpayment debtors have been largely unsatisfactory for a number of years and it is currently introducing a IT system, a revised management structure and business processes as part of the Debt Modernisation Project. The new IT system (Debt Manager) will replace OPREC and will be operational by October 2006. I will closely monitor the anticipated improvements that this new system will deliver in terms of accuracy of debt information and recovery of debt in future audits.

Summary of audit findings

Fraud and Error in Social Security Benefits

2.37 I have estimated the total level of fraud and error for 2005-06 as £151 million, which represents 4.0 per cent of total benefit expenditure.

Conclusion

2.38 In forming my audit opinion I am required to confirm that the account is free from material misstatement, whether caused by error, fraud or irregularity. I have qualified my audit opinion on the account due to the material level of estimated fraud and error in benefit expenditure totalling £151 million (see Figure 1).

Part 3: Qualified Audit Opinion Arising from Weaknesses in Financial Control and Monitoring of Expenditure in Relation to Urban Development and Community Development Grants to Voluntary and Community Bodies

Request For Resource C: Urban Regeneration And Community Development

Introduction

- 3.1 The Departmental Resource Account (Request for Resource C) includes expenditure by the Department for Social Development on urban regeneration and community development. During 2005-06 the Department paid out £69 million (2004-05 £75 million), in respect of expenditure on Urban Regeneration and Community Development grant. Much of the expenditure is administered through third parties such as Intermediary Funding Bodies, community groups, voluntary organisations and statutory bodies.
- 3.2 I have qualified my audit opinion on the expenditure in this area for the past six years on the basis of weaknesses in the Department's financial controls and monitoring of this expenditure. My examination of the 2005-06 expenditure in this area has revealed that, although significant progress has been made and a number of new developments introduced, the Department's control and monitoring of grants made to voluntary and community bodies is still not satisfactory. I explain the basis of my opinion in paragraphs 3.3 to 3.18 below. I have also revisited and commented on major new initiatives that have been introduced or developed in 2005-06.

NIAO Audit Opinion

- 3.3 I have formed my audit opinion on the basis of the following audit approach;
- a review of the findings of the work completed by the Department's Internal Audit Unit and in particular its annual assessment made of this area of the Department's expenditure (paragraphs 3.4 to 3.7);

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- specific testing of the operation and adequacy of key financial controls by examining a sample of projects funded by the Department during the year (paragraphs 3.8 to 3.11); and
 - a review of the work carried out by the Quality Assurance and Improvement Unit (paragraphs 3.12 to 3.17).

Review of Internal Audit findings

- 3.4 The Department's Internal Audit Unit prepares an annual audit plan, based on a risk assessment for each major part of the Department's activities. Internal Audit then reports progress and findings to the relevant audit committees and presents an annual assurance report to the Department's Accounting Officer. The annual assurance report includes an overall opinion, based on internal audit's findings from the agreed programme of work. The opinion ranges from no assurance¹, then limited assurance², substantial assurance³ and full assurance⁴.
- 3.5 Internal Audit's annual assurance report for 2005-06 concluded that the overall assurance rating for the Urban Regeneration and Community Development Group (URCDG) remains at 'limited assurance' as given in 2004-05. This conclusion was an overall evaluation of the URCDG's activities based on the audit testing which included administration and programme expenditure.
- 3.6 In arriving at the limited assurance rating, Internal Audit stated in the annual assurance report that there was already evidence of a number of positive signs which are being explored further in the current audit programme. Internal Audit will review the position upon completion of the current work. The report further noted that as a number of new processes were bedding in during 2005-06, Internal Audit will reassess this assurance rating next year.
- 3.7 In considering the overall assurance for programme expenditure Internal Audit acknowledged the continued improvement within URCDG.

1 No assurance – control is generally weak, leaving the system open to significant error or abuse and /or non-compliance with basic controls leaves the system open to error or abuse.

2 Limited assurance – weaknesses in the system of control are such as to put the system objectives at risk and / or the level of non-compliance puts the system objectives at risk.

3 Substantial assurance – while there is, basically, a sound system, there are weaknesses which put some of the objectives of risk and /or there is evidence that the level of non-compliance may put some of the system objectives at risk.

4 Full assurance – there is a sound system of control designed to achieve the system objectives and the control are being consistently applied.

