Department for

Social Development

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RESOURCE ACCOUNT
for the year ended 31 March 2005

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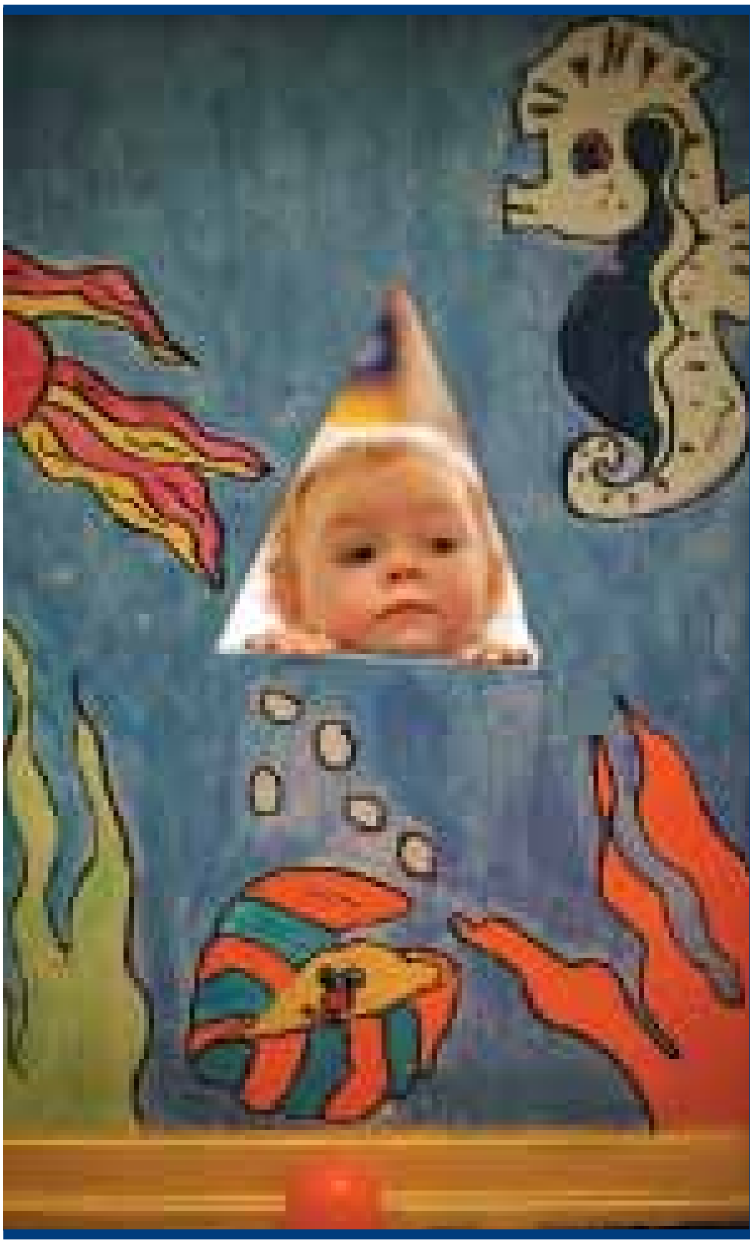

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Department for Social Development Resource Accounts
For the year ended 31 March 2005

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Resource Account
for the year ended 31 March 2005

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Annual Report

1. The Departmental Accounting Boundary

1.1 These accounts consolidate the financial information of the Department for Social Development (DSD), which is one of eleven Government Departments established under the Northern Ireland Act 1998.

1.2 The Department comprises two Executive Agencies, the **Social Security Agency (SSA)** and the **Child Support Agency (CSA)**; and two Core Groups, the **Resources, Housing and Social Security Group (RHSSG)** and the **Urban Regeneration and Community Development Group (URCDG)**. The functions of each body within the Departmental Accounting Boundary are as set out below:

- **The Social Security Agency** administers social security benefits through a network of central and local offices across Northern Ireland. It also administers the Social Fund, which provides discretionary and regulated grants and interest free loans to meet the needs in certain circumstances of customers and people on low incomes. The Social Security Agency also provides 'back office' services for several London Benefit offices of the Great Britain Department for Work and Pensions and an accounting, storage, search and retrieval service for paid benefit orders for the whole of the United Kingdom.

- **The Child Support Agency** arranges or collects child support maintenance on behalf of children whose parents live apart. In addition to providing a service within Northern Ireland, the NI 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** negotiates and manages the allocation and control of the Department's resources and provides a number of corporate services[1] across the Department. The Group is responsible for corporate finance, personnel and support services and for housing, social security, 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. RHSSG is also responsible for preparing and directing social housing policy; overseeing the Private Rented Sector in Northern Ireland and the supervision and control of the Northern Ireland Housing Executive (NIHE), who also administer Housing Benefit to the rented sector on behalf of the

1 **The Central Policy and Co-ordination Unit**, which sits outside the RHSSG organisation, reports directly to the Permanent Secretary and has responsibility for corporate business planning and a range of other central services.

Department. The Appeals Service (NI), also part of RHSSG, provides administrative support to the independent tribunals set up by legislation to hear appeals against decision makers in the SSA, CSA, HM Revenue and Customs, Northern Ireland Housing Executive (NIHE) and Rates Collection Agency. The Finance Directorate within RHSSG has responsibility for 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. The Group is also responsible for overall policy for the voluntary sector and community development across Northern Ireland Departments, a range of social and charities legislation and all European Union issues which affect the Department, including the Peace II programme.

The Group has identified 5 key areas which provide a focus for all URCDG activities; these are, firstly, *Regenerating Areas and Communities*. This includes Neighbourhood Renewal with an emphasis on building the capacity of the Neighbourhood Partnerships and actively engaging with other Statutory Bodies to create a greater sense of ownership.

Secondly, *promoting viable and vital Town and City Centres*. The Group aimed to be more forward thinking in the area around Regeneration including establishing a mechanism to promote best practise, piloting approaches, etc. The Group also give consideration to a more structured approach to Policy Making and Research and Development e.g. a Research, Development and Planning Forum. The Group has worked with other government departments and key stakeholders to regenerate and promote Belfast City Centre, including upgrading of the public realm. The major regeneration taking place at Victoria Square Belfast is a prime example of the quickening pace in terms of urban regeneration and a visible outcome of what can be achieved. Funding has also been provided for other towns and cities.

Thirdly, *Developing and Empowering Communities*. The key issues include developing a strategy for Advice Services, a policy for Women's Sector. The Group will also clarify the role of URCDG in relation to "Weak Community Infrastructure" and define the actions needed in relation to "Community Development".

URCDGs fourth key area is *Support for the Voluntary and Community Sector*. The report of the Task Force on Resourcing the Voluntary and

Community sector presented challenging recommendations for Government. The co-ordinated Government response documented in *Positive Steps* outlined a significant agenda for change and investment. Some of the actions contained within the report require further dialogue with the voluntary and community sector and will be incorporated in the next *Partners for Change*.

The Fifth key area the Group focused on is *Creating and developing Social and Charities Legislation*. The Group is developing a range of social Policy and legislation to reflect changing social attitudes and expectations, while continuing to provide an effective framework for control and enforcement. This includes new legislation on unauthorised encampments, a review of liquor licensing and a review of charities legislation.

Responsibility for Funds

1.3 The National Insurance Fund, which is the responsibility of the Inland Revenue, is excluded from the consolidation and the Summary of Resource Outturn in Schedule 1. However, certain elements are included in Schedules 2 to 5. These are contributory benefits, all administration costs and their related assets and liabilities.

1.4 The Social Fund, which is administered by the Social Security Agency, is consolidated within Schedules 1 to 5.

1.5 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.

1.6 The Department's Voluntary and Community Unit has operated the Local Community fund since April 2003. This annual £3 million fund has been used to support local community development activities aimed at building skills and confidence through the active participation of local people in 18 of the 26 District Council areas suffering the highest levels of deprivation where community infrastructure is weak. The local communities working in conjunction with their District Councils or Local Strategy Partnerships take decisions about what activities are supported. In Belfast, the Community Foundation for Northern Ireland have undertaken this role since April 2004.

Public Sector Bodies Outside the Departmental Accounting Boundary

1.7 Annexe A 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 public sector bodies outside the Departmental Accounting Boundary 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.

- The Office of the First Minister and Deputy First Minister (OFMDFM) and the Department for Social Development (DSD) 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 practitioners.

- **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 is one of 5 trustees of the Charity and as the holding trustee, DSD is bound by charity law to carry out the Charity'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. Departmental Reporting Cycle

2.1 During 2004-05 the Departmental Management Board and the DSD Minister received quarterly progress reports against the Department's Public Service Agreement (PSA) 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.

Operating and Financial Review

3. Departmental Aims and Strategic Objectives

3.1 The Department's Mission Statement "*Together, tackling disadvantage, building communities*" provides the overarching theme for the Department's work, which, together with the three strategic objectives in paragraph 3.2, forms the basis of DSD's planning activity and main resource allocation.

3.2 The Department's three strategic objectives are:

Strategic Objective 1- Delivered Jointly by the SSA and CSA

- *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 RHSSG

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

Strategic Objective 3 - Delivered by URCDG

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

4. Principal Activities

4.1 The principal activities of the Department during 2004-05 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;

- Consult on the legislative and administrative arrangements for charities in Northern Ireland;

- 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;

- 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.

5. Performance in the Period

5.1 The Government's top level **strategic planning document *Priorities and Budget 2004-06*** 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.

5.2 The Department had 13 key PSA targets during the year and these were delivered through 52 business level targets. The end of year overall position was positive, with 96% of the PSA business targets either achieved or on track for achievement, but some with some delay. Only two business level targets were not achieved.

5.3 There were also 28 Improving Service Delivery targets and a further 11 targets, which are shared with other departments. 93% of the Improving Service Delivery targets were achieved and 100% of the shared targets were achieved or are ongoing over the longer term.

Actions Underpinning the Delivery of PSAs

5.4 The Department's 2004-05 Business Plan lists, at Section 1, the actions that underpin the delivery of the Public Service Agreement targets. These set out agreed overall aims, objectives, detailed actions, key targets and budget allocations. The 'shared' targets, along with the Department's input to them, are set out in Section 2. Section 3 is devoted to targets for delivering key reforms and Section 4 covers the targets for improving service delivery. An electronic copy of the Plan can be obtained from the DSD Internet site at www.dsdni.gov.uk under the heading Publications-Business Plans. Alternatively, a printed copy may be obtained from:

Corporate Policy and Planning Branch
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
BELFAST
BT7 2JB
Telephone: 02890 829501

Key Achievements During 2004-2005

5.5 The Department for Social Development's business concerns tackling disadvantage and building communities and links to concepts such as poverty, deprivation and social exclusion. Underlying all of the Department's work, there is the intention to improve the quality of life of individuals, vulnerable groups and neighbourhoods within Northern Ireland. However, there is a general recognition that this is not an easy matter since the work involves a wide range of interdependent measures which take account of economic, social, and environmental factors. During 2004-05, 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

Modernising the Social Welfare System

5.6 The strategic direction for the Social Security Agency is set in the context of modernising public services through the Modernisation Programme. Specific emphasis has been placed on social security reforms which will deliver an integrated, efficient and secure social welfare system across Northern Ireland. The Social Security Agency is committed to continuous improvement through delivering better services for each major benefit across its three main customer groups:

- Working Age;
- Pensioners; and
- Disability and Carers.

5.7 ***Working Age*** - The Agency has been working together with the Department for Employment and Learning to enhance the services provided to working age customers. This combined effort is designed to provide a full range of advice on both looking for work and benefits in just one visit and is enabling an increased number of benefit customers to engage with the labour market. At the end of March, 24 out of the 35 Social Security Offices had been co-located with Job Centres in new Jobs and Benefit Offices with the remainder due to be completed by March 2007.

5.8 Results from the recently integrated service show that the new arrangements provide a more effective means of helping people into work and administering Jobseekers Allowance (JSA). The JSA register has reduced by 14% - 20% within 3 months of the introduction of the work-focused service in all co-located offices, and this reduction has been sustained. In addition, research indicates that customer service has improved under the new joined-up arrangements.

5.9 ***Pensioners*** – 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 get. A year long publicity campaign for take-up of Pension Credit was completed in October 2004. By the end of the year targets for promoting take-up of State Pension Credit were exceeded. However, the publicity campaign generated considerable interest in Pension Credit, which, when coupled with some organisational issues, resulted in a backlog of 6,500 Pension Credit applications and over 70,000 Change of Circumstances. To address the backlog in these areas a recovery plan was put in place and at the end of March 2005 the backlog had been cleared.

5.10 ***Disability and Carers*** – The Agency provides financial support and guidance to those with disabilities and their carers. The Agency continued to make major improvements to the service by improving accessibility, primarily through the use of telephone and improved telephony. By the end of the year targets had been exceeded for clearing claims. The service also focused on paying people with disabilities, and their carers, the correct amount of money to which they are entitled, providing accurate information and directing customers to the right place for other services.

Promoting Financial Inclusion

5.11 A lack of access to products such as banking services, insurance, credit cards and other financial services, is closely linked to poverty insofar as people with lower incomes are more likely to have difficulty availing of financial services and are more likely to suffer from debt. Modernising the way payment of benefits is made through the Direct Payment scheme helps to promote financial inclusion and provides a safe, convenient and efficient way of paying benefits into the personal accounts of customers. The Payment Modernisation Project took forward a major exercise to convert customers from order books to direct payment during 2004-05. This included written invitations to all relevant customers through the conversion centre in GB. It was accompanied by a major publicity campaign carried out to promote Direct Payment, which included television, radio, press and outdoor advertising. At the end of the year 93% of customers were being paid by Direct Payment, which far exceeds the 75% target set at the start of the year.

Delivering Better Customer Services and Reducing Losses from Fraud and Error

5.12 Frontline staff are responsible for assessing and paying social security benefits accurately and securely. They also provide an information and advice service to customer groups and handle reviews and appeals on decisions. Challenging financial accuracy and clearance time targets have been established across the 6 main benefit areas and the focus is on continuously improving on decision-making and accuracy in order to meet customer expectations and reduce financial losses.

5.13 While there was a marginal shortfall in the achievement of customer service targets in some areas, and an 11% below target outturn for customer satisfaction levels with reference to the Northern Ireland omnibus surveys for April and September 2004, clearance time targets for claims for Income Support, Jobseekers Allowance, Retirement Pension and Disability Living Allowance (including special rules and appeals) were all achieved. The targets for Financial Accuracy were increased substantially from last year based on the accuracy performance during 2003-04. This performance was for the most part sustained during 2004-05.

5.14 High levels of performance were also achieved for seeing callers, answering telephone calls and responding to enquiries and complaints. Of particular note, 99% of all correspondence from Members of Parliament was replied to within the deadline and 96.3% of customers' correspondence was responded to within 10 days.

5.15 A critical objective of the Agency business is to improve debt recovery, which includes the management of the recovery of all overpayments deemed as recoverable, and the accounting and reporting of all non-recoverable benefit overpayments. The Agency has been set a key Ministerial target in relation to the amount of monies to be recovered annually and in 2004-05 the recovery target of £5 million was achieved.

5.16 The Agency is committed to ensuring that benefits do not reach people who are not entitled to them and work is ongoing to reduce losses from fraud and error in the four main benefits. This year an additional Benefit Review was carried out to give an estimate of fraud and error in Pension Credit. The remaining Benefit Review figures for 2004-05 were not available in time for this report.

Child Support Agency

5.17 Due to the continuing problems with the new Child Support Computer System the Agency did not achieve the milestone target of a 50% increase in the number of children receiving child maintenance by the end of 2005, compared to 2003. The actual performance was an increase of 35% in the number of children receiving child maintenance. The accuracy target was achieved, as was the target to increase the proportion of applications reaching Maintenance Calculations. However, the Agency failed to meet the Case and Cash Compliance targets. National recovery plans are in place to deal with the system problems and are receiving priority attention. In the meantime, system enhancements are being maximised and the implementation of clerical interventions has shown an upward trend in performance figures during the year, with the end-year performance in Northern Ireland, slightly better than that in the Great Britain Agency.

Housing

5.18 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, 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 2004-05 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

5.19 Targets were exceeded in a number of critical areas, for example, the Northern Ireland Housing Executive allocated over 1,000 more houses than planned during the year and home ownership under the Northern Ireland Co-ownership Scheme was accessed by over 100% more people than the target of 200 due to the allocation of additional funding in year. The Supporting People Initiative, which provides housing support to enable people to remain in their own homes, was able to assist over 2,000 more people than the target of 9,000. A rolling programme of social housing provision was also maintained by registered Housing Associations, with 1,317 additional units provided to accommodate people from the waiting list.

Stock Improvements and Maintenance

5.20 NIHE's stock improvement and planned maintenance programmes exceeded targets by 24 and 758 respectively, and over 1,000 more private sector grants were approved for renovations and repairs.

Addressing Fuel Poverty

5.21 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.

Urban Regeneration

Regenerating Areas & Communities

5.22 Implementation of the Department's Neighbourhood Renewal Strategy, which was launched in June 2003, began its second phase in September 2004 and continued throughout the year. 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. By 31 March 2005 Neighbourhood Partnerships had been formed in 13 areas, with the remainder due to come on stream in 2005-06.

Promoting Viable and Vital Town and City Centres

5.23 Throughout Northern Ireland there has been considerable development work in town and city centres. In Belfast, comprehensive development work continued to be targeted in areas of deprivation throughout the Greater Belfast area. Specific projects were taken forward through a process of land acquisition, site assembly and disposal, designed to address dereliction and contribute towards regeneration in areas of need.

5.24 During 2004-05 Belfast Regeneration Office (BRO) acquired 15 sites, at a cost of £2.7 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 in the Donegall Road/Sandy Row area and a strategically significant site on the Lower Newtownards Road.

5.25 BRO also disposed of 6 sites for redevelopment to comply with Development Scheme objectives and/or the Arterial Routes Programme, generating £1.6 million in receipts. Disposals were for numerous purposes including the provision of social housing schemes in the high demand area of West Belfast, commercial provision along arterial routes to the City Centre such as the Shankill Road and the construction of an access road to facilitate the redevelopment of an Invest NI Business Park at the Springfield/Woodvale interface.

5.26 Urban Development Grant was used during 2004-05 to complete a £1.2 million retail/apartment development on the Albertbridge Road, Belfast, which was assisted with a grant of £0.414 million.

5.27 In April 2004 the Department published Government's Regeneration Policy Statement for Belfast City Centre. The Statement provides a regeneration route map for the City Centre and DSD has taken forward the implementation of the Statement through regeneration masterplanning exercises for the North East and North West Quarters.