NIAO examination of project payments

- 3.8 My staff examined a sample of urban regeneration and community development projects funded by the Department during the year. I noted a significant decrease in the number of weaknesses found in these projects from that in previous years. However, I am still concerned at the nature of the weaknesses found and in particular that the majority of the weaknesses found during my testing were due to non-adherence to the Department's own procedures.
- 3.9 During 2005-06 URCDG introduced an enhanced checking regime and a system of reporting the results of management checks for some parts of the group. Since October 2005 the URCDG management group now consider the findings from management checks at its monthly meeting. As a result of the review of these management checks, the necessary remedial action is taken and this can include specifically tailored training sessions.
- 3.10 I am encouraged by this demonstration of senior management commitment within the group to addressing the weaknesses identified. The process of performing management checks and the review of these was operating for part of the 2005-06 year. Internal Audit have reviewed the checking and review process and have raised a number of issues that relate to the presentation and interpretation of the information contained within the monthly reports. These need to be addressed by the Group Management Board with the aim of enhancing its monitoring role within the process. I will review the effectiveness of the management checks during my 2006-07 audit when the process is fully embedded.
- 3.11 As noted above my audit testing of project payments indicated a smaller number of weaknesses than in previous years. However, in my view the types of weaknesses my staff found continue to be within the Department's control. I am encouraged with the additional steps taken by the Department in 2005-06 and remain cautiously optimistic that such initiatives will lead to further improvements in 2006-07.

Quality Assurance & Improvement Unit

- 3.12 URCDG established Quality Assurance and Improvement Units in three of its areas over the last number of years. In October 2005 the group centralised the quality assurance function establishing a new Quality Assurance and Improvement Unit (QAIU) which later incorporated the Central Advice and Guidance Unit (CAGU).

The aims of QAIU are:

- To strengthen its quality assurance arrangements;
- to provide group management with independent assurance on the quality and adequacy of evidence held on project files to support funding decisions and claims for payment;
- to assist in the monitoring and evaluation of projects and funding programmes; and
- in conjunction with the CAGU function to make recommendations to improve quality across the Group by addressing any significant concerns identified.

3.13 During 2005-06 the centralised QAIU function performed checking of project application and payment made in three of its offices, Belfast Regeneration Office (BRO), North West Development Office (NWDO) and the Regional Development Office (RDO) from October 2005. The results of these checks are reported to the monthly Group Management Board and submitted to the Departmental Management Board for discussion. I have reviewed these reports for the period in operation and am pleased to report that there is a general improvement in the standard and output of the management checks from the individual business areas.

3.14 Internal Audit also reviewed the new centralised QAIU and commented that it considers QAIU to be a well founded concept and that the work of the Unit, to date, is of the required standard and can be relied upon by management. Internal Audit also acknowledged that management are still developing the role of the Unit along with formalising the processes, procedures and targets for the work carried out by QAIU. The review by Internal Audit identified some issues which are currently being taken forward by QAIU to enhance the operations and effectiveness of the unit.

3.15 I am particularly encouraged by the involvement of both the Group and Departmental management in the consideration of the findings from the checks carried out by both local management and the Quality Assurance and Improvement Unit. I acknowledge that the Unit is still developing and welcome the extension of QAIU to all operational areas. I recommend that URCDG implements the recommendations made in the Internal Audit reports on this area as soon as possible.

3.16 The QAIU checks and the reporting of these checks increases the profile of the quality improvement measures being taken by the group. The Department told me that QAIU will continue to sample in those areas deemed to be of greater risk. The Department notes that it considers that

significant progress has already been made since the introduction of the QAIU checks and reporting process.

- 3.17 The establishment of a centralised Quality Assurance and Improvement Unit has undoubtedly contributed to the improvements in control realised by URCDG during 2005-06. I note that the centralised QAIU has been operational since the 31st October 2005 and therefore consider that the actual benefits of the enhanced process will take some time to bed in. I will review the work of QAIU during my 2006-07 audit.

Overall Conclusion

- 3.18 As part of my audit of the Department's financial statements, I am required to satisfy myself, in all material respects, that the expenditure and income shown in their accounts have been applied to the purposes intended by Parliament and conform to the authorities⁵ which govern them, that is, that they are "regular". It is my view, on the basis of the audit findings in paragraphs 3.4 to 3.17 above, that, although significant progress has been made, the Department's financial controls and monitoring of expenditure in this area are still not satisfactory. These system weaknesses are sufficiently significant for me to have insufficient assurance that URCDG expenditure has been applied to the purposes intended by Parliament and conforms to the authorities which govern them. I have therefore decided to qualify my audit opinion on the regularity of this expenditure.

New or ongoing initiatives within the Urban Regeneration and Community Development Group

Central Advice & Guidance Unit

- 3.19 The New Common Systems Project was set up to provide URCDG with a standardised system for grant administration in June 2005. The project has now established a Central Advice and Guidance Unit (CAGU) who have a varied remit which includes providing timely and accurate advice to staff within URCDG, updating procedural guidance as necessary, providing training and monitoring accuracy levels throughout URCDG in conjunction with QAIU. I am pleased to report that this has bedded in well and that this approach provides a sound basis for ensuring that projects are subjected

⁵ *authorities include the legislation authorising the expenditure, the regulations issued to comply with that legislation, Parliamentary authority and DFP authority*

to a consistent and robust system of control supplemented by the various checking regimes. CAGU is now incorporated within the centralised QAIU as detailed in paragraph 3.12 above.