5.28 In February 2005 DSD published a Public Realm Strategy for the City Centre and announced a spending commitment of £14 million to implement the first phase of this 10-year Strategy. Improvement of the public realm will transform the public spaces in the City Centre delivering a better environment for shoppers, tourists and residents. This improvement work will also contribute to investor confidence in the City Centre.

5.29 In July 2000, DSD indicated its preference for Victoria Square as the priority location for regeneration of Belfast City Centre and the development agreement for the site was signed on 23 October 2003. The

Scheme is scheduled for completion by Autumn 2007 and will bring forward a substantial quantity of retail floor space, enhancing the regional role of the City Centre, revitalising the heart of the City Centre, providing the benchmark for further development across the City Centre and importantly connecting the City Centre to Laganside.

5.30 Through the Department's Regional Development Office, Environmental Improvement Schemes were started in Omagh, Tandragee, Ballycastle, Randalstown, Banbridge, Enniskillen and Coleraine.

5.31 CRISP projects were also completed by the end of the year in Castlederg and Caledon and work is continuing with a number of others.

5.32 The Department has also developed and progressed a number of significant regeneration projects in the North West.

5.33 In February 2004, following the Ministry of Defence's decision to vacate the Clooney military base, the Department acquired the base and associated playing fields on behalf of the Northern Ireland Administration at a total cost of £12.785 million.

5.34 In February 2005 the Department's North West Development Office (NWDO) published a discussion document 'Clooney – A Catalyst for Change'. This set out the initial proposals for the development of the former Clooney military base. An inter-Departmental Steering group representing OFMDFM, DE, DFP, DHSS&PS and DSD was established to ensure a corporate approach to the future development of the site. Preliminary proposals include relocation of Ebrington Primary School and Foyle and Londonderry College to the Clooney site, which in turn will facilitate the expansion of the Magee campus of the University of Ulster on the lands vacated by Foyle and Londonderry College on the city side.

5.35 During the 2004-05 NWDO managed the delivery of Integrated Development Fund funding of £0.434 million for a new £2.8 million Arts and Cultural Centre in Strabane. £0.290 million was also provided towards the project from the Executive Programme Fund (EPF). Construction started in June 2005.

5.36 In Limavady a major Environmental Improvement scheme was carried out on Connell Street Car Park and the surrounding area. The scheme, costing £0.242 million, which was developed in partnership with DRD Roads Service and Limavady Borough Council, is nearing completion and has been welcomed as a major boost to the town by local traders and the general public.

5.37 Funding of £1.648 million has been delivered to the Outer North area of Derry through the Executive Programme Fund. Working in partnership with the community sector and Government agencies the programme has successfully delivered fourteen projects since 2002-03 that include six environmental improvement schemes and two major capital build projects. The EPF funding has levered in a further £4.4 million bringing a total funding package of over £6 million to this area.

5.38 In November 2004 a new £0.899 million regeneration project was officially opened in Strathfoyle. The Strathfoyle Village Centre project, which was developed by the local Strathfoyle Community Association, comprises 6,800 sq ft of commercial space, which has been fully let. The project was funded by DSD, the International Fund for Ireland, the Local Strategy Partnership, Derry City Council together with a contribution from the Strathfoyle Community Association.

5.39 On the 31 January 2005 the North West Development Office announced that the Former City Hotel Site was back in the ownership of the Department following lengthy legal proceedings. This is a major development opportunity within the City Centre.

Developing and Empowering Communities

5.40 The Department's Voluntary and Community Unit (VCU) 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.

5.41 In-year, VCU 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.

5.42 In 2004-05 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 and environmental activities, together with the development of new and enhanced skills has been a major feature of the Fund across all areas.

5.43 The Community Support Programme built on earlier investment in 2003-04 to put in place agreed Community Support Plans for each of the 26 Council areas.

5.44 Organisations funded under the Regional Infrastructure Programme included the Northern Ireland Council for Voluntary Action (NICVA), The Law Centre (NI), CAB (NI), Advice (NI), the Volunteer Development Agency and Community Change.

5.45 During the year the Outreach programme 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

5.46 The Government published its response to the Task Force report on Resourcing the Voluntary and Community Sector (Positive Steps) at the end of March 2005. The Task Force considered the current and future funding trends and their impact on the Voluntary and Community sector and identified how the medium and long-term sustainability of the sector could be achieved, taking into account broader changes impacting on the sector.

Creating and developing Social and Charities Legislation

5.47 Following a review of charities 'Public Benefit, Private Action', in England and Wales, and reviews in Scotland and the Republic of Ireland, the Department carried out its own review and in 2004-05 a public consultation exercise was initiated on possible changes to Northern Ireland Charity law. The end date for responses to the consultation was scheduled for 20 May 2005.

5.48 A review of Northern Ireland Liquor Licensing legislation was started in May 2004. The three main drivers for the review, which will take some two years to complete, were:

- Trade and media pressure for more flexible opening hours to reflect the new security, social and economic circumstances brought about by the peace process;
- Government's regeneration strategy to develop the night-time economy as an incentive to investment and tourism; and
- DSD commitment, under the Department of Health, Social Services and Public Safety Drugs and Alcohol Regional Action Plan 2002, to examine liquor licensing with particular reference to social, environmental and wider public-health issues.

5.49 The first stage of the review, involving pre-consultation with a wide range of stakeholders and an options appraisal paper was completed in February 2005.

5.50 Legislation to control unauthorised camping in Northern Ireland was published for consultation in Autumn 2004. The draft Unauthorised Encampments (NI) Order was subsequently laid before Parliament in February 2005.

Financial Results for the Year

5.51 The Net Operating Cost of the Department in 2004-05 was £4.403 billion. The financial results of the Department are set out on pages 43 to 124.

Request for Resources A

5.52 DSD Core Administration:

There was no significant variation between the estimate and the outturn, which was within 2.5% (£0.3 million) of the estimate.

5.53 DSD Core Programme:

There was no significant variation between the estimate and the outturn, which was 0.2% (£0.8 million) below the estimate.

5.54 SSA Administration:

There was no significant variation between the estimate and the outturn, which was within 2.7% (£4.4 million) of the estimate.

5.55 SSA Programme:

Outturn programme expenditure, which is part of the Annually Managed Expenditure, was 4.4% (£79.4 million) below the estimate. The main reasons for this were:

Outturn for Jobseekers Allowance (income based) was 21.9% (£20.2 million) lower than the estimate and outturn for Income Support (non-pensioners) was 7.3% (£38 million) lower then the estimate due to lower unemployment and the provision for Child Tax Credit was difficult to estimate as it is being in the process of being transferred to HM Revenue and Customs.

5.56 CSA Administration:

Outturn expenditure was 14.2% (£2.4 million) less than the estimate. The main reason for this was:

Child Support Agency Northern Ireland expenditure was 11.8% (£1.9 million) lower than the estimate due to delays in implementing the Child Support Reforms programme (and consequently staff in post (SIP) being below complement throughout the year) which resulted from the new computer system being less reliable than expected.

Request for Resources B

5.57 Housing Administration:

There was no significant variation between the estimate and the outturn, which was within 5.2% (£0.2 million) of the estimate.

5.58 Housing Programme:

Outturn programme expenditure was 3.5% (£13.4 million) less than the estimate. The main reason for this was:

Assistance to the voluntary housing movement was 11% (£11.5 million) lower than the estimate due to slippages in the commencement by Housing Associations. The majority of start on site occurred in the last month of the financial year. Therefore, only the acquisition cost of land and very little, if any, of the contract costs scores in the 2004-05 financial year. Also, a number of large acquisitions of land schemes were budgeted to be acquired in 2004-05 and did not occur due to issues outside the Department's control. In addition due to policy difficulties regarding Voluntary Purchase Grants (VPG), not as many claims were processed as initiated. As a result, there is a large commitment for VPG claims.

Request for Resources C

5.59 Urban Regeneration and Community Development Administration:

There was no significant variation between the estimate and the outturn, which was (1.1%) (£0.1 million) above the estimate.

5.60 Urban Regeneration and Community Development Programme:

Outturn programme expenditure was 26.2% (£22.6 million) less than the estimate. The main reasons for this were as follows:

- Urban Regeneration was 49.2% (£16.9 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 of the schemes will not proceed, others will proceed in the next financial year and some schemes put forward for funding which did not meet eligibility criteria were withdrawn.

- Executive Programme Funds were 49.9% (£2.7 million) lower than the estimate due to a number of reasons. Some of the projects were conditional on additional grant availability from other lenders and approval for these additional funds was delayed until after the year end. In addition, delays in the completion of some programmes have resulted in some programmes being delayed.

- Community Initiatives were 50.2% (£2.3 million) lower than the estimate. For both INTERREG III and Urban II, there were delays in the uptake of grant aid by applicants who had anticipated incurring expenditure in this financial year.

Fixed Assets

5.61 Details of movements in fixed assets are set out in **Note 19**. 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 2005.

6. Investment for the Future

6.1 Both staff and managers at all levels of the organisation are facing a programme of modernisation to transform the business in order to provide highly efficient customer-focused services. The level of change across the Department requires the transformation of human resource policies in line with business needs.

6.2 A Departmental human resource framework was developed around 5 key themes:

- Resource;
- Learning;
- Diversity and Inclusion;
- Leadership; and
- Modernisation.

6.3 Specific developments have included the introduction of a total smoking ban in line with NICS policy; the reintroduction and introduction of the Stress Enquiry Process in the Social Security Agency and the core business areas of the Department respectively; and the launch of the first Departmental Staff Attitude Survey. The findings of this survey will inform the HR agenda over the coming year. In addition, preparation was made for the introduction of the NICS Performance Management Framework throughout the Department in April 2005. Following the announcement of Budget 2004, the Department has undertaken a strategic manpower review.

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

Funding for the Voluntary and Community Sector

7.1 A Fund has been established as part of the response to the Task force on Resourcing the Voluntary and Community Sector and £3 million is being made available over three years to promote and support modernisation and change within the sector to enhance their service delivery role. Draft criteria are currently being developed cross-departmentally with additional input from key stakeholders. It is expected that the Fund will support restructuring initiatives such as joint working, organisational development and ICT innovations. A Community Investment Fund was also 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.

A Boost to the Northern Ireland Social Fund

7.2 On 5 April 2005, DSD announced a £1.34 million cash injection for the Northern Ireland Social Fund, which will provide extra support for some of the most needy people in society. This will mean that a total of £59.59 million will be available for those people who need help and support. The total includes £46.17 million for Social Fund loans, an increase of £0.660 million over 2004-2005. The amount available for Grants has also increased by £0.680 million to £13.32 million.

Management

8. Ministers and Senior Officials

8.1 A Minister, supported by senior officials, heads the Department. The

Permanent Secretary, the Department's most senior official, along with the Departmental Board comprising the senior official in charge of each business area (RHSSG, URCDG, CSA and SSA), manages the Department. The Department's on-vote Executive Agencies are headed by Chief Executives who are supported by Executive Boards.

8.2 The Permanent Secretary is the Accounting Officer. Each Agency Chief Executive is an Agency Accounting Officer.

8.3 The following Minister was responsible for the Department for Social Development during the 2004-05:

The Rt. Hon. John Spellar, MP
Minister of State 1 April 2004 – 31 March 2005

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

Permanent Secretary:
Mr Alan Shannon 1 April 2004 – 31 March 2005

Deputy Secretary and Head of Resources, Housing and Social Security Group:
Mr Derek Baker 1 April 2004 – 31 March 2005

Deputy Secretary and Head of Urban Regeneration and Community Development Group:
Mr John McGrath 1 April 2004 – 31 March 2005

Chief Executive Social Security Agency
Mr Gerry Keenan 1 April 2004 – 31 March 2005

Chief Executive Child Support Agency
Mr Barney McGahan 1 April 2004 – 31 March 2005

9. Appointment of the Permanent Secretary and Members of the Management Board

9.1 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 NICS Staff Handbook refers).

9.2 The Departmental Management Board comprises the Heads of the Department's Business Areas at Deputy Secretary and Chief Executive level, chaired by the Permanent Secretary. Appointments to these positions were determined in accordance with NICS promotion and appointment procedures, which are overseen by the Civil Service Commission.

10. Remuneration of Ministers and Members of the Management Board

10.1 From 15 October 2002 the Department for Social Development has been under the direction and control of NIO Ministers. Their salary and allowances were paid by the NIO or the Cabinet Office. These costs have not been included as notional costs in the Operating Cost Schedule. Details of Mr Spellar's salary and allowances will be provided in the 2004-05 NIO Resource Accounts.

10.2 The Permanent Secretary's pay is determined in consultation with the NI Permanent Secretaries Remuneration Committee, taking account of the recommendations of the Senior Salaries Review Body.

10.3 The pay of other members of the Departmental Board is set within the recommendations of the annual Senior Salaries Review Body report.

10.4 Further details of pay and pension are included in Notes 1.13 and 2 to the Accounts.

Public Interest and Other

11. Policy on Employment of Disabled Persons

11.1 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.

12. Policy on Equal Opportunities

12.1 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.

12.2 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.

12.3 In pursuit of this duty, the Department has set out in an Equality Scheme how it intends to comply with the Act. A key element of the statutory duty is the requirement to screen all new and existing policies in order to determine if any have significant implications for equality of opportunity. If the exercise determines that there are significant implications, then an equality impact assessment must be carried out and this would involve consultation with individuals and representatives of groups affected by the policy as well as representatives of the section 75 groups.

12.4 There are many commitments set out in the Department's Equality Scheme and each year the Department sends a progress report to the Equality Commission to inform it of the progress the Department has made. The Department has developed a training and communication plan setting out how it proposes to take forward training in the context of the section 75 duty.

13. Payment Practice Codes

13.1 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.

13.2 The Late Payment of Commercial Debts (Interest) Act 1998, which came into effect from 1 November 1998, will enable suppliers to charge interest on overdue debts. The Department made no payments during the year in respect of such claims.

13.3 Details of payment performance are provided at **Note 39** to the accounts.

14. Auditor Details

14.1 The accounts and supporting notes relating to the Department's activities for the year end 31 March 2005 have been audited by the Northern Ireland Audit Office. The report of the Comptroller and Auditor General appears on page 40 to 42.

14.2 The cost of the audit for 2004-05 is a notional cost of £0.354 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.

14.3 The auditor was appointed by statute and will report to Parliament on the audit examination.

15. Employee Involvement

15.1 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.

15.2 Staff also have access to welfare services and to trade union membership.

15.3 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.

16. Health and Safety

16.1 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.

17. Electronic Government

17.1 DSD has made excellent progress towards meeting Government targets for electronic service delivery during 2004 – 2005. An extensive network of information technology and information systems supports internal corporate operations. The main public services, Social Security and Child Support, rely heavily on the use of computer systems and telephony, and this supports the high level of person to person contact that is, and will continue to be, a feature of these services. The Department's website has also been re-developed in accordance with the new NICS corporate design standards and is updated on a regular basis.

17.2 Twelve of the fifteen Key services for which DSD is responsible are now regarded as fully e-enabled; the other three were 90% enabled at the end of March 2005.

18. Freedom of Information Act 2000 and Environmental Information Regulations

18.1 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.

18.2 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 clearance of requests for information and offers expert advice to all business areas.

18.3 The Department will continue to publish and review information in accordance with its Publication Scheme.

19. Conflict of Interests

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

Accounting Officer
25 October 2005

Statement of Accounting Officer's responsibilities

Under the Government Resource and Accounts Act (NI) 2001, the department is required to prepare resource accounts for each financial year, in conformity with a DFP direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

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

DFP has appointed the Permanent Head of Department as Accounting Officer with overall responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts the principal Accounting Officer is required to comply with the Northern Ireland Resource Accounting Manual prepared by DFP and, in particular, to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as, set out in the Northern Ireland Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping of proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by DFP 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).

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. 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 2005 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 DSD 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 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 in respect of fraud;
- 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 Research and Evaluation Committee reporting to the Departmental Management Board and concerned with supporting strategic planning priorities and ensuring that the Department provides value for money;
- 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.

The Department also maintains a Corporate Investigations Unit within the Financial Management Directorate. 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.

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 plans to address weaknesses and ensure continuous improvement of the system are 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 recent Internal Audit of Risk Management processes confirmed that the Department has developed and embedded its risk management processes in respect of its strategic objectives. It was further confirmed that the risk management process facilitates the identification, evaluation and management of risks at Corporate and Group level and, as no weaknesses or concerns were identified, full assurance was appropriate.

Significant internal control problems

During the year 2004-05 action was taken to address a number of weaknesses in systems of internal control that were identified in different business areas.

Resources, Housing and Social Security Group (RHSSG)

The Department continued to implement previous audit recommendations and the promotion of good practice amongst Housing Associations. Specifically, the Department addressed issues concerning:

- inaccurate and inapplicable certifications made by Housing Associations;
- non-adherence by Housing Associations to Departmental procedures;
- insufficient evidence to support key decisions taken by Housing Associations;
- insufficient control and monitoring of schemes by Housing Associations; and

- insufficient Departmental control and monitoring.

During the course of 2004-05 the Department has continued with an intensive and active programme of engagement with Housing Associations to address these issues and, more specifically, to implement the recommendations made by the Comptroller and Auditor General in relation to the establishment of the new Regulatory and Inspection Unit and the finalisation of the new Housing Association Guide. The following actions have been taken:

- In December 2004 a new Regulatory Framework was put in place setting out arrangements which will enable the Department to achieve its regulatory objective to improve the accountability of Housing Associations by challenging and testing them to ensure that they are operating financially viable organisations;

- The Department has delivered training and instruction to Housing Associations individually and collectively on the new obligations set out in the Regulatory Framework;

- The Department has developed further the pre-inspection submission documentation which was issued on 3 May 2004 to the three Housing Associations identified for the initial inspections;

- The Department has introduced more robust and regular reporting systems to support implementation of the Housing Association Development Programme. Programme targets for 2003-04 and 2004-05 have been achieved as a consequence;

- The review of the Housing Association Guide is now complete and the revised version has been available on the internet from 5 April 2005. Housing Associations are expected to comply with the procedures contained in the new Guide from this date. The Guide is in a simplified and easily accessible format which can be updated instantaneously, thus ensuring that Associations are using the most up to date guidance. Two Best Practice recommendations remain outstanding which the Department is working to address. Firstly, amendments to the House Sales Scheme are ready for approval, following which they will be incorporated into the revised Housing Association Guide. Secondly, the Northern Ireland Housing Executive has issued guidance on the arrangements and agreements between registered Housing Associations and managing agents. This includes the recommended revised Joint Management Agreement forms;

- A dedicated member of staff working within Housing Associations Branch has been given responsibility for tracking and monitoring progress against all Northern Ireland Audit Office recommendations to ensure timely implementation. This officer is also responsible for the identification and dissemination of best practice across all Housing Associations;

- The Northern Ireland Federation of Housing Associations Training Programme for 2005-06 has incorporated the best practice issues identified by the Northern Ireland Audit Office concerning the provision of training, the use of consultants, tendering procedures, procurement policies and compliance with relevant EU legislation; and

- The Department is in discussion with the Central Procurement Directorate in the Department of Finance and Personnel about the best way to introduce the Achieving Excellence agenda to Housing Associations. It is proposed that the "Clients' Charter" initiative offers a possible way forward. The Charter covers much the same ground as Achieving Excellence but is tailored to the needs of housing. It requires Housing Associations to commit to effecting continuous improvement, with measurement as its basis.

The Department is confident that the combined impact of these measures will build on the improvements in systems of control in Housing Associations. In addition, the Department's Internal Audit Annual Report for 2004-05 has concluded that a rating of substantial assurance is appropriate for the Resources, Housing and Social Security Group, which is responsible for expenditure on housing. Specific audits of Housing Associations Branch and the Northern Ireland Co-ownership Housing Association Scheme, areas that are critical to ensuring that appropriate controls are in place, also received substantial assurance from Internal Audit. However, an Internal Report of Housing Management Branch has given a "Limited Assurance" rating. The recommendations of this report are currently being implemented.

The payment of Housing Benefit is administered by the Northern Ireland Housing Executive. The Housing Executive has in place a counter-fraud strategy, which was recently reviewed, to ensure that the areas of Housing Benefit most vulnerable to fraud and error are being addressed. This strategy is being taken forward in close co-operation with other relevant agencies where appropriate, in particular the Social Security Agency. As part of its implementation, the strategy has set a target to reduce fraud and error in Housing Benefit by 25% by 2006 from the baseline figure established in 2002. Progress towards this target is regularly monitored.

Urban Regeneration and Community Development Group (URCDG)

In his Annual Report to the Audit Committee, the Head of Internal Audit reported improved performances in Physical Development Branch and North West Development Office, and, allied to the positive work of the Common Systems Team, this enabled the Group to receive a limited assurance rating. While the improved assurance rating is encouraging, the Head of Internal Audit expressed his concerns at the continuing high level of non-compliance with departmental procedures in some business areas reviewed. The main weaknesses continue to be those issues relating to the award, payment and monitoring of funding expenditure.

As a consequence of the audit weaknesses identified in the 2003-04 Comptroller & Auditor General's report, 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. Various actions were carried out during 2004-05 to address these issues, the benefits of which had not been fully realised in time for the 2004-05 audit. However these will help ensure that the limited assurance rating is maintained by specifically targeting the problems in the award, payment and monitoring of funding expenditure, with a view to progressing to substantial assurance. These actions are detailed below:

- the introduction of a new Contract for Funding (CFF) (formerly Letter of Offer) in all Directorates coupled with appropriate and timely training of staff on the revised CFF;

- the establishment of a dedicated Central Advice and Guidance Unit in December 2004 tasked with disseminating 'Best Practice' throughout URCDG;

- the instigation of a project to develop 'Common Systems' across URCDG which, following a pilot exercise in November/ December 2004, saw the formal launch of a suite of new procedures on 1st June 2005, which includes a stringent management checking regime;

- increased controls around checking and verification of final beneficiaries were introduced for a number of programmes. Verification is to be extended to all programme expenditure;

- the development of a tailored workshop for staff which addressed a number of issues including insufficient evidence, audited accounts, payments, monitoring and evaluation etc. In addition, external Consultants provided training on economic appraisals; and

- the secondment of a dedicated resource to provide training, assistance and guidance on economic appraisals.

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.

The various weaknesses in key financial controls and monitoring of expenditure identified by Internal Audit throughout URCDG were also reported by the NIAO in their management letter on the 2003-04 Accounts. A dedicated Unit has been working successfully with management to address identified shortfalls in guidance and training.

Further actions planned for 2005-06 by the Group are:

- the development of a Training Needs Analysis to provide a Group wide cohesive approach to training;

- the implementation of new generic procedures which place a greater emphasis on management checks and management roles. The procedures will be widely disseminated to all staff by way of the internal Intranet system and ongoing training and advice;

- the mapping of systems and subsequent development and circulation of process maps for all Grant administration processes;

- in 2004-05, a project commenced to examine the number of IT systems in operation across URCDG with a view to specifying the future needs of the Group. The project is to be taken forward in 2005-06 to improve management information, case control and work flow data;

- the extension of 'quality assurance' from three business areas to all five operational Directorates; and

- the commencement of a project to examine the centralisation of various Group wide functions to include payments, quality assurance and monitoring.

The Group Management Board acknowledges the system weaknesses and has welcomed the assistance of the audit bodies in addressing the Group's problems. Senior Management accept that non compliance is essentially a performance management issue and that if we are to continue to improve, staff must be held accountable.

Social Security Agency (SSA)

Arising from his audit of the 2003-04 Resource 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 2004-05 the Agency has continued to monitor the levels of fraud, error, and decision making within its benefit administration.

The Standards Committee Report for 2004-05 on Decision Making and Accuracy indicates that in terms of decision making standards seven out of fourteen benefit benchmark targets have been achieved, with six of these actually exceeding the benchmark.

In addition, results for payment/case accuracy show that six out of the ten targets were achieved with five exceeding the target. Regarding performance of the main benefits, both Jobseekers Allowance and Incapacity Benefit exceeded target, while Income Support improved on last year and was within 1% of the new target set for 2004-05. Performance for Disability Living Allowance however dipped slightly.

The final Benefit Review figures for 2004-05 for levels of fraud and error relating to Income Support, Jobseekers Allowance, and Incapacity Benefit, and the 2003-04 figures for Disability Living Allowance have not yet been published. However, the information currently available indicates that in Income Support and Jobseekers Allowance the levels of fraud and error are continuing to reduce and the relevant PSA targets will be met.

During 2004-05 there was also a focus on training and awareness and the sharing of best practice in the drive to improve standards.

For 2005-06 reducing fraud and error is one of the five key priority areas for the Agency with a primary focus on quality and accuracy in the provision of benefits to customers.

Managers are currently finalising an accuracy improvement plan which should focus continuous improvement in this area. This will concentrate on the key themes of training, sharing best practice, decision making fora and accuracy checking arrangements.

Furthermore 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. Performance against these plans is monitored on a monthly basis by the Agency Management Board.

The second qualification issue on the 2003-04 accounts involved uncertainties over certain debtor and creditor balances within the Agency's Programme Accounting Computer System which have led to a qualification issue on the Agency's balance sheet. In relation to the debtors' balance, work has continued during 2004-05 to try and improve the accuracy and completeness of the debtors' figure. However it is anticipated that the development of the Debt Transformation Programme will address the major audit issues with this balance. This programme will implement a new debt management system and revised debt processes which in turn should provide greater assurance over the debtors figure reported in the accounts. In relation to the Encashment Control Creditor balance the Agency has successfully carried out an exercise to determine and support the balance within the accounts. The Agency has been able to provide the necessary audit evidence to enable removal of the qualification in the Agency's 2004-05 accounts.

The SSA Annual Audit report for 2004-05 reported that limited assurance was appropriate for the area of programme expenditure. As per last year the two main areas of concern continue to be weaknesses in the Agency's benefit or OPSTRAT systems and failure within the Agency to comply with laid down procedures.

Improvements in the NI OPSTRAT computer systems are reliant on concurrent changes in the similar systems used in Great Britain (GB). A major IT modernisation programme is underway in GB which will lead to the eventual replacement of the current OPSTRAT systems. It is therefore anticipated that the existing system weaknesses will be addressed during the new system development phase. However it is unlikely that any significant changes will be made to the present OPSTRAT systems to address the existing problems. In the interim the Agency continues to work with Internal Audit to address weaknesses and minimise risk by introducing compensatory controls.

Non-compliance with laid down procedures is an ongoing problem. In order to try and address this issue there is now a priority focus on quality in the delivery of benefit services. All operational units have therefore been instructed to take action to resolve problems with non-compliance, and to achieve substantial assurance in audit assessments from 1 July 2005. Failure to achieve a substantial assurance rating because of non-compliance will not be acceptable. In addition, the performance reporting process which requires senior managers to complete Certificates of Assurance will continue to be accepted as assurance that procedures, controls, checks etc. are being fully applied. The Certificates confirm that all areas of the business are being properly controlled, or where this assurance cannot be given, an exception report is completed.

Also included in the SSA Annual Audit Report was reference to an internal audit report produced in January 2005 on the administration of Pension Credit. In the report it was recognised that the introduction of Pension Credit posed considerable challenges for both management and staff within the Agency. However due to audit concerns a 'no assurance' rating was considered appropriate for this area. A management action plan was subsequently developed to implement the audit recommendations that arose from the report, and as at June 2005 Pension Credit managers have advised that a total of 12 of 17 have been fully implemented with the other 5 implemented in part.

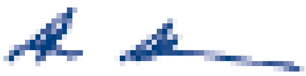
In addition Pension Credit Management has instigated their own internal validation process, to confirm that these recommendations have actually been properly implemented and tested and that there is evidence to support this.

Finally Internal Audit also commented in their Annual Report on two issues in relation to Debt Management Unit (DMU) within the Agency. The first of these involved concerns over the validation of the measurement system for reporting on the Overpayment Recovery Target. In response to this DMU, has introduced new processes to validate the information they receive on debt repayments and they are also taking forward ongoing work to validate the information held on the Overpayment

Recovery System (OPREC). Secondly there are ongoing problems concerning the completeness of overpayment information being forwarded to DMU. New procedures to address this problem were piloted in two districts in 2003-04 and during 2004-05 this pilot process has been rolled out to all six Agency districts and to a lesser extent in the centralised benefits. These revised processes will be subject to a further review to assess their success in resolving the underlying problems. Again for 2005-06, the Agency has made debt recovery one of its five priority areas. A major part of the Agency's plans to address problems with debt management will be the Debt Transformation Programme. Within this programme, new IT systems and revised processes will modernise and improve the Agency's complete approach to debt and debt management and should resolve the ongoing internal audit issues.

Child Support Agency (CSA)

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



Accounting Officer
25 October 2005

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 on pages 43 to 124 under the Government Resources and Accounts Act (Northern Ireland) 2001. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 53 to 62.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 27, the Accounting Officer is responsible for the preparation of 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. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder, and 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 if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 28 to 39 reflects the Department's compliance with the Department of Finance and Personnel’s guidance ‘Corporate Governance: Statement on Internal Control’. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer’s Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the entity’s corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements and of whether the accounting policies are 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 are free from material misstatement, whether caused by error or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements. I did not have reasonable assurance, or the evidence available to me was limited in the following areas:

- the estimated losses of £120.4 million in benefits through fraud and error;

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

- insufficient evidence due to deficiencies in the accounting systems to substantiate the Programme Accounting Computer System's contributory and non-contributory benefit overpayment debtor balance of £46.3 million (gross) in Schedule 3, which may cause the Department's net assets to be misstated.

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 view given by financial statements and on the regularity of income and expenditure

In my opinion:

- except for the errors in payments of benefits and fraudulent claims made in receipt of those benefits and the possible effect of the limitations in evidence available to me in relation to certain debtor balances in the Programme Accounting Computer System, the financial statements give a true and fair view of the state of affairs of the Department for Social Development as at 31 March

2005 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel; and

- except for:

  (i) the expenditure relating to erroneous benefit awards and arising from fraudulent claims; and

  (ii) 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.

In respect of the errors and fraud in Social Security Benefits, the limitations on my work relating to the Programme Accounting Computer System and the weaknesses in financial control and monitoring of expenditure in respect of urban regeneration and community development grants to the voluntary and community sector:

- I was unable to determine whether the Department had maintained proper accounting records; and

- I have not obtained all the information and explanations that I considered necessary for the purpose of my audit.

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

J M Dowdall CB
Comptroller and Auditor General
27 October 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

Schedule 1 - Summary of Resource Outturn 2004-05

	2004-05							2003-04
	Estimate			**Outturn**			**Net total outturn compared to Estimate**	
	Gross Expenditure £'000	Accruing Resources £'000	Net TOTAL £'000	**Gross Expentiture £'000**	**Accruing Resources £'000**	**Net TOTAL £'000**	**saving/ (excess) £'000**	Prior year outturn £'000
Request for Resources A (Notes 7 and 11) 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:	2,618,299	(93,277)	2,525,022	2,523,510	(85,814)	2,437,696	87,326	2,313,960
Request for Resources B (Notes 7 and 11) Promoting measurable improvements to housing in Northern Ireland:	630,696	(244,041)	386,655	617,040	(244,041)	372,999	13,656	315,585
Request for Resources C (Notes 7 and 11) Tackling disadvantage amongst individuals, communities and neighbourhoods, with particular emphasis on greatest need and encouraging, developing and supporting community development:	100,321	(2,630)	97,691	77,823	(2,630)	75,193	22,498	61,921
Total resources	**3,349,316**	**(339,948)**	**3,009,368**	**3,218,373**	**(332,485)**	**2,885,888**	**123,480**	2,691,466
Non-operating AR (note 7.2)			**(32,187)**			**(31,656)**	**(531)**	(36,856)
Net cash requirement			**2,967,978**			**2,858,263**	**109,715**	2,617,099

Schedule 1 - Summary of Resource Outturn 2004-05 (continued)

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	2004-05 Forecast Income £'000	2004-05 Forecast *Receipts £'000*	2004-05 Outturn Income £'000	2004-05 Outturn *Receipts £'000*
Total	5	**12,202**	***12,202***	**18,829**	***16,465***

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

The main reasons for the variation between the Estimate and the Outturn, in respect of net total resources, are:

RfR A

(i) Child Support Agency Northern Ireland expenditure was 11.8% (£1.9 million) lower than the estimate due to delays in implementing the Child Support Reforms programme (and consequently staff in post (SIP) being below complement throughout the year) which resulted from the new computer system being less reliable than expected.

(ii) The outturn for Jobseekers allowance (income based) was 21.9% (£20.2 million) lower than the estimate due to lower Unemployment than expected and the provision for Child Tax Credit was difficult to estimate as it is in the process of being transferred to HM Revenue and Customs.

RfR B

(iii) Assistance to the voluntary housing movement was 11% (£11.5 million) lower than the estimate due to slippages in the commencement by Housing Associations of new build starts. The majority of start on site occurred in the last month of the financial year. Therefore, only the acquisition cost of land and very little, if any, of the contract costs scores in the 2004-05 financial year. Also, a number of large acquisitions of land schemes were budgeted to be acquired in 2004-05 and did not occur due to issues outside the Department's control. In addition due to policy difficulties regarding Voluntary Purchase Grants (VPG), not as many claims were processed as initiated. As a result, there is a large commitment for VPG claims.

RfR C

(iv) Urban Regeneration was 49.2% (£16.9 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 of the schemes will not proceed, others will proceed in the next financial year and some schemes put forward for funding which did not meet eligibility criteria were withdrawn.

(v) Executive Programme Funds were 49.9% (£2.7 million) lower than the estimate due to a number of reasons. Some of the projects were conditional on additional grant availability from other lenders and approval for these additional funds was delayed until after the year end. In addition, delays in the completion of some programmes have resulted in some programmes being delayed.

(vi) Community Initiatives were 50.2% (£2.3 million) lower than the estimate. For both INTERREG III and Urban II, there were delays in the uptake of grant aid by applicants who had anticipated incurring expenditure in this financial year.

Schedule 1 - Summary of Resource Outturn 2004-05 (continued)

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

(i) The main reasons for the variation between the Estimate and the Outturn, in respect of net cash requirement, are the variation in Total Resource Outturn (£2,885,888) and its Estimate (£3,009,368) (as above), the smaller than anticipated non-cash items, lower than anticipated movement in working capital other than cash, and lower than anticipated capital expenditure.

Reconciliation of resources to net cash requirement:

		2004-05			2003-04
		Estimate	**Outturn**	**Net total outturn compared to Estimate**	
		NET TOTAL	**NET TOTAL**	**saving/ (excess)**	Prior year Outturn
	Note	£'000	**£'000**	**£'000**	£'000
Net total resources	11	3,009,368	2,885,888	123,480	2,691,466
Capital:					
Acquisition of fixed assets	18,19	56,867	53,380	3,487	53,771
Investments	18	-	-	-	-
Non-operating AR:					
Proceeds of fixed asset disposals	7.2	(30,427)	(30,378)	(49)	(35,333)
Repayment of loans to other bodies	7.2	(1,760)	(1,278)	(482)	(1,523)
Accruals adjustments:					
• Non-cash items	6.2	(54,649)	(48,809)	(5,840)	(33,863)
• Changes in working capital other than cash	25.1	24,650	(34,498)	59,148	1,201,420
• Changes in creditors falling due after more than one year	25.3	-	90,036	(90,036)	(1,258,053)
• Use of provision	24	350	1,271	(921)	151
• Excess of Social Fund grant to operating cost expenditure	9	-	(3,865)	3,865	(1,712)
• Agencies' Net Cash Inflow/ (Outflow)	36	-	(17,063)	17,063	995
Asset transferred from DRD/DFP	19	(36,421)	(36,421)	-	(220)
Net cash requirement (Schedule 4)		2,967,978	2,858,263	109,715	2,617,099

Schedule 2 - Operating Cost Statement for the year ended 31 March 2005

Administration costs	Note	**2004-05 £'000**	**2004-05 £'000**	2003-04 £'000	2003-04 £'000
Request for Resources A					
Staff costs	2	132,156		132,987	
Other administration costs	3	123,228		114,945	
			255,384		247,932
Request for Resources B					
Staff costs	2	1,866		1,700	
Other administration costs	3	547		455	
			2,413		2,155
Request for Resources C					
Staff costs	2	8,050		6,643	
Other administration costs	3	3,050		2,740	
			11,100		9,383
Gross administration costs			**268,897**		259,470
Operating Income	7		(40,273)		(38,532)
Net administration costs	8		**228,624**		220,938
Programme costs					
Request for Resources A					
Staff costs	2,4	442		358	
Other expenditure	4	2,251,459		2,135,655	
Less: Income	7	(4,844)		(4,035)	
			2,247,057		2,131,978
Request for Resources B					
Staff costs	2,4	-		-	
Other expenditure	4	614,627		625,007	
Less: Income	7	(247,769)		(324,729)	
			366,858		300,278
Request for Resources C					
Staff costs	2,4	308		258	
Other expenditure	4	68,374		66,598	
Less: Income	7	(17,682)		(24,020)	
			51,000		42,836
National Insurance Benefits and Non-Voted Expenditure					
Expenditure	4	1,509,338		1,455,040	
Less: Income	7	(8)		(10)	
			1,509,330		1,455,030
Net programme costs	4		**4,174,245**		3,930,122
Net operating cost	9 & 10		**4,402,869**		4,151,060
Net resource outturn	9		**2,885,888**		2,691,466

All income and expenditure are derived from continuing operations. There have been no acquisitions or disposals during the year. The notes on pages 53 to 124 form part of the accounts.