Approval and Review Panels

- 3.20 The Department told me that it has established Approval Panels in both BRO and RDO and consider the panels are operating effectively. The Approval Panels are made up from members of the respective Senior Management Teams and the panel is required to examine grant applications or projects and decide on whether they should be approved or rejected. In addition to the Approval Panel's consideration of submitted projects, the Department has told me that the Approval Panels often suggest changes that further enhance quality and this has helped BRO and RDO to learn and continuously improve.
- 3.21 The Department also told me that a Review Panel has been operating effectively in NWDO since September 2004. The Review Panel's remit is to examine pre approval projects and make recommendations on funding. It is the Department's view that the operation of the Review Panel in NWDO has realised the same level of quality improvement benefits as the Approval Panels in BRO and RDO.
- 3.22 It is my view that the introduction of the Approval and Review Panels has strengthened the decision-making process within BRO, RDO and NWDO. However I would encourage the Department to monitor the requirement for the Approval and Review Panels to assess all projects where indications are that the standards of decision making are continuing to increase. The Department told me that it considers that the current panel approval procedures are working well and have been integrated into the routine management meetings. The Department considers that these panels help promote a consistency of approach and have been instrumental in improving decision making and promoting best practice. In addition the Department believes that these improvements in governance have helped to improve the internal audit rating for this area, and it will only consider reducing the remit of the panels, with the possibility of moving to a risk based model, when internal audit move the Group to a substantial assurance rating.

Risk Based Assessment

- 3.23 My previous reports on this area have indicated that, in my view, the Department should make greater use of risk assessment in its consideration of the required levels of monitoring and verification to ease the burden of grant administration on the voluntary and community sector. This issue was also raised by the House of Commons Committee of Public Accounts (the Committee) in its report “Working with the Voluntary Sector” (HC717) where it was stated “the sector should expect to account for public monies received, but monitoring should be proportionate to the level of funding provided as excessive procedures undermine value for money.” I concur with this view of the Committee and recommend that the Department continue to consider its procedures to ensure that they are proportionate not only to the level of funding provided but reflect also other relevant risk factors.
- 3.24 In the 2004-05 year, formal approval was given for a pilot to commence to develop an improved system of grant expenditure verification which would be of benefit to the Volunteer Development Agency (VDA), to the groups they assist and VCU in the longer term. The pilot exercise consisted of risk assessments performed on the controls operating within funded bodies to determine whether a reduction in the level of vouching could be achieved. The pilot was undertaken with a view to roll out the risk management process to other programmes throughout URCDG. Internal Audit carried out a review on the pilot and its report acknowledges that VCU have established the basic key elements of the risk management approach in respect of the grant verification work and have developed and produced relevant documentation to carry out this process. Internal Audit also recognised in its report that initial training has been provided by management for both the voluntary groups and VCU staff through seminars to communicate the new risk based approach and improve the understanding of risk management of all the interested parties. However, there are a number of improvements, which have been identified by Internal Audit which will enhance the current process resulting in a more robust risk management.
- 3.25 I asked the Department when it plans to extend this risk assessment to all areas of URCDG. The Department told me that the risk management approach to vouching payments is a developing process and that since April 2006 the payments team has transferred from VCU to the Finance, Planning & Governance Unit. The Department also informed me that that the risk based assessment process is currently being enhanced by VCU through the implementation of the recommendations from Internal

Audit and the Group are also testing the risk based payments system as a centralised function in a pilot environment using VCU programmes. The Department indicated that following an evaluation of both the robustness and effectiveness of the centralised risk based approach, further consideration will be given to extending the process to the remaining operational areas.

- 3.26 I am disappointed that this risk based approach to monitoring and verification has not been expanded to other business areas within URCDG. I would strongly recommend that the risk based method of considering the extent of grant verification and monitoring required is implemented across URCDG after the improvements identified by Internal Audit have been incorporated into the process. The Department told me that URCDG is to commission an exercise to review its current grant administration procedures to ensure there is a balance between proper governance and improving support to the voluntary and community sector. The Department believe this will contribute to implementing change that will be consistent with government's intent to support the voluntary and community sector to enable better engagement in the delivery of services through more efficient and effective funding procedures. I will continue to monitor developments in this area during my next audit.



J M Dowdall CB
Comptroller and Auditor General
16 October 2006

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