Schedule 2 - Operating Cost Statement for the year ended 31 March 2005 (continued)

Statement of recognised gains and losses for the year ended 31 March 2004

	2004-05	2003-04
	£'000	£'000
Net gain on revaluation of tangible fixed assets	9,229	27,528
Total recognised gains and losses for the financial year	**9,229**	27,528

Schedule 3 - Balance Sheet as at 31 March 2005

	Note	**31 March 2005 £'000**	**31 March 2005 £'000**	31 March 2004 £'000	31 March 2004 £'000
Fixed assets:					
Tangible assets	19	160,652		144,417	
Investments	20	21,591		22,869	
			182,243		167,286
Debtors falling due after more than one year	21		1,250,157		1,309,070
Current assets:					
Debtors	21	276,756		271,468	
Cash with paying agents	22	22,507		12,774	
Cash in hand	22	65		49	
		299,328		284,291	
Creditors: (amounts falling due within one year)	23	(310,363)		(302,267)	
Net current (liabilities) / assets			(11,035)		(17,976)
Total assets less current liabilities			1,421,365		1,458,380
Creditors (amounts falling due after more than one year)	23	(1,168,017)		(1,258,053)	
Provisions for liabilities and charges	24	(7,274)		(7,526)	
			(1,175,291)		(1,265,579)
Net Assets			**246,074**		192,801
Taxpayer's Equity:					
General fund	36	173,013		123,515	
Revaluation reserve	36	73,061		69,286	
			246,074		192,801

The notes on pages 53 to 124 form part of the accounts.

Accounting Officer
25 October 2005

Schedule 4 - Cash Flow Statement for the year ended 31 March 2005

	Note	**2004-05** £'000	2003-04 £'000
Net cash (outflow) from operating activities	i	(4,416,944)	(4,084,507)
Capital expenditure and financial investment	ii	12,814	(12,070)
Payments of amounts due to the Consolidated Fund		(25,699)	(24,233)
Financing from the Consolidated Fund	iii	2,930,510	2,601,016
Net financing from the National Insurance Fund	iv	1,483,849	1,517,195
Agencies' Net Cash Inflow/(Outflow)	36	17,063	(995)
Increase/(Decrease) in cash in the period	iii	**1,593**	(3,594)

Notes to the Cash Flow Statement

Note i: Reconciliation of operating cost to operating cash flows

		2004-05 £'000	2003-04 £'000
Net operating cost		**(4,402,869)**	(4,151,060)
Adjustments for non-cash transactions	6.1	48,809	33,863
Adjustments for movements in working capital other than cash	25.2	28,423	(1,232,820)
Adjustment for movement in creditors due after more than one year	25.4	(90,036)	1,258,053
Transfer of Child Benefit	25.5	-	7,608
Use of provision	24	(1,271)	(151)
Net cash (outflow) from operating activities		**(4,416,944)**	(4,084,507)

Note ii: Analysis of capital expenditure and financial investment

	Note	**2004-05** £'000	2003-04 £'000
Tangible fixed asset additions	18	(16,981)	(53,769)
Proceeds of disposal of fixed assets	18	28,517	40,150
Receipt of repayments of loans to other bodies	20	1,278	1,549
Net cash inflow/(outflow) from investing activities		**12,814**	(12,070)

Schedule 4 - Cash Flow Statement for the year ended 31 March 2005 (continued)

Note iii: Analysis of financing from the Consolidated Fund and reconciliation to the net cash requirement

	Note	**2004-05 £'000**	2003-04 £'000
From Consolidated Fund (Supply): current year	36	2,897,298	2,583,887
From Consolidated Fund (Supply): prior year	21.1	33,212	17,129
From the Consolidated Fund (Non-supply)		-	-
Net financing		**2,930,510**	2,601,016
(Increase)/Decrease in cash	22.2	**(1,593)**	3,594
Net cash flows other than financing		**2,928,917**	2,604,610

Adjustments for payments and receipts not related to supply

	Note	**2004-05 £'000**	2003-04 £'000
Amounts due to the Consolidated Fund – received in prior year and paid over		(13,832)	(2,554)
Amounts due to the Consolidated Fund – received and not paid over		4,598	13,394
Adjustment to Consolidated Fund Extra Receipts balance		-	-
National Insurance Fund financed activities – payments	9.1	(1,539,530)	(1,515,546)
National Insurance Fund financed activities – receipts	36	1,483,849	1,517,195
Other Government Financing		(5,739)	-
Net cash requirement (Schedule 1)		**2,858,263**	2,617,099

Note iv: Analysis of net financing from the National Insurance Fund

	Note	**2004-05 £'000**	2003-04 £'000
Net financing from the National Insurance Fund	36	**1,483,849**	1,517,195

Schedule 5 - Resources by Departmental Aim and Objectives for the year ended 31 March 2005

	2004-05 Programme Gross £'000	Programme Income £'000	Programme Net £'000	Administration Net £'000	Total 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:	3,761,239	(4,852)	3,756,387	215,617	3,972,004
Objective 2					
Promoting measurable improvements to housing in Northern Ireland:	614,627	(247,769)	366,858	2,413	369,271
Objective 3					
Tackling disadvantage amongst individuals, communities and neighbourhoods, with particular emphasis on greatest need and encouraging, developing and supporting community development:	68,682	(17,682)	51,000	10,594	61,594
Net operating costs	**4,444,548**	**(270,303)**	**4,174,245**	**228,624**	**4,402,869**

	2003-04 Programme Gross £'000	Programme Income £'000	Programme Net £'000	Administration Net £'000	Total 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 incentive to work and save:	3,591,053	(4,045)	3,587,008	209,875	3,796,883
Objective 2					
Promoting measurable improvements to housing in Northern Ireland:	625,007	(324,729)	300,278	2,155	302,433
Objective 3					
Tackling disadvantage amongst individuals, communities and neighbourhoods, with particular emphasis on greatest need and encouraging, developing and supporting community development:	66,856	(24,020)	42,836	8,908	51,744
Net operating costs	4,282,916	(352,794)	3,930,122	220,938	4,151,060

See Note 28.

Notes to the Financial Statements for the year ended 31 March 2005

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2004-05 NI Resource Accounting Manual (NIRAM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the NIRAM follow UK Generally Accepted Accounting Practice (UK GAAP) for companies to the extent that it is meaningful and appropriate to the public sector. Where the NIRAM 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 its non-executive non-Departmental public bodies.

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

The Social Fund is consolidated within Schedules 1 to 5. Although elements of the National Insurance Fund (NIF) are included in Schedules 2 to 5, they are excluded from the Summary of Resource Outturn, Schedule 1.

The NIF, which is now the responsibility of the Inland Revenue, 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 at Annexe A, 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 2005. 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 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.

1.7 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.

1.8 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.

1.9 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 NIRAM 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.

1.10 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.

1.11 Social security programme expenditure

In 2004-05 Social Security benefits are paid by order books, 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 80% of customers being paid directly into a bank, building society or Post Office card account.

1.12 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.

1.13 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 2. 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 2004-05, contributions of £13.970 million (2003-04 £13.532 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 12% - 18% of pensionable pay (2003-04 12% - 18%).

1.14 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.

1.15 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. 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 21).

1.16 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 *NIRAM*. 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.

1.17 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement.

- all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Resource Accounting Manual to be noted in the resource accounts.

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.

1.18 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.

1.19 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.

1.20 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 £12.9 million was received during 2004-05 (2003-04 £12.7 million) by the Agency from non-resident parents. Of the £12.9 million (2003-04 £12.8 million) subsequently paid out in the year, £9.1 million (71%) (2003-04 £8.5 million (66%)) was paid over to persons with care and £3.4 million (26%) (2003-04 £4.0 million (31%)) was paid to DSD where persons with care were in receipt of income support and £0.3 million (3%) (2003-04 £0.3 million (3%)) was refunded to non-resident parents.

1.21 National Insurance Fund (NIF)

As stated in Note 1.2 above, 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.

1.22 **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.

1.23 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.

1.24 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.

1.25 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.

1.26 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.

2 Staff numbers and costs

Staff costs

2.1 Administration staff costs consist of:

	2004-05					2003-04
	Total	**Permanently employed staff**	**Others**	**Ministers**	**Special Advisers**	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Wages and salaries	120,286	120,045	241	-	-	120,160
Social security costs	7,645	7,627	18	-	-	7,593
Other pension costs	14,141	14,141	-	-	-	13,577
Sub Total	142,072	141,813	259	-	-	141,330
Less Recoveries in respect of outward secondments	-	-	-	-	-	-
Total net administration staff costs	**142,072**	**141,813**	**259**	-	-	141,330

Programme staff costs consist of:

		2004-05					2003-04
		Total	**Permanently employed staff**	**Others**	**Ministers**	**Special Advisers**	Total
	Note	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Wages and salaries	4	619	619	-	-	-	519
Social security costs	4	45	45	-	-	-	32
Other pension costs	4	86	86	-	-	-	65
Sub Total		750	750	-	-	-	616
Less Recoveries in respect of outward secondments		-	-	-	-	-	-
Total net programme staff costs		**750**	**750**	-	-	-	616
Total Net Costs		**142,822**	**142,563**	**259**	-	-	141,946

Minister's salaries are a notional cost to the Department as their actual salaries are paid by the Northern Ireland Office. All other notional costs are included in Note 3.3 and 4, but in order to comply with Para. 8.5.5(c) of the Northern Ireland Resource Accounting Manual salaries paid to Ministers are included in Note 2.

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 2004-05, employers' contributions of £13.970 million (2003-04 £13.532 million) were payable to the PCSPS(NI) at one of four rates in the range 12% to 18 % of pensionable pay, based on salary bands. From 1 April 2005 these rates have increased as a result of the latest actuarial valuation to between 16.5% and 23.5%.

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. 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 £4,001 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 £369, 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 £4,595. Contributions prepaid at that date were £4,595.

49 persons (2003-04 53 persons) retired early on ill health grounds, the total additional accrued pension liabilities in the year amounted to £63,798 (2003-04 £63,582).

Of the total expenditure on staff costs in 2004-05 of £142.822 million (2003-04 £141.946 million) £132.598 million relates to Request for Resources A (2003-04 £133.345 million), £1.866 million relates to Request for Resources B (2003-04 £1.700 million) and £8.358 million relates to Request for Resources C (2003-04 £6.901 million).

Average number of persons employed

2.2 **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.**

	2004-05 Number of Staff					2003-04 Number of Staff
	Total	**Permanently employed staff**	**Others**	**Ministers**	**Special Advisers**	Total
Objective 1 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:	6,948	6,929	19	-	-	7,177
Objective 2 To promote measurable improvements to housing in Northern Ireland:	67	65	2	-	-	65
Objective 3 To tackle disadvantage amongst individuals, communities and neighbourhoods, with particular emphasis on greatest need and encouraging, developing and supporting community development:	285	275	10	-	-	244
Staff engaged on capital projects	-	-	-	-	-	-
Total	**7,300**	**7,269**	**31**	-	-	7,486

Salary and pension entitlements

2.3 Salary and pension entitlements of the most senior managers of the Department were as follows:

Name	Salary including performance pay £'000	Real increase in pension and related sum at age 60 £'000	Total accrued pension at age 60 at 31 March 2005 and related lump sum £'000	CETV at 31 March 2004 £'000	CETV at 31 March 2005 £'000	Real increase in CETV after adj. for inflation & changes in market investment factors £'000	Employer contribution to partnership pension account including risk benefit cover (nearest £100) £	Benefits in kind (rounded to nearest £100) £
2004-05								
Mr A Shannon Permanent Secretary	Consent to disclose withheld							
Mr D Baker Deputy Secretary, Resources, Housing & Social Security Group	Consent to disclose withheld							
Mr J McGrath Deputy Secretary, Urban Regeneration & Community Development Group	75 - 80	0 – 2.5 plus 2.5 – 5 lump sum	25 – 30 plus 75 – 80 lump sum	380	419	19	-	-
Mr G Keenan Chief Executive, Social Security Agency	80 – 85	0 – 2.5 plus 2.5 – 5 lump sum	35 - 40 plus 115-120 lump sum	613	664	23	-	-
Mr B McGahan Chief Executive, Child Support Agency	80 – 85	0 – 2.5 plus 0 – 2.5 lump sum	30 – 35 plus 90 - 95 lump sum	449	483	8	-	-

Name	Salary including performance pay £'000	Real increase in pension and related sum at age 60 £'000	Total accrued pension at age 60 at 31 March 2004 and related lump sum £'000	CETV at 31 March 2003 £'000	CETV at 31 March 2004 £'000	Real increase in CETV after adj. for inflation & changes in market investment factors £'000	Employer contribution to partnership pension account including risk benefit cover (nearest £100) £	Benefits in kind (rounded to nearest £100) £
2003-04								
Mr J Hunter Permanent Secretary (01/04/02 – 09/12/03)	100 - 105	2.5 – 5 plus 2.5 – 5 lump sum	40 – 45 plus 115-120 lump sum	666	674	8	-	-
Mr A Shannon Permanent Secretary (10/12/03 – 31/03/04)	Consent to disclose withheld							
Mr D Baker Deputy Secretary, Resources, Housing & Social Security Group	70 - 75	2.5 – 5 plus 2.5 – 5 lump sum	20 – 25 plus 65–70 lump sum	275	313	22	-	-
Mr J McGrath Deputy Secretary, Urban Regeneration & Community Development Group	70 - 75	2.5 – 5 plus 2.5 – 5 lump sum	20 – 25 plus 70–75 lump sum	347	380	15	-	-
Mr J Johnston Assistant Secretary, Central Policy & Co-ordination Unit (01/04/03 – 04/07/03)	50 - 55	2.5 – 5 plus 2.5 – 5 lump sum	15 – 20 plus 55–60 lump sum	215	242	15	-	-
Mr P Angus Assistant Secretary, Central Policy & Co-ordination Unit (26/08/03 – 31/03/04)	50 - 55	2.5 – 5 plus 7.5 – 10 lump sum	15 – 20 plus 55–60 lump sum	252	309	44	-	-
Mr C Thompson Chief Executive, Social Security Agency (01/04/03 – 09/01/04)	90 - 95	2.5 – 5 plus 7.5 – 10 lump sum	35 - 40 plus 115-120 lump sum	593	644	50	-	-
Mr G Keenan Chief Executive, Child Support Agency (01/04/03 – 09/01/04) Chief Executive, Social Security Agency (12/01/04 – 31/03/04)	80 – 85	2.5 – 5 plus 7.5 – 10 lump sum	35 – 40 plus 110-115 lump sum	540	613	55	-	-

Name	Salary including performance pay £'000	Real increase in pension and related sum at age 60 £'000	Total accrued pension at age 60 at 31 March 2004 and related lump sum £'000	CETV at 31 March 2003 £'000	CETV at 31 March 2004 £'000	Real increase in CETV after adj. for inflation & changes in market investment factors £'000	Employer contribution to partnership pension account including risk benefit cover (nearest £100) £	Benefits in kind (rounded to nearest £100) £
2003-04 continued								
Mr B McGahan Chief Executive, Child Support Agency (12/01/04 – 31/03/04)	80 – 85	0 – 2.5 plus 0 – 2.5 lump sum	25 - 30 plus 85 – 90 lump sum	431	449	0.1	-	-

Salaries include gross salaries, performance pay or bonuses, overtime, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. It does not include the estimated monetary value of benefits in kind.

The 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 liabilities spouse's pension payable from the 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.

Pension benefits – see 2.5 below.

2.4 Salary and pension entitlements of the Ministers of the Department

From 15 October 2002 until 15 June 2003 the Department for Social Development was under the direction and control of Mr D Browne MP and from 16 June 2003 it was under the direction and control of Mr J Spellar MP. The salary and allowances were paid by NIO or the Cabinet Office rather than the NI Assembly. These costs have not been included as notional costs in the Operating Cost Schedule in the same way as Devolved Minister's salaries. Details of their salary and allowances, will be provided in the 2004-05 NIO resource accounts.

Pension benefits to Westminster's Ministers are provided by the Ministerial Pension Scheme (MPS) which is part of the Parliamentary Contributory Pension Fund (PCPF) for Members of Parliament. The MPS provides benefits on a "final salary" basis with a 1/50th accrual rate taking account of all service as a Minister. Benefits are payable on retirement from Ministerial office on or after age 65, or on the payment of benefits under the main PCPF scheme. Members pay contributions of 6% of the Ministerial salary. There is also an employer contribution of 7.5% of the Ministerial salary, paid by the Exchequer. In the event of retirement because of serious ill health, the MPS pension is brought into payment immediately. On death, pensions are payable to the surviving spouse at a rate of five-eighths of the Minister's pension. On death in service the MPS provides for a lump sum gratuity of three times the ministerial salary. Pensions increase in payment in line with changes in the Retail Prices Index. On retirement, it is possible to commute part of the pension for a lump sum.

2.5 Superannuation Scheme

The employees of the Department are civil servants to whom the conditions of the Superannuation Act 1965 and 1972 and subsequent amendments apply. The staff are covered by the Principal Civil Service Pension Scheme which is a non-contributory scheme. The rate of the PCSPS(NI) is determined from time to time by the Government Actuary and advised by DFP. The rate for 2004-05 varied between 12% and 18% (2003-04 12% and 18%) depending on the grade.

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*). New entrants after 1 October 2002 may choose between membership of *premium* or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (*partnership pension account*).

(a) Classic Scheme
Benefits 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. Members pay contributions of 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

(b) Premium Scheme
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 commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse’s pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member’s ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(c) Classic Plus Scheme
This is essentially a variation of *premium*, but with benefits in respect of service before 1 October 2002 calculated broadly as per *classic*.

All staff in service at 1 October 2002 were given the option to join the *premium* or *classic* plus arrangements.

Pensions payable under *classic, premium,* and *classic plus* are increased in line with the Retail Prices Index.

(d) Partnership Pension Account
This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer’s basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

The accounts reflect the actual costs of the employers’ contributions, which were £13.970 million (2003-04 £13.532 million) for the year.

Outstanding contributions amounting to £nil were payable to the Civil Superannuation Vote at 31 March 2005 (£nil at 31 March 2004) and are included in creditors (see Note 23.1).

2.6 Early Departure Scheme

The full costs of early departure decisions in the year were £0.287 million (2003-04 £0.110 million).

3 Other administration costs and areas under Departmental cost control

3.1 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	**2004-05 £'000**	2003-04 £'000
Rentals under operating leases:			
- Hire of plant and machinery		568	442
- Other operating leases		316	123
Interest charges		-	-
PFI service charges:			
- Off-Balance Sheet contracts		2,872	2,872
- Service element of on-Balance Sheet contracts		-	-
Research and development expenditure		-	-
Accommodation costs		3,811	3,111
Contracted services		34,546	30,254
CSA GB running costs (fully reimbursed)		24,234	22,630
Travel and subsistence		2,660	3,081
Management consultancy		911	2,860
Medical adjudication		5,666	5,606
Postage		2,681	3,179
Printing and stationery		2,924	3,715
Service charges		3,611	3,256
Computer and office running costs		2,239	3,761
Other expenditure		9,113	9,643
Non-cash items	3.2	30,673	23,607
Total		**126,825**	118,140

Of the total expenditure on other administration costs in 2004-05 of £126.825 million (2003-04 £118.140 million) £123.228 million relates to Request for Resources A (2003-04 £114.945 million), £0.547 million related to Request for Resources B (2003-04 £0.455 million) and £3.050 million relates to Request for Resources C (2003-04 £2.740 million).

3.2 Administration costs: non-cash items

	Note	**2004-05 £'000**	2003-04 £'000
Notional costs (excluding Ministers' salaries)	3.3	24,127	20,438
Depreciation on administration fixed assets	19	3,696	2,541
Loss on disposal of administration fixed assets	18	-	-
Movement in administration provision	24	740	185
Permanent diminution in value of administration fixed assets		2,110	443
Other		-	-
Total	3.1, 6	**30,673**	23,607

3.3 Notional costs

Certain services are provided and received by the Department without the transfer of cash. Amounts of £24.127 million (2003-04 £20.438 million) are included in the net cost of operations and are made up as follows:

	Note	**2004-05 £'000**	2003-04 £'000
Services provided by other Departments			
Accommodation costs	3.3a	11,233	8,881
Other indirect charges and services	3.3b	11,603	10,443
Other		-	-
		22,836	19,324
Other notional costs			
Notional cost of capital charge in respect of net administration assets		937	755
Auditors' remuneration and expenses	3.3c	354	359
Other		-	-
		1,291	1,114
Total	3.2,36	**24,127**	20,438

3.3a Accommodation costs include charges levied from the Accommodation and Construction Division of DFP.

3.3b Other indirect charges and services are levied by DFP, DHSSPS, DRD, DWP and NICS Recruitment Service.

3.3c 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 4 below.

4 Net programme costs

	Note	**2004-05 Net Expenditure £'000**	2003-04 Net Expenditure £'000
Grants and other current expenditure		2,902,079	2,803,770
Seconded out staff – wages and salaries	2.1	619	519
Seconded out staff – social security costs	2.1	45	32
Seconded out staff – other pension costs	2.1	86	65
Non-contributory programme overheads	17	12,203	13,226
Non-supply expenditure: contributory benefits	9.1	1,509,338	1,455,040
Depreciation on programme fixed assets	6, 19	15	16
Notional cost of capital charge in respect of programme assets	6, 36	7,638	6,556
Movement in provisions (excluding amounts utilised in year)	6, 24	279	1,487
Loss on disposal of fixed assets	6, 18	242	239
Permanent diminution in value of programme fixed assets	6	11,921	1,958
Other programme costs		83	8
		4,444,548	4,282,916
Less: programme income	7	(270,303)	(352,794)
Total		**4,174,245**	3,930,122

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 11 includes programme overheads.

5 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).

		2004-05 Forecast		**2004-05 Outturn**	
	Note	**Income £'000**	***Receipts £'000***	**Income £'000**	***Receipts £'000***
Operating income and receipts – excess AR	7	-	-	3,760	*6,496*
Non-operating income and receipts – excess AR	7	-	-	145	-
Subtotal		-	-	3,905	*6,496*
Other operating income and receipts not classified as AR	7	12,202	*12,202*	14,924	*9,969*
Other non-operating income and receipts not classified as AR	7	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	7	-	-	-	-
Total		**12,202**	***12,202***	**18,829**	***16,465***

6 Non-cash items

	Note	**2004-05 £'000**	2003-04 £'000
Administration (excluding Ministers' salaries)	3.2	30,673	23,607
Administration (Ministers' salaries)	2.1	-	-
		30,673	23,607
Programme	4	20,095	10,256
Other		-	-
Total		**50,768**	33,863

The programme non-cash items in 2004-05 of £20.095 million (2003-04 £10.256 million) 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. (2003-04 comprises notional cost of capital charge in respect of programme assets £6.556 million, movements in provision (excluding amounts utilised in year) £1.487 million, other programme costs £1.958 million, programme depreciation £0.016 million and loss on disposal of fixed assets £0.239 million).

6.1 The total of non-cash transactions included in the Reconciliation of Operating Costs to Operating Cashflows in Schedule 4 comprises:

	Note	**2004-05 £'000**	2003-04 £'000
Non-cash items (as above)		50,768	33,863
Less non-cash income			
- profit on sale of fixed assets	18	(1,959)	-
Other		-	-
Total non-cash transactions		**48,809**	33,863

6.2 The total of non-cash items included in the Reconciliation of Resources to Net Cash Requirement in Schedule 1 comprises:

	Note	**2004-05 £'000**	2003-04 £'000
Total non-cash transactions as above		48,809	33,863
Other		-	-
Non-cash items per Reconciliation of Resources to Net Cash Requirement		**48,809**	33,863

7 Income and Accruing Resources

7.1 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 2004-05 all operating income not classified as Accruing Resources was within public expenditure.

Operating income analysed by classification and activity, is as follows:

	Note	**2004-05** Accruing Resource £'000	Netted off Gross Expenditure £'000	Payable to Consolidated Fund £'000	Total £'000	2003-04 Accruing Resource £'000	Netted off Gross Expenditure £'000	Payable to Consolidated Fund £'000	Total £'000
Administration income:									
Allowable within administration cost limit		8	-	-	8	4	-	-	4
Fees and charges to external customers		690	-	-	690	653	-	-	653
Fees and charges to other Departments		-	-	-	-	-	-	-	-
Interest receivable		-	-	-	-	-	-	-	-
Profit on disposal of administration assets	18	-	-	-	-	-	-	-	-
Other	7a	39,456	-	119	39,575	37,573	-	302	37,875
		40,154	-	119	40,273	38,230	-	302	38,532
Programme income:									
EU receipts		-	-	12,972	12,972	-	-	7,374	7,374
Interest receivable		2,691	-	-	2,691	2,548	-	9	2,557
Profit on disposal of programme assets	18	-	1,959	-	1,959	-	-	-	-
Other	7b	247,088	-	5,593	252,681	326,914	-	15,949	342,863
	4	249,779	1,959	18,565	270,303	329,462	-	23,332	352,794
Total		**289,933**	**1,959**	**18,684**	**310,576**	367,692	-	23,634	391,326

7a Other administration Accruing Resources include:

(i) CSA - Amounts received from DWP back office processing services carried out at the Belfast Benefits Centre and Paid Order Unit £24.234 million; and

(ii) SSA - Recoveries from DWP, Seconded officer and miscellaneous receipts £15.222 million.

7b Other programme Accruing Resources include:

(i) Housing – Additional receipts of £10.591 million for long term loans recoverable, £106.822 million relating to NIHE Sales and £123.937 million interest reimbursements from NIHE;

(ii) Urban Regeneration - Interest receivable £1.054 million, Recoupment from IFI £0.812 million, Grant clawback £0.080 million and Miscellaneous £0.178 million; and

(iii) SSA Benefits – Income from Income Support (IS) Non-Pensioner £3.556 million, JSA Non-contributory £0.050 million and JSA Contributory £0.008 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:

	2004-05			2003-04		
	Income £'000	**Full Cost £'000**	**Surplus/ (deficit) £'000**	Income £'000	Full Cost £'000	Surplus/ (deficit) £'000
Income from external customers	690	148	542	653	645	8
Total	**690**	**148**	**542**	653	645	8

7.2 Non-Operating Income

Non-operating Accruing Resources

	Note	**2004-05 Total £'000**	2003-04 Total £'000
Proceeds of tangible fixed assets disposed of	18	30,378	35,333
Repayments of loans to other bodies	18	1,278	1,523
Total		**31,656**	36,856

Non-operating income not treated as Accruing Resources (Payable to Consolidated Fund)

Proceeds of tangible fixed assets disposed of	18	145	-
Repayments of loans to other bodies	18	-	26
Total	5	**145**	26
Total proceeds of tangible fixed assets disposed of	18	**30,523**	35,333
Total repayments of loans to other bodies		**1,278**	1,549

7.3 Reconciliation of Accruing Resources per Schedule 1 with Accruing Resources per Note 7

	Note	**2004-05 £'000**	**2004-05 £'000**	2003-04 £'000	2003-04 £'000
Accruing Resources per Note 7.1			289,933		367,692
NIF Administration costs (SSA)		27,960		27,810	
NIF Administration costs (DSD Core)		2,240		2,100	
	16		30,200		29,910
NIF Contributory Benefits	12		12,360		14,451
NIF Accruing Resources	12		(8)		(10)
Accruing Resources per Schedule 1			**332,485**		412,043

8 Administration costs limits

The outturn shown against individual administration cost limits is as follows:

	2004-05		2003-04	
	Net Outturn £'000	**Limits £'000**	Net Outturn £'000	Limits £'000
Request for Resources A	215,617	219,705	209,875	221,209
Request for Resources B	2,413	2,614	2,155	2,474
Request for Resources C	10,594	11,153	8,908	9,717
Total per Schedule 2	**228,624**	**233,472**	220,938	233,400

9 Reconciliation of net operating cost to net resource outturn

	Note	**2004-05 £'000**	2003-04 £'000
Net operating cost		**4,402,869**	4,151,060
Less:			
Non-supply expenditure	9.1, 11	(1,509,330)	(1,455,030)
AR not treated as income – funding from NIF to cover Administration costs	16	(30,200)	(29,910)
Excess of Social Fund grant to operating cost expenditure		3,865	1,712
Operating income not classified as AR		18,684	23,634
Net resource outturn		**2,885,888**	2,691,466

Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement (Schedule 2). 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 (Schedule 1).

9.1 Non-supply expenditure

	Note	**2004-05 £'000**	2003-04 £'000
Contributory benefits (gross)	12	1,508,624	1,454,218
NIF write-offs and movement on debt provision	17	714	822
Total gross non-supply expenditure	4	**1,509,338**	1,455,040
Contributory benefits – Accruing Resources	12	(8)	(10)
Total net non-supply expenditure	9	**1,509,330**	1,455,030

The NIF write-offs consist of movement in provision for doubtful debt (£0.116) million, together with bad debts written off of Incapacity benefits £0.520 million, Pension benefits £0.224 million and Other benefits £0.086 million.

10 Analysis of net operating cost by spending body

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

	2004-05		2003-04	
	Budget £'000	**Outturn £'000**	Budget £'000	Outturn £'000
Core Department (RHSSG and URCDG)	2,743,075	2,617,217	2,485,911	2,429,455
Social Security Agency	163,304	187,988	162,082	182,942
Child Support Agency	17,009	14,556	17,323	14,534
National Insurance Fund	1,560,193	1,509,330	1,486,505	1,455,030
Social Fund	73,778	73,778	70,377	69,099
Total	**4,557,359**	**4,402,869**	4,222,198	4,151,060

11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement

	Admin £'000	Other Current £'000	Grants £'000	Gross Total £'000	Accruing Resources £'000	NET TOTAL £'000	Estimate £'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								
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)	-	-	-
Job grant	-	-	443	443	-	443	300	(143)
Grants to voluntary bodies – social security	-	-	7,984	7,984	-	7,984	8,700	716

11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin £'000	Other Current £'000	Grants £'000	Gross Total £'000	Accruing Resources £'000	NET TOTAL £'000	Estimate £'000	Net total Outturn Compared with Estimate £'000
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**

11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin £'000	Other Current £'000	Grants £'000	Gross Total £'000	Accruing Resources £'000	NET TOTAL £'000	Estimate £'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 grants 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								
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**

11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin £'000	Other Current £'000	Grants £'000	Gross Total £'000	Accruing Resources £'000	NET TOTAL £'000	Estimate £'000	Net total Outturn Compared with Estimate £'000
2004-05								
Request for Resources C (RfR C)								
Tackling disadvantage amongst individuals, communities and neighbour-hoods, 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 Peace & Reconciliation Programme	-	-	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
Community Initiatives	-	-	2,320	2,320	-	2,320	4,661	2,341
Annually managed expenditure								
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**

11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin £'000	Other Current £'000	Grants £'000	Gross Total £'000	Accruing Resources £'000	NET TOTAL £'000	Estimate £'000	Net total Outturn Compared with Estimate £'000
2004-05								
Resource Outturn	**268,897**	**316,061**	**2,633,415**	**3,218,373**	**(332,485)**	**2,885,888**	**3,009,368**	**123,480**
Non-supply expenditure (net)						1,509,330	1,560,193	50,863
NIF administration costs						30,200	-	(30,200)
Excess of Social Fund grant to operating cost expenditure						(3,865)	-	3,865
Operating income not classified as AR						(18,684)	(12,202)	6,482
Income netted off in gross sub-head grossed up in Operating Cost Statement						-	-	-
Net operating cost						**4,402,869**	**4,557,359**	**154,490**

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.

The DFP requires this cost to be separately identified at the bottom of this table and the financing at the top of the Cash Flow Statement in Schedule 4.

11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin	Other Current	Grants	Gross Total	Accruing Resources	NET TOTAL	Estimate	Net total Outturn Compared with Estimate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2003-04								
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	177,952	12,772	4	190,728	(30,533)	160,195	167,064	6,869
Belfast Benefit Centre	11,405	-	-	11,405	(10,878)	527	785	258
Paid Order Unit	3,866	-	-	3,866	(3,620)	246	281	35
Belfast Child Support Agency Centre	22,630	-	-	22,630	(22,630)	-	-	-
Child Support Agency for Northern Ireland	14,281	-	-	14,281	(4)	14,277	16,703	2,426
Annually managed expenditure								
Non-contributory and means-tested benefits:								
- Pension benefits	-	-	3,060	3,060	-	3,060	2,970	(90)
- Disability benefits	-	-	818,312	818,312	-	818,312	818,044	(268)
- Industrial injuries benefits	-	-	24,620	24,620	-	24,620	22,485	(2,135)
- Income support for the elderly/Pension Credit	-	-	238,886	238,886	-	238,886	239,334	448
Income support - non-Pensioners and Jobseeker's allowance:								
- Income support - non pensioners	-	-	490,560	490,560	(3,966)	486,594	494,841	8,247
- Jobseeker's allowance (income based)	-	-	86,823	86,823	(59)	86,764	95,942	9,178
- Jobseeker's allowance (contribution based)	-	-	14,451	14,451	(14,451)	-	-	-
Job grant	-	-	142	142	-	142	410	268

11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin £'000	Other Current £'000	Grants £'000	Gross Total £'000	Accruing Resources £'000	NET TOTAL £'000	Estimate £'000	Net total Outturn Compared with Estimate £'000
Grants to voluntary bodies – social security	-	-	7,206	7,206	-	7,206	7,561	355
Housing benefit (rent)	-	-	312,491	312,491	-	312,491	307,651	(4,840)
Discretionary housing payments	-	-	1,038	1,038	-	1,038	1,142	104
Compensation payments to providers of existing support accommodation	-	-	-	-	-	-	1	1
Non-Budget								
Housing benefit (rates)	-	-	39,232	39,232	-	39,232	38,800	(432)
Payments into the Social Fund (Regulated)	-	-	7,119	7,119	-	7,119	6,533	(586)
Payments into the Social Fund in respect of Winter Fuel Payments	-	-	47,125	47,125	-	47,125	48,975	1,850
Payments into the Social Fund (Discretionary)	-	-	14,855	14,855	-	14,855	14,869	14
Payments into the Northern Ireland National Insurance Fund	-	-	33,480	33,480	(7)	33,473	33,460	(13)
Notional Charges	17,798	-	-	17,798	-	17,798	19,161	1,363
Total	247,932	12,772	2,139,404	2,400,108	(86,148)	2,313,960	2,337,012	23,052

11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin £'000	Other Current £'000	Grants £'000	Gross Total £'000	Accruing Resources £'000	NET TOTAL £'000	Estimate £'000	Net total Outturn Compared with Estimate £'000
2003-04								
Request for Resources B (RfR B)								
Promoting measurable improvements to housing in Northern Ireland:								
Departmental Expenditure in DEL								
Assistance to the voluntary housing movement	-	-	77,471	77,471	(8,577)	68,894	84,038	15,144
Housing - other expenditure	1,820	834	701	3,355	-	3,355	3,553	198
Housing grant to the NI Housing Executive	-	-	338,290	338,290	(171,147)	167,143	168,103	960
Renovation grants and group repair of dwellings	-	-	41,185	41,185	-	41,185	41,135	(50)
Interest Payments on Housing Loans	-	-	131,853	131,853	(131,853)	-	-	-
Executive Programme Funds	-	-	158	158	-	158	158	-
Annually managed expenditure								
Supporting people (Transitional Housing Benefit funding element)	-	-	34,515	34,515	-	34,515	35,192	677
Non Budget								
Other expenditure	-	-	-	-	-	-	44	44
Notional Charges	335	-	-	335	-	335	479	144
Total	2,155	834	624,173	627,162	(311,577)	315,585	332,702	17,117

11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin £'000	Other Current £'000	Grants £'000	Gross Total £'000	Accruing Resources £'000	NET TOTAL £'000	Estimate £'000	Net total Outturn Compared with Estimate £'000
2003-04								
Request for Resources C (RfR C)								
Tackling disadvantage amongst individuals, communities and neighbour-hoods, with particular emphasis on greatest need and encouraging, developing and supporting community development:								
Department Expenditure in DEL								
Urban regeneration	6,555	2,899	25,547	35,001	(14,318)	20,683	27,795	7,112
Community and Voluntary Sector funding	957	24	10,010	10,991	-	10,991	11,965	974
Gap/interim funding for voluntary and community sector between EU programmes	-	-	-	-	-	-	1	1
EU Peace & Reconciliation Programme	-	-	8,961	8,961	-	8,961	13,424	4,463
ERDF - grants to district councils, community groups and the private sector	-	-	1,772	1,772	-	1,772	1,793	21
Executive Programme Funds	242	415	3,250	3,907	-	3,907	4,408	501
Community Initiatives	-	-	1,166	1,166	-	1,166	2,341	1,175
Grants to Laganside	-	-	6,191	6,191	-	6,191	6,965	774
Integrated Development Fund	-	-	-	-	-	-	-	-
Annually managed expenditure								
Urban Regeneration/ Community Development Non-cash items	79	5,479	932	6,490	-	6,490	8,293	1,803
Non Budget								
Grants to ILEX	-	-	210	210	-	210	200	(10)
Notional Charges	1,550	-	-	1,550	-	1,550	1,544	(6)
Total	9,383	8,817	58,039	76,239	(14,318)	61,921	78,729	16,808
Resource Outturn	259,470	22,423	2,821,616	3,103,509	(412,043)	2,691,466	2,748,443	56,977

11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin	Other Current	Grants	Gross Total	Accruing Resources	NET TOTAL	Estimate	Net total Outturn Compared with Estimate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2003-04								
Resource Outturn	259,470	22,423	2,821,616	3,103,509	(412,043)	2,691,466	2,748,443	56,977
Non-supply expenditure (net)						1,455,030	1,486,505	31,475
NIF administration costs						29,910	-	(29,910)
Excess of Social Fund grant to operating cost expenditure						(1,712)	-	1,712
Operating income not classified as AR						(23,634)	(12,750)	10,884
Income netted off in gross sub-head grossed up in Operating Cost Statement						-	-	-
Net operating cost						4,151,060	4,222,198	71,138

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.

The DFP requires this cost to be separately identified at the bottom of this table and the financing at the top of the Cash Flow Statement in Schedule 4.

12 Contributory benefit expenditure paid from the National Insurance Fund

		2004-05			2003-04		
	Note	**Gross Expenditure £'000**	**Accruing Resources £'000**	**Net Expenditure £'000**	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000
Pension benefits							
Retirement pension							
- basic element		963,804	-	963,804	924,451	-	924,451
- additional component		173,702	-	173,702	157,898	-	157,898
Christmas bonus		3,325	-	3,325	3,283	-	3,283
Widow's benefit							
- basic element		20,918	-	20,918	22,367	-	22,367
- additional component		5,462	-	5,462	5,934	-	5,934
- widow's payment		4,452	-	4,452	4,593	-	4,593
Unemployment, Invalidity and Sickness Benefits.		(21)	-	(21)	(64)	-	(64)
Unemployment, incapacity and other benefits							
Jobseeker's Allowance – Contributions Based		12,360	(8)	12,352	14,451	(10)	14,441
Incapacity Benefit							
- basic element		308,216	-	308,216	304,158	-	304,158
- additional component		12,102	-	12,102	13,699	-	13,699
Family benefits							
Maternity Allowance		4,304	-	4,304	3,448	-	3,448
Total	7.3, 9.1	**1,508,624**	**(8)**	**1,508,616**	1,454,218	(10)	1,454,208

13 Non-contributory benefit expenditure

	2004-05 Gross Expenditure £'000	2004-05 Accruing Resources £'000	2004-05 Net Expenditure £'000	2003-04 Gross Expenditure £'000	2003-04 Accruing Resources £'000	2003-04 Net Expenditure £'000
Pension benefits						
Non-contributory retirement pension	1,909	-	1,909	1,964	-	1,964
Christmas bonus	1,110	-	1,110	1,096	-	1,096
Other	12,627	-	12,627	-	-	-
Disability allowance						
Attendance allowance	186,558	-	186,558	180,529	-	180,529
Carers allowance	84,664	-	84,664	81,001	-	81,001
Severe disablement allowance	40,782	-	40,782	41,188	-	41,188
Disability living allowance	549,523	-	549,523	515,588	-	515,588
Disability working allowance	1	-	1	(1)	-	(1)
Miscellaneous Diseases Scheme	4	-	4	7	-	7
Industrial injuries benefits	25,103	-	25,103	24,620	-	24,620
Income support for the elderly/Pension Credit						
Income support for the elderly	4,734	-	4,734	124,858	-	124,858
Pension Credit	278,387	-	278,387	114,028	-	114,028
Family benefits						
Family credit	(13)	-	(13)	4	-	4
Child Support Maintenance bonus	92	-	92	121	-	121
Income support - non-pensioners and Jobseeker's Allowance						
Income support (non-pensioners)	487,426	(3,556)	483,870	490,560	(3,966)	486,594
Jobseeker's allowance (income based)	72,472	(50)	72,422	85,231	(59)	85,172
Back to work bonus	221	-	221	268	-	268
Total	**1,745,600**	**(3,606)**	**1,741,994**	1,661,062	(4,025)	1,657,037

14 Statutory benefits

	2004-05 Gross Expenditure £'000	2004-05 Accruing Resources £'000	2004-05 Net Expenditure £'000	2003-04 Gross Expenditure £'000	2003-04 Accruing Resources £'000	2003-04 Net Expenditure £'000
Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP)	37,485	-	37,485	33,480	(7)	33,473
Total	**37,485**	**-**	**37,485**	33,480	(7)	33,473

15 Other social grants and disbursements

	2004-05 Gross Expenditure £'000	2004-05 Accruing Resources £'000	2004-05 Net Expenditure £'000	2003-04 Gross Expenditure £'000	2003-04 Accruing Resources £'000	2003-04 Net Expenditure £'000
Grants to independent bodies						
Independent living funds	7,385	-	7,385	6,611	-	6,611
Motability	600	-	600	594	-	594
Housing benefit						
Rent rebate	170,674	-	170,674	169,544	-	169,544
Rent allowances	164,572	-	164,572	142,788	-	142,788
Rates	41,986	-	41,986	39,232	-	39,232
Discretionary Housing Payments	1,029	-	1,029	1,038	-	1,038
Social Fund disbursements						
Funeral payments	2,457	-	2,457	2,020	-	2,020
Cold weather payments	6	-	6	620	-	620
Maternity payments	4,574	-	4,574	4,633	-	4,633
Community care grants	12,661	-	12,661	11,733	-	11,733
Winter fuel payments	49,910	-	49,910	48,120	-	48,120
Budgeting loans, Crisis loans and Funeral payment transfers to GB	305	-	305	261	-	261
Total	**456,159**	**-**	**456,159**	427,194	-	427,194

16 National Insurance Fund administration

	Note	**2004-05** **£'000**	2003-04 £'000
NIF Administration costs incurred by the Department		30,200	29,910
Total	7.3,9 & 11	**30,200**	29,910

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

17 Programme overheads

	Note	**2004-05** **£'000**	2003-04 £'000
Increase in provision for doubtful debt	17.1	1,585	2,858
Programme debt written off	17.2	8,115	6,493
Other programme overheads	17a	3,217	4,697
Total		**12,917**	14,048
Non-contributory programme overheads	4	12,203	13,226
Contributory programme overheads	9.1	714	822
Total		**12,917**	14,048

17.1 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	**2004-05** **£'000**	2003-04 £'000
Contributory benefits	9.1	(116)	241
Non-contributory benefits		1,187	2,639
Social Fund payments		431	(88)
Other programme		83	66
Total	17	**1,585**	2,858

17.2 Bad debts written off

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

	Note	2004-05 £'000	2003-04 £'000
Contributory benefits			
Pension benefits	9.1	224	160
Incapacity benefits	9.1	520	333
Other	9.1, 17b	86	88
Non-contributory benefits			
Disability benefit		568	517
Income support		3,467	2,756
Family benefits		7	1
Other	17c	1,028	348
Social Fund			
Funeral grant		2,063	2,123
Other	17d	152	167
Total		**8,115**	6,493

17a Other programme overheads include:

Housing: Wages and salaries paid to the Construction Service of £0.902 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 £0.723 million, interest payable on compensation (Victoria Square) £1.023 million, maintenance £0.242 million, legal and professional fees £0.253 million; land registry fees £0.018 million and other £0.056 million.

17b Other contributory benefits include Unemployment Benefit, Sickness Benefit, Maternity Allowance, Invalidity Benefit, and JSA (C).

17c Other non-contributory benefits include Pension Credit, Industrial Injuries, IIB Disablement Benefit and JSA (NC).

17d Other Social Fund includes Budgeting Loans and Crisis Loans.

18 Analysis of capital expenditure, financial investment and associated Accruing Resources

		2004-05			2003-04		
	Note	**Capital Expenditure £'000**	**Investments £'000**	**Net Total £'000**	Capital Expenditure £'000	Investments £'000	Net Total £'000
Request for Resources A		1,007	-	1,007	8,796	-	8,796
Request for Resources B		38	-	38	8	-	8
Request for Resources C		16,088	-	16,088	44,855	-	44,855
Total (on an accruals basis)		17,133	-	17,133	53,659	-	53,659
Adjustment for prior year capital additions		(22)	-	(22)	2	-	2
Additions per fixed asset note	19	17,111	-	17,111	53,661	-	53,661
Total (on an accruals basis)		17,133	-	17,133	53,659	-	53,659
Assets bought by DHSSPS on DSD's behalf		-	-	-	(51)	-	(51)
Opening fixed asset accruals		-	-	-	161	-	161
Closing fixed asset accruals		(152)	-	(152)	-	-	-
Total cash payments (per Schedule 4)		16,981	-	16,981	53,769	-	53,769
Adjustment for prior year capital additions		(22)	-	(22)	2	-	2
Total cash payments per Schedule 1)		16,959	-	16,959	53,771	-	53,771
Accruing Resources							
Net Book Value of assets disposed of		(28,806)	-	(28,806)	(35,572)	-	(35,572)
Profits on disposal (Administration assets)		-	-	-	-	-	-
Profits on disposal (Programme assets)		(1,959)	-	(1,959)	-	-	-
Losses on disposal (Administration assets)	3.2	-	-	-	-	-	-
Losses on disposal (Programme assets)	4	242	-	242	239	-	239
Loan receipts	7.2	-	(1,278)	(1,278)	-	(1,523)	(1,523)
Total (on an accruals basis)	7.2	(30,523)	(1,278)	(31,801)	(35,333)	(1,523)	(36,856)
Opening fixed asset disposal accrued income		(902)	-	(902)	(5,719)	-	(5,719)
Closing fixed asset disposal accrued income		2,908	-	2,908	902	-	902
Total cash receipts (per Schedule 4)		(28,517)	(1,278)	(29,795)	(40,150)	(1,523)	(41,673)
Total		**(11,558)**	**(1,278)**	**(12,836)**	13,621	(1,523)	12,098

The above items represent the cash flow for the year in respect of the Department's capital expenditure, financial investment and associated Accruing Resources.

The interest from loans made by the Department is shown as investment income in the Operating Cost Statement. Interest received is paid over to the Consolidated Fund.

19 Tangible fixed assets

	Land & Buildings £'000	Computer Equipment £'000	Other Equipment £'000	Total £'000
Cost or valuation				
At 1 April 2004	135,503	16,867	1,430	153,800
Adjustments to opening balances	8	-	(14)	(6)
Additions	15,989	1,007	115	17,111
Transfers in	36,421	-	-	36,421
Disposals	(28,564)	(1,160)	(150)	(29,874)
Upward Revaluations	9,190	-	46	9,236
Downward Revaluations	(13,106)	(3,281)	-	(16,387)
At 31 March 2005	**155,441**	**13,433**	**1,427**	**170,301**
Accumulated depreciation				
At 1 April 2004	3,568	4,779	1,036	9,383
Adjustments to opening balances	(28)	-	-	(28)
Charged in year	596	2,984	131	3,711
Disposals	-	(942)	(126)	(1,068)
Upward Revaluations	-	-	30	30
Downward Revaluations	(1,208)	(1,171)	-	(2,379)
At 31 March 2005	**2,928**	**5,650**	**1,071**	**9,649**
Net book value				
At 31 March 2005	**152,513**	**7,783**	**356**	**160,652**
At 31 March 2004	131,935	12,088	394	144,417
Asset Financing at 31 March 2005				
Owned	150,388	7,783	356	158,527
Capitalised leasehold	2,125	-	-	2,125
Net book value at 31 March 2005	**152,513**	**7,783**	**356**	**160,652**

The net book value of land and buildings comprises:

	2004-05 £'000	2003-04 £'000
Freehold	**150,388**	129,650
Long leaseholds	**2,125**	2,285
Total	**152,513**	131,935

19 Tangible fixed assets (continued)

Freehold land and buildings were revalued during the year. 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.

Included in the Fixed Asset "Transfers In" is £12.5 million for IDB House, £12 million for Churchill House and £11.921 million for the Victoria Square roadway and footpaths. The leasehold of IDB House was transferred from the Department of Finance and Personnel (DFP) to the Department for Social Development (DSD) on 21st May 2004. The freehold of Churchill House was transferred from DFP to DSD on 21st May 2004. The roadway and footpaths were transferred from the Department of Regional Development (DRD) to DSD at £11.921 million, the depreciated replacement cost. With the extinguishment of the public rights of way and the cessation of use as a roadway and footpaths, Valuation and Lands Agency (VLA) revalued the land at its market value of £1. DSD subsequently impaired the value of the land in their accounts.

IDB House, Churchill House and the former roadway and footpaths were then incorporated into the Victoria Square development site. A long-leasehold for the site was granted to Commerz Grundbesitz Investmentgesellschaft mbH (CGI), the funder, on 25th June 2004 and the assets were transferred for development.

The accounting treatment for all transfers was agreed by DFP. All three transfers were treated as non-cash technical transfers with a total value of £36.421 million and have been accounted for on the same basis in the DFP, DRD and DSD Resource Accounts. DSD have debited Fixed Assets "Transfers In" (Note 19) and credited General Fund "Fixed Assets transferred from DRD/DFP" (Note 36). An adjustment has also been made to the Net Cash Requirement in Schedule 1.

20 Investments

	2004-05 **£'000**	2003-04 £'000
Balance at 1 April 2004	22,869	24,418
Repayments	(1,278)	(1,549)
Revaluations	-	-
Balance at 31 March 2005	**21,591**	22,869

Investments consist of Housing loans.

21 Debtors

21.1 Amounts falling due within one year

	Note	**2004-05** **Gross debtors £'000**	**Provision for doubtful debt £'000**	**Net debtors £'000**	2003-04 Gross debtors £'000	Provision for doubtful debt £'000	Net debtors £'000
Administration							
Trade debtors		121	-	121	86	-	86
VAT		1,302	-	1,302	2,423	-	2,423
Deposits and advances		-	-	-	50	-	50
Prepayments and accrued income		5,862	-	5,862	4,939	-	4,939
Inter-Departmental debtor with DWP	22.2	12	-	12	-	-	-
Consolidated Fund debtor for cash undrawn	36	-	-	-	-	-	-
Other administration debtors	21.1c	630	-	630	270	-	270
Programme							
Benefit overpayments							
- Contributory benefits		345	(7)	338	374	(50)	324
- Non-contributory Benefits		4,233	(390)	3,843	3,738	(693)	3,045
- Social Fund		17	-	17	12	-	12
Benefit prepayments							
- Contributory benefits		8,398	-	8,398	7,631	-	7,631
- Non-contributory Benefits		6,906	-	6,906	6,728	-	6,728
Social Fund loans							
- Funeral loans		72	-	72	68	-	68
- Other loans	21.1a	27,357	-	27,357	26,871	-	26,871
NIF Debtor	22.2	59,780	-	59,780	5,954	-	5,954
Interest receivable		-	-	-	-	-	-
Consolidated Fund debtor for cash undrawn	36	-	-	-	33,212	-	33,212
Prepayments and accrued income		21	-	21	367	-	367
NIHE debtor	21.1d	89,939	-	89,939	84,182	-	84,182
Other programme debtors	21.1b 21.1c	74,934	(2,776)	72,158	99,009	(3,703)	95,306
Total debtors falling due within one year		**279,929**	**(3,173)**	**276,756**	275,914	(4,446)	271,468

21.1a Other Social Fund loans consist of Budgeting Loans £20.672 million (2003-04 £20.666 million) and Crisis Loans £6.685 million (2003-04 £6.205 million).

21.1b Other programme debtors consist of:

(i) **Housing**: Loan interest receivable £1.153 million, housing grants repayable as a result of equity sales £0.451 million, NIHE £0.217 million, other housing grants recoverable £0.482 million, prepayment £0.007 million, Housing Association Grant prepayment £25.953 million, vesting orders recoverable £3.089 million and disposal proceeds fund recoverable £2.399 million;

(ii) **Urban Regeneration**: EU Debtor £28.343 million, Clawback Debtor £0.632 million, SEUPB Debtor £5.678 million, Land sale Debtors £2.908 million, Other Debtors £0.507 million and Provision for Bad Debts (£2.401) million;

(iii) **DSD Core**: Non PACS Benefits Prepayments £1.958 million; and

(iv) **SSA Benefits**: Child Support Agency £0.289 million, Overseas Governments £0.084 million, others £0.070 million, Compensation Recovery Unit £0.714 million and Provision for Bad Debts (£0.375) million.

21.1c Included within Other debtors is £30.527 million (2003-04 £28.163 million) that will be due to the Consolidated Fund once the debts are collected.

21.1d NIHE loans with DFP of £89.939 million (2003-04 £84.182 million) are shown in the DSD Balance Sheet. There is a debtor from NIHE and corresponding creditor to DFP (Consolidated Fund).

21.2 Amounts falling due after more than one year

	Note	2004-05 Gross debtors £'000	2004-05 Provision for doubtful debt £'000	2004-05 Net debtors £'000	2003-04 Gross debtors £'000	2003-04 Provision for doubtful debt £'000	2003-04 Net debtors £'000
Administration							
Prepayments and accrued income		847	-	847	-	-	-
Programme							
Benefit overpayments							
- Contributory benefits		2,079	(763)	1,316	2,034	(835)	1,199
- Non-contributory benefits		39,592	(16,650)	22,942	34,968	(15,271)	19,697
Social Fund loans							
- Funeral loans		4,817	(2,667)	2,150	4,272	(2,278)	1,994
- Other loans	21.2a	17,270	(222)	17,048	16,240	(179)	16,061
NIHE debtor	21.2c	1,168,017	-	1,168,017	1,258,053	-	1,258,053
Other programme debtors	21.2b	37,837	-	37,837	12,066	-	12,066
Total debtors falling due after more than one year		**1,270,459**	**(20,302)**	**1,250,157**	1,327,633	(18,563)	1,309,070
Total debtors				**1,526,913**			1,580,538

21.2a Other Social Fund loans consist of Budgeting Loans £9.317 million (2003-04 £8.970 million) and Crisis Loans £7.731 million (2003-04 £7.091 million).

21.2b Other Programme Debtors consist of:

(i) **Urban Regeneration**: Victoria Square Development Debtor £37.837 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 of 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.

21.2c NIHE loans with DFP of £1,168.017 million (2003-04 £1,258.053 million) are shown in the DSD Balance Sheet. There is a debtor from NIHE and a corresponding creditor to DFP (Consolidated Fund).

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 2005, £7.899 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.

Potential debt – Debt Management Unit (SSA)

Vote and NIF overpayment debt in the Debt Management Unit is recognised on the Balance Sheet when it has been adjudicated upon. If debt is determined to be irrecoverable, this is immediately written off, while recoverable debt becomes part of the outstanding debtor balance.

At the year end cases exist in the adjudication sections of district offices which could potentially become recoverable debt. An estimate of the recoverable debt element of the unadjudicated cases at 31 March 2005 is £6.358 million.

22 Cash at bank and in hand

22.1 Cash with paying agents

	2004-05 £'000	2003-04 £'000
Post Office Counters Ltd	-	12,774
Girobank	22,507	-
Balance at 31 March	**22,507**	12,774

22.2 Cash at bank and in hand

	Note	**2004-05 £'000**	2003-04 £'000
Balance at 1 April		(13,217)	(9,623)
Net change in cash balance		1,593	(3,594)
Balance at 31 March		**(11,624)**	(13,217)

Balances at 31 March are held at:

		2004-05 £'000	2003-04 £'000
Commercial bank balances	23.1	(11,689)	(13,266)
Cash at bank and in hand		65	49
		(11,624)	(13,217)

The balance at 31 March comprises:

		2004-05 £'000	2003-04 £'000
Cash held by other government Departments			
Inter-Departmental balance with DHSSPS	23.1	19	14
Inter-Departmental balance with DWP	21.1, 23.1	(12)	1,633
Cash due to be paid to the Consolidated Fund			
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	23.1	9,114	18,348
Cash due to be received from the Consolidated Fund			
Consolidated Fund (debtor) for cash undrawn	21.1	-	(33,212)
Consolidated Fund creditor for cash unspent	23.1	39,035	-
Cash in respect of expenditure by the National Insurance Fund	21.1	(59,780)	-
		(11,624)	(13,217)

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 from 2003-04 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.

23 Creditors

23.1 Amounts falling due within one year

	Note	**2004-05 £'000**	2003-04 £'000
Administration			
Bank overdraft	22.2	11,689	13,266
Trade Creditors - Capital		49	-
Inter-Departmental creditor with DHSSPS	22.2	19	14
Inter-Departmental creditor with DWP	22.2	-	1,633
Superannuation		-	-
Early retirement		38	2
Consolidated fund extra receipts received and due to be paid to the consolidated fund	22.2	19	81
Consolidated fund extra receipts receivable and other due to be paid to the consolidated fund		1	1
Amounts issued from the consolidated fund for supply but not spent at year end	36	-	-
Accruals and deferred income		6,576	4,882
Other taxation and social security		33	7
Other administration creditors		598	1,505
Programme			
Benefit accruals:			
- Contributory benefits		20,768	17,917
- Non-contributory benefits		22,411	21,411
- Social Fund		102	31
Encashment control		4,574	14,170
Consolidated fund extra receipts received and due to be paid to the consolidated fund	22.2	9,095	18,267
Consolidated fund extra receipts receivable and other due to be paid to the consolidated fund		30,526	28,162
Amounts issued from the consolidated fund for supply but not spent at year end	36	39,035	-
EU grants accrual		1,082	2,014
NIHE creditor	23.1b	89,939	84,182
Other programme creditors	23.1a	73,809	94,722
Total creditors falling due within one year		**310,363**	302,267

23.1a Other programme creditors consist of:

(i) **Housing**: Housing Association Grant £16.969 million, Small Adaptation Grant £0.350 million, other accruals £3.546 million, accrual for major repairs £0.367 million and Voluntary Purchase Grant accrual £3.794 million;

(ii) **Urban Regeneration**: Road Service creditor £0.253 million, Vested

Land creditor £15.692 million, Grant Accruals £16.538 million, Ilex £0.152 million, other creditors £0.032 million and sundry accruals £1.098 million;

iii) **DSD Core**: Housing Rent Accruals £10.883 million and Independent Living Fund £0.780 million; and

(iv) **SSA Benefits**: Inland Revenue £0.287 million, Inter-Government £0.044 million, DEL £0.230 million, Health Service £0.600 million, Overseas Government creditors £0.014 million, Third Party Control £1.914 million and sundry creditors £0.266 million.

23.1b NIHE loans with DFP of £89.939 million (2003-04 £84.182 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 £1.463 million (2003-04 £1.338 million) to Local Authorities.

23.2 Amounts falling due after more than one year

	Note	**2004-05 £'000**	2003-04 £'000
Programme			
NIHE creditor	23.2a	1,168,017	1,258,053
Total creditors falling due after more than one year		**1,168,017**	1,258,053
Total creditors		**1,478,380**	1,560,320

23.2a NIHE loans with DFP of £1,168.017 million (2003-04 £1,258.053 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 £30.115 million (2003-04 £31.588 million) to Local Authorities

24 Provisions for liabilities and charges

		2004-05					2003-04				
		Administration		**Programme**		**Total**	Administration		Programme		Total
	Note	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000
Balance at 1 April			750		6,776	7,526		716		5,289	6,005
Transferred to Creditors			-		-	-		-		-	-
Provided in the year		869		4,809		5,678	217		5,436		5,653
Provisions not required written back		(129)		(4,530)		(4,659)	(32)		(3,949)		(3,981)
Unwinding of discount		-		-		-	-		-		-
	3.2, 4		740		279	1,019		185		1,487	1,672
Provisions utilised in the year			(312)		(959)	(1,271)		(151)		-	(151)
Balance at 31 March			**1,178**		**6,096**	**7,274**		750		6,776	7,526

Administration provisions include:

(i) **DSD Core**: Early Departure Costs £0.091 million and Personnel Provision £0.044 million;

(ii) **Urban Regeneration**: Tribunal Cases £0.011 million and Provision for back salary payments for contract staff £0.058 million; and

(iii) **SSA**: Early Departure costs £0.117 million, Personal Injury cases £0.565 million and Equal Opportunity costs £0.292 million.

Programme provisions include:

(i) **Housing**: Warm Homes Provision £1.032 million, Adaptations Provision £0.936 million and Voluntary Purchase Grants £2.737 million;

(ii) **Urban Regeneration**: Public Liability Claims £0.084 million; and

(iii) **SSA Benefits**: Compensation Recovery Unit provisions on review and appeal £1.307 million.

25 Movements in working capital other than cash

25.1 The movements in working capital used in the Reconciliation of Resources to Net Cash Requirement comprise:

	2004-05 £'000	2003-04 £'000
(Increase)/Decrease in cash with Paying Agents	(9,733)	22,824
Decrease in investments	-	-
Decrease/(Increase) in debtors	76,245	(1,390,785)
(Decrease)/Increase in creditors (amounts falling due within one year)	(29,514)	133,522
Total net decrease/(increase) in working capital other than cash	**36,998**	(1,234,439)
Adjustments:		
Movements in inter-Departmental balance with DHSSPS	-	773
Movements in inter-Departmental balance with DWP	-	876
Movements in working capital not related to net operating costs:		
- Amounts due to the Consolidated Fund	6,870	573
- Amounts receivable that will be due to the Consolidated Fund when received	(2,364)	11,413
- Other	(7,006)	19,384
Net decrease/(increase) in working capital other than cash recognised in Schedule 1	**34,498**	(1,201,420)

25.2 The movement in working capital used in the Cash Flow Statement comprise:

	2004-05 £'000	2003-04 £'000
(Increase)/Decrease in cash with Paying Agents	(9,733)	22,824
Decrease in investments	-	-
Decrease/(Increase) in debtors	76,245	(1,390,785)
(Decrease)/Increase in creditors (amounts falling due within one year)	(29,514)	133,522
Total net decrease/(increase) in working capital other than cash	**36,998**	(1,234,439)
Adjustments:		
Movements in working capital not related to voted resource consumption:		
- Amounts due to the Consolidated Fund	6,870	573
- Other	(15,445)	1,046
Net decrease/(increase) in working capital other than cash recognised in Schedule 4	**28,423**	(1,232,820)

25.3 The movements in creditors (amounts falling due after more than one year) used in the Reconciliation of Resources to Net Cash Requirement comprise:

	2004-05 £'000	2003-04 £'000
(Decrease)/Increase in creditors (amounts falling due after more than one year)	(90,036)	1,258,053
Adjustments:		
Movements in creditors (amounts falling due after more than one year) not related to voted resource consumption (net)	-	-
Change in creditors falling due after more than one year per Schedule 1	**(90,036)**	1,258,053

25.4 The movements in creditors (amounts falling due after more than one year) used in the Cash Flow statement comprise:

	2004-05 £'000	2003-04 £'000
(Decrease)/Increase in creditors (amounts falling due after more than one year)	(90,036)	1,258,053
Adjustments:		
Movements in creditors (amounts falling due after more than one year) not related to net operating costs	-	-
Change in creditors falling due after more than one year per Schedule 4	**(90,036)**	1,258,053

25.5 Transfer of Child Benefit

The Social Security Agency had responsibility for the payment of Child Benefit, Lone Parent Premium, and Guardian's Allowance until 31 March 2003. With effect from 1 April 2003 the responsibility for the payment of these benefits was transferred to the HM Revenue and Customs. In addition the Agency staff previously responsible for the administration of these benefits were also transferred to Inland Revenue on the same date. This transfer of function was a compulsory transfer sanctioned under the Tax Credits Act 2002. A similar transfer of function took place at the same time between the Department for Work and Pension (DWP) in Great Britain and the Inland Revenue.

As a result of the transfer of functions at the start of the financial year the respective balances relating to these benefits in the accounts at 31 March 2003 were transferred to the Inland Revenue for no consideration. The aggregate value of balances transferred was £7.608 million.

Accordingly these balances have been written off to the General Fund in the 2003-04 financial year (see Note 36) and the required adjustment shown in the Cash Flow Statement for the year ended 31 March 2004.

26 Reconciliation of net operating costs to changes in the general fund

	Note	**2004-05 £'000**	2003-04 £'000
Net operating cost for the year (Schedule 2)		(4,402,869)	(4,151,060)
Non AR income payable to the Consolidated Fund	5, 7	(18,829)	(23,660)
		(4,421,698)	(4,174,720)
Net parliamentary funding – Drawn Down	36	2,897,298	2,583,887
Net parliamentary funding – Deemed Supply	36	-	-
Net funding from the National Insurance Fund	36	1,483,849	1,517,195
Transferred to General Fund of realised element of revaluation reserve	36	5,454	803
Consolidated fund creditor for cash unspent	36	(39,035)	-
Consolidated fund debtor for cash undrawn	36	-	33,212
Notional costs	36	31,765	26,994
Fixed Assets purchased by DHSS/PS for DSD	36	-	51
Fixed Assets transferred from DRD/DFP to DSD	36	36,421	220
Agencies' Net Cash Inflow/(Outflow)	36	17,063	(995)
Other	26a, 36	38,381	(20,599)
Net increase/(decrease) in general fund		49,498	(33,952)
General fund at 1 April		123,515	157,467
General fund at 31 March (Schedule 3)		**173,013**	123,515

The General Fund represents the historic costs of the assets employed by the Department in its operations.

26a Other movements consist of:

(i) **Urban Regeneration**: Asset additions from prior periods £0.481 million and sundry adjustments £0.006 million;

(ii) **SSA**: Inter-departmental debtor with URG £0.219 million;

(iii) **SSA Benefits**: Movement in NIF debtor balance of £53.826 million; and

(iv) **Other**: Adjustment to net vote funding (£15.139 million), adjustment to opening balance (£1.010 million) and rounding (£0.002 million).

27 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	Fixed rate financial liabilities	Non-interest bearing financial liabilities	Fixed rate financial liabilities: Weighted average interest rate	Fixed rate financial liabilities: Weighted average period for which rate is fixed	Non-interest bearing financial liabilities: Weighted average period until maturity
	£'000	£'000	£'000	%	Years	Years
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**	-
At 31 March 2004						
Sterling	1,355,501	1,342,235	13,266	7.90%	30	-
Gross financial liabilities	1,355,501	1,342,235	13,266	7.90%	30	-

Financial assets

Currency	Total (Note 1)	Fixed rate financial assets	Non-interest bearing financial assets	Fixed rate financial assets: Weighted average interest rate	Fixed rate financial assets: Weighted average period for which rate is fixed	Non-interest bearing financial assets: Weighted average period until maturity
	£'000	£'000	£'000	%	Years	Years
At 31 March 2005						
Sterling	1,302,119	1,279,547	22,572	8.07%	30	12.5
Gross financial assets	**1,302,119**	**1,279,547**	**22,572**	**8.07%**	**30**	**12.5**
At 31 March 2004						
Sterling	1,377,927	1,365,104	12,823	7.95%	30	12.5
Gross financial assets	1,377,927	1,365,104	12,823	7.95%	30	12.5

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 2005.

	Book value £'000	Fair value £'000	Basis of Fair Valuation
Primary financial instruments			
Financial assets			
Cash with paying agents	22,507	22,507	
Cash at bank and in hand	65	65	
Housing loans	21,591	21,591	Note a
NIHE Debtor	1,257,956	1,257,956	
Financial liabilities			
NIHE Creditor	1,257,956	1,257,956	
Bank overdraft	11,689	11,689	

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.

28 Notes to Schedule 5

Schedule 5 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:

	2004-05 £'000	2003-04 £'000
Objective 1	3,756,387	3,587,008
Objective 2	366,858	300,278
Objective 3	51,000	42,836
Total	**4,174,245**	3,930,122

Capital Employed by Departmental Aim and Objectives

	2004-05 £'000	2003-04 £'000
Objective 1	76,031	78,075
Objective 2	23,818	13,763
Objective 3	146,225	100,963
Total	**246,074**	192,801

29 Capital commitments

	2004-05 £'000	2003-04 £'000
Contracted capital commitments at 31 March for which no provision has been made	-	58
Total	**-**	58

30 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	**2004-05 Total £'000**	2003-04 Total £'000
Obligations under operating leases comprise:		
Land & buildings		
- Expiry within one year	-	24
- Expiry within two to five years	26	28
- Expiry thereafter	580	554
Total	606	606
Other		
- Expiry within one year	5	62
- Expiry within two to five years	181	51
- Expiry thereafter	-	-
Total	186	113
Total obligations under operating leases	**792**	719

Other obligations under operating leases include leasing of office equipment £0.186 million (2003-04 £0.113 million).

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

31 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 £26.8 million, the rentals being charged at £2.872 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 £2.872 million (2003-04 £2.872 million); and the payments to which the Department is committed during 2004-05, analysed by the period during which the commitment expires, is as follows:

	2004-05 Total £'000	2003-04 Total £'000
- Expiry within one year	-	-
- Expiry within two to five years	-	-
- Expiry within six to ten years	2,872	2,872
Total	**2,872**	2,872

32 Government grant commitments

	2004-05 £'000	2003-04 £'000
Government grant commitments at 31 March for which no provision has been made	175,361	102,447
Total	**175,361**	102,447

33 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 2005 is £0.018 million (2003-04 £0.045 million), subject to all cases meeting the criteria. To date only £0.189 million (2003-04 £0.178 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 two Industrial Tribunal cases, which are being dealt with as at 31 March 2005 and the CSA may be liable to pay compensation depending on the decision made on each case. The estimated potential liability is less than £0.020 million (2003-04 £0.005 million).

There are three outstanding Health & Safety litigation cases as at 31 March 2005. The estimated potential liability is less than £0.010 million (2003-04 £nil).

SSA

At 31 March 2005, there is a contingent liability of £0.055 million (2003-04 £0.200 million) for interest payments for pension deficiency notices.

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. This was highlighted in 2003-04 and the Reinstatement of Deficiency Notices project was created to address this issue. The project intends to notify those pensioners who reached State Pension age since 6 April 1997 who may be able to improve their basic State Pension, or qualify for a basic State Pension, by paying voluntary class 3 National Insurance contributions. The costs attributable to restoring customers to the position they would have been in but for maladministration cannot be measured with sufficient reliability to enable an accurate value to be determined nor is it wholly clear who is responsible for incurring these costs. However, the Social Security Agency considers that an approximate estimate of net arrears of £0.735 million (2003-04 £2.500 million) provides an indication of the amount likely to be due.

Urban Regeneration

There are the following estimated contingent liabilities: Liabilities resulting from the vesting of land over the past thirty years, on which there is no time limit and which may potentially become payable at any time £0.310 million and outstanding public liability claims £0.053 million.

Core

House sales legislation was amended during the year ended March 2005, the result of which was to reduce the discount allowable to tenants under certain circumstances. Applications in respect of sales were not processed between May 2004 and the date of Ministerial approval in October 2004. The decision of the Review has not yet been issued but should the Housing Executive be unsuccessful it is anticipated that the total cost to the Housing Executive will be approximately £0.120 million for the nineteen applicants affected.

The Department is setting up a contingent liability of £9.0 million for some workers whose occupational pension schemes wound up in the period from 1 January 1997 to 5 April 2005. The U.K. Financial Assistance Scheme will provide help to those within three years of their Scheme Pension Age on 14 May 2004.

34 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.

35 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.

	2004-05	2003-04
	£'000	£'000
Balance at 1 April	397	391
Gross inflows	12,959	12,758
Gross (outflows)	(12,949)	(12,752)
Balance at 31 March	**407**	397

36 Reconciliation of movements in taxpayers' equity

		2004-05			2003-04		
	Note	**General Fund £'000**	**Revaluation Reserve £'000**	**Total £'000**	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April		**123,515**	**69,286**	**192,801**	157,467	42,440	199,907
Net parliamentary funding – Drawn Down		2,897,298	-	2,897,298	2,583,887	-	2,583,887
Net parliamentary funding – Deemed Supply		-	-	-	-	-	-
Net funding from the National Insurance Fund		1,483,849	-	1,483,849	1,517,195	-	1,517,195
Net cost of operations		(4,402,869)	-	(4,402,869)	(4,151,060)	-	(4,151,060)
Non-AR income payable to the consolidated fund	7	(18,829)	-	(18,829)	(23,660)	-	(23,660)
Arising on revaluation during the year (net)		-	9,229	9,229	-	27,528	27,528
Consolidated fund creditor for cash unspent	23	(39,035)	-	(39,035)	-	-	-
Consolidated fund debtor for cash undrawn	21	-	-	-	33,212	-	33,212
Notional costs	2.1, 3.3, 4	31,765	-	31,765	26,994	-	26,994
Fixed Assets purchased by DHSS/PS for DSD		-	-	-	51	-	51
Fixed Asset transferred from DRD/DFP to DSD		36,421	-	36,421	220	-	220
Agencies' Net Cash Inflow/(Outflow)		17,063	-	17,063	(995)	-	(995)
Other	36a	38,381	-	38,381	(20,599)	121	(20,478)
		167,559	**78,515**	**246,074**	122,712	70,089	192,801
Transferred to the General Fund in respect of the realised element of the Revaluation Reserve resulting from:							
- depreciation		-	-	-	149	(149)	-
- disposal or impairment of assets		5,454	(5,454)	-	654	(654)	-
- other		-	-	-	-	-	-
Balance at 31 March		**173,013**	**73,061**	**246,074**	123,515	69,286	192,801

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).

36a Other movements consist of:

(i) **Urban Regeneration**: Asset additions from prior periods £0.481 million and sundry adjustments £0.006 million;

(ii) **SSA**: Inter-departmental debtor with URG £0.219 million;

(iii) **SSA Benefits**: Movement in NIF debtor balance of £53.826 million; and

(iv) **Other**: Adjustment to net vote funding (£15.139 million), adjustment to opening balance (£1.010 million) and rounding (£0.002 million).

37 Related party transactions

The Department for Social Development sponsors those bodies listed at Annexe A. 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.

38 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 2005 or the results for the year ended on that date, which have not been adequately provided for or disclosed.

39 Prompt payment performance

Regular reviews conducted to measure how promptly the Department pays its bills found that approximately 97.27% 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.

40 Accountability Notes

Losses and Special Payments

The information presented here is on a cash basis.

RfR A

Administration and miscellaneous services

Losses	**£'000**
Total (61 cases)	45

Special Payments	**£'000**
Total (3,514 cases)	825
Comprising:	
Ex-gratia payments (661 cases)	352
Extra-statutory payments (2,853 cases)	473

Social security – administered by the Social Security Agency

Losses	**£'000**
Total (17,680 cases)	4,869

Housing Benefit

The Northern Ireland Housing Executive administers Housing Benefit on behalf of the Department. At 31 March 2005 there were 19,658 cases (2003-04 16,425 cases) of recoverable overpayments of Housing Benefit, amounting to £5.395 million (2003-04 £5.578 million). During 2004-05 £0.120 million (2003-04 £0.150 million) of overpayments were written off. The Department has insufficient information to verify the validity of these figures as at 31 March 2005. The Department is putting plans in place with the Northern Ireland Housing Executive in order to prove the validity of these figures in future periods.

RfR B

Housing

Special Payments	**£'000**
Total (1,068 cases)	253
Comprising:	
Ex-gratia payments (5 cases)	5
Extra-statutory payments (1,063 cases)	248

RfR C

Urban regeneration and community development	
Losses	**£'000**
Total (45 cases)	1,381
Special Payments	
Total (2 cases)	7
Comprising:	
Ex-gratia payments (2 cases)	7
Extra-statutory payments (nil cases)	-

Following closure of the 1994-99 round of EU Structural Funds irregularities were identified in a number of cases. It was not possible to recover costs from all the bodies concerned. These claims have therefore been abandoned and the amounts involved written off as losses.

Claims above the £100,000 threshold include:

	£
- Upper Springfield Development Trust	229,834
- Greater Shankill Partnership	172,360
- Forum for Community Work Education	131,728
- Community Fund for Northern Ireland	305,518

In addition, due to the understatement of costs to be recovered from the EU Commission as part of the closure of the 1994-99 rounds, £121,000 has had to be written off in respect of Peace 1, Measure 7.1 (ERDF).

41 Intra-Government Balances

	Debtors: amounts falling due within one year £'000	Debtors: amounts falling due after more than one year £'000	Creditors amounts falling due within one year £'000	Creditors: amounts falling due after more than one year £'000
2004-05				
Balances with other central government bodies	114,676	1,168,864	167,869	1,168,017
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	600	-
Balances with public corporations and trading funds	1,958	-	10,883	-
Balances with bodies external to government	160,122	81,293	131,011	-
At 31 March 2005	**276,756**	**1,250,157**	**310,363**	**1,168,017**
2003-04				
Balances with other centra government bodies	61,186	1,258,053	135,727	1,258,053
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	588	-
Balances with public corporations and trading funds	7,500	-	47	-
Balances with bodies external to government	202,782	51,017	165,905	-
At 31 March 2004	271,468	1,309,070	302,267	1,258,053

42 Payments to incorrect Post Office Card Accounts (POCA's)

Benefit expenditure has, on occasion, been paid into incorrect Post Office Card Accounts since they were established in April 2003. This is due to incorrect customer bank details being stored on the Heritage Benefit Systems for a relatively small number of customers. Corrective action is instigated as soon as, such errors become apparent.

At 31st March 2005, an amount of approximately £0.4 million was outstanding in relation to 5,000 payments (affecting 2,000 customers) being made to incorrect card accounts. Of this £0.4 million, authority has been received from POCA's parent bank to withdraw £0.038 million from customer bank accounts. A number of other customers have also given authority to recoup a further £0.032 million.

The Agency is pursing recovery of the above amounts, and a Ministerial steer which will be provided to the Department of Work and Pensions (which is experiencing similar problems) is expected to have an impact on how the Agency will proceed with this matter.

At present, because the intention is to continue with recovery, no actual loss has occurred. However, it is possible that a proportion of the above amount will be formally classified as a loss in the 2005-06 accounts (or in subsequent years) and so this information is included to provide a more transparent view of the Agency's year end position.

Annexe A: 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

Report by the Comptroller and Auditor General for Northern Ireland

Department for Social Development

Resource Account 2004-05

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 2004-05, the Department accounted for expenditure of £4.4 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 examines the reasons for the uncertainties over certain debtor balances in the Balance Sheet (Part 2);
- reviews the results of my audit of grants paid by the Department to Registered Housing Associations (Part 3); and
- reviews the results of my audit of expenditure by the Department on urban regeneration and community development grants (Part 4).

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;

- weaknesses in the Department's audit trails arising from deficiencies in the interaction between the Department's Programme Accounting Computer System (PACS) and its various benefit systems which resulted in limitations in the evidence available to support significant social security programme debtor balances; and

- weaknesses in 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 2004-05 is £120.4 million which is 3.3 per cent of expenditure on benefits.

1.5 I have qualified my audit opinion on the financial statements due to the significant level of estimated fraud and error in social security benefits.

Weaknesses in Audit Trail for Certain Debtor Balances

1.6 As a result of weaknesses in the Department's audit trails mainly arising from deficiencies in the interaction between the Department's Programme Accounting Computer System and its various benefit systems, there were limitations in the evidence to support my audit of certain significant social security programme debtor balances. There is significant uncertainty over the accuracy and completeness of these amounts, which total around £46.3 million gross. I have therefore qualified my audit opinion on the financial statements because of the limitations in evidence.

Encashment Control Creditor – removal of previous qualification

1.7 In previous years, the Department was unable to obtain sufficient information to confirm the actual encashment of individual order book foils and the majority of girocheques. In 2004-05 the Agency was able to obtain sufficient information to allow the encashment control balance to be individually identified at customer level, hence providing my staff with sufficient detail to perform audit work on the year end balance. I acknowledge the Agency's efforts in this area and, as a result of my testing, can conclude that it is appropriate to remove this element of my previous qualification.

Grants to Registered Housing Associations –removal of previous qualification

1.8 On the basis of my audit findings, I have concluded that the Department's financial controls and monitoring of grants to Housing Associations is satisfactory and I have decided not to qualify my audit opinion on this area of expenditure this year. Part 3 of this report explains further the basis of this conclusion.

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

1.9 On the basis of my audit findings, I have concluded that, although 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 adequate. The basis for this conclusion is detailed in Part 4 of this report.

1.10 The Department has or is currently actioning some new initiatives to improve financial control and monitoring of expenditure. These are detailed at paragraphs 4.28 and 4.33 of this report.

1.11 As a result of the inadequacy of 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: Schedule 2 - Qualified Audit Opinion Arising from the Level of Estimated Fraud and Error in Social Security Benefits and Schedule 3 - Uncertainties over Certain Debtor Balances

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 2004-05, the Department accounted for expenditure of £1.75 billion on non –contributory social security benefits, £1.51 billion on contributory social security benefits and £70 million on social fund benefit expenditure, administered by the Social Security Agency. This included Income Support £489 million, Jobseeker's Allowance £85 million, Disability Living Allowance £550 million, Attendance Allowance £187 million, Carer's Allowance £85 million, Pension Credit £278 million, Retirement Pension & Bereavement Benefits £1,172 million and Incapacity Benefit £321 million. Additionally, the Department accounted for expenditure of £377 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); and
- summary of audit findings and conclusion (paragraphs 2.11 to 2.34).

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 DSD, benefits expenditure accounted for within the Agency Account is also included within 2004-05 DSD Resource Account programme expenditure.

2.5 My audit of the 2004-05 Social Security Agency Account has recently been completed. The Agency Account was qualified because of:

- significant levels of estimated fraud and error in certain social security benefits; and
- limitations in the evidence available to support significant social security programme debtor balances.

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

2.6 As well as the Social Security Agency's benefits 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 2004-05 NIHE Accounts on 1st July 2005. 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 (the 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 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 benefits case work during the year for both the payment 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 accurate and complete. The Agency also administers contributory benefit expenditure on behalf of the Inland Revenue. The accounts of the Northern Ireland National Insurance Fund are audited by the National Audit Office (NAO). 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 also consider the work of the Unit to be of a good standard.

2.9 The benefit review reports give an estimate, on a rolling basis, of the levels of fraud and error including both customer fraud and error and internal error. The information included within benefit review reports enables the Department to consider how effective their processes have been at addressing the levels over time. The Agency also carries out financial accuracy exercises which estimate levels of internal Agency error. No new benefit review reports were completed for 2004-05 in time for my audit and therefore it is difficult for me to assess recent changes in the level of overall fraud. The Agency has told me that the completion of the current programme of benefit review reports has been delayed due to a need to fundamentally review the overall approach to the measurement of fraud and error and to allow concerns around the duplication of the calculation of internal error and financial accuracy information to be addressed. I am disappointed that I have not had an opportunity to consider the 2003-04 Disability Living Allowance Benefit Review which the Agency previously told me would be available in 2004. In this case, the Agency is seeking to amend the methodology used in estimating the level of fraud and error. I understand these benefit reviews will be available before the end of 2005 and I may decide to report separately depending on the significance of the results.

2.10 The Agency uses the Programme Accounting Computer System (PACS) in the preparation of their accounts. This system is operated and managed by the Department for Work and Pensions (DWP) in Great Britain. However there are currently deficiencies in the interaction between PACS and its various benefit information systems which have led to limitations in the evidence available to support significant social security programme debtor balances. My staff reviewed progress made by the Agency in addressing this issue.

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 (paragraphs 2.12 to 2.21); and

- examines the reasons for the uncertainties over certain debtor balances in the Balance Sheet (paragraphs 2.23 to 2.27).

Figure 1: Estimated level of fraud and error 2004-05

	Benefit	2004-05 £million	2003-04 £million
Non–contributory	Income Support	30.8*	30.8
	Jobseeker's Allowance	9.6*	9.6
	Disability Living Allowance	41.7*	41.7
	Attendance Allowance	5.7**	3.6 **
	Carer's Allowance	7.3*	7.3
	Housing Benefit	13.4*	13.4
National Insurance Fund Contributory	Retirement Pension & Bereavement Benefits	4.7**	10.5 **
	Incapacity Benefit	5.7**	3.6 **
Social Fund	Payments, grants and loans	1.5**	1.2 **
	TOTAL (excluding pension credit)	**120.4**	**121.7**
	% of benefit expenditure (excluding pension credit)	**3.3%**	**3.4%**
Non–contributory	Pension Credit ***	12.7**	-

* Benefit Review figures reported from previous years – no new Benefit Reviews completed during 2004-05 (see paragraph 2.9)

** Financial Accuracy figures – internal Agency error only, i.e. does not include external fraud and error (see paragraph 2.13)

*** Pension Credit was introduced during 2003-04 and was not subject to the financial accuracy process until 2004-05.

Source: Figures provided by the Department

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 above) an estimate of the total level of fraud and error for 2004-05 which indicates a level of £120.4 million. Due to the unavailability of benefit reviews for 2004-05, I have used the latest available benefit review figures. For those benefits that do not have a recent benefit review, I have used the latest financial accuracy figures.

2.13 The level of fraud and error of £120.4 million represents 3.3 per cent of total benefit expenditure for the year, indicating a small decrease from the 3.4 per cent of total benefit expenditure reported in 2003-04. I have not included the estimated internal Agency error of £12.7 million for Pension Credit reported by the 2004-05 financial accuracy process as the fraud and error amount included for Income Support in 2004-05 was the 2003-04 Benefit Review figure (due to the absence of Benefit Review reports as explained in paragraph 2.9) and would therefore include an element of Income Support for the Elderly which Pension Credit on the whole replaced. The level of double counting of internal financial error is not known.

2.14 The following issues should be taken in to account when evaluating the estimated level of fraud and error of £120.4 million (see Figure 1):

- no value has been included for the level of error on Pension Credit for the reasons noted in paragraph 2.13 above;

- the absence of recent benefit reviews for Pension Credit, Retirement Pension & Bereavement and Incapacity benefits restricts the fraud and error figures referred to in Figure 1 above to only internal Agency amounts. Therefore, this prevents me from considering any potential external Agency fraud and error levels for these benefits; and

- the absence of recent benefit reviews for Income Support, Jobseekers Allowance, Disability Living Allowance, Carers Allowance and Housing Benefit as explained in paragraph 2.9 above.

2.15 The Agency advised me that its Benefit Review process has a more comprehensive programme than that employed by the Department of Work and Pension (DWP). It noted that DWP has, in the past, concentrated its benefit review process on Income Support and Jobseekers Allowance and no other reviews had been carried out on a regular basis.

2.16 I am concerned that the overall levels of fraud and error have remained above 3 per cent despite the considerable efforts and resources committed by the Department to address fraud and error, and, it is my view that these levels are unacceptably high. I note that losses have decreased, albeit marginally, and would urge the Department to continue its efforts to reduce losses further. The Northern Ireland Affairs Committee has also raised concerns on the high levels of benefit fraud and error. In its report on the Northern Ireland Departments' 2002-03 Resource Accounts[1], the Committee stated, "We are disappointed that the Department's efforts to improve performance have not resulted in significant improvements. We expect the government to put in place effective measures to ensure that the present unacceptable haemorrhage of public funds is stemmed." The Agency indicated that the current level of fraud and error of 3.2 per cent is a reduction of 35 per cent from 2002-2003 when the level of fraud and error was 4.9 per cent. When Housing Benefit is added the level of fraud

1 HC 173 Northern Ireland Departments' 2002-03 Resource Accounts –Third Report of Session 2004-05

and error rises slightly to 3.3 per cent. The Department noted that these results indicated that progress had been made.

2.17 In response to the reported high levels of fraud and error the Department has told me that a review of the current benefit security strategy has recently concluded and it is anticipated that its recommendations will include continuing with and reinforcing the current comprehensive regime of Programme Protection Plans across benefits administered by the Agency. The NIHE will continue to implement its Housing Benefit Security Strategy which was updated in 2004 to address particular risk areas identified through its monitoring processes.

2.18 Furthermore, the Department has told me that benefit review is not necessarily the best method of establishing levels of fraud and error for all benefits. The Department believes it is an intrusive measure and the approach to it needs to be proportionate to the risk. The Department noted that it is developing a new strategy on benefit reviews (see paragraph 2.9 above) which will be completed by November 2005 at which time NIAO will be consulted over the proposed new approach.

Financial Accuracy

2.19 Figure 2 below indicates the total estimated level of internal error reported by the 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 2004-05 was 90.4 per cent. An analysis of the sample of cases examined during 2004-05 is being carried out with a view to improving processing accuracy for the incoming year.

2.20 The 2004-05 Financial Accuracy programme has indicated an estimated level of internal error of £67.1 million. Although there has been no increase in the percentage of error from 2003-04, 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 would expect to see a decreasing trend when I consider these figures during my 2005-06 audit.

2.21 Figure 2 indicates that six financial accuracy targets covering the major benefits were set by the Agency. In 2004-05, only two of these targets were achieved. The Agency notes that it set the financial accuracy targets at very high levels for

2004-05 increasing the targets for Income Support, Jobseekers Allowance and Incapacity Allowance from 95 per cent in 2003-04 to 98.5 per cent in 2004-05. However, I noted that of these benefits only Jobseekers Allowance increased its financial accuracy performance from 2003-04. I asked the Agency to comment on these results. The Agency told me that it considers an overall error rate of only 2% to be a reasonable achievement given the difficulties it faced last year due to the protracted civil service pay dispute. However the Agency indicated that it is not complacent and has set even more stretching targets for financial accuracy for the 2005-06 year and has drawn up service improvement plans to underpin their achievement.

Figure 2: Internal Agency Financial Accuracy

Benefit	2004-05 Monetary Value of Error £million	2004-05 Financial Accuracy correctness as a % of expenditure	2004-05 Target	2003-04 Monetary Value of Error £million	2003-04 Financial Accuracy correctness as a % of expenditure	2003-04 Target
Non–contributory						
Income Support	11.0	97.8%	98.5%	10.1	97.9%	95.0%
Jobseeker's Allowance	1.6	98.4%	98.5%	1.9	98.0%	95.0%
Disability Living Allowance	36.0	93.5%	95.0%	33.5	93.5%	95.0%
Attendance Allowance	5.7	96.9%	not available**	3.6	98.0%	not available**
Carer's Allowance	0.9	98.9%	not available**	0.5	99.4%	not available**
National Insurance Fund Contributory						
Retirement Pension & Bereavement Benefits	4.7	99.6%	95.0%	10.5	99.1%	not available**
Incapacity Benefit	5.7	98.2%	98.5%	3.6	98.8%	95.0%
Social Fund						
Payments, grants and loans	1.5	97.8%	not available**	1.2	98.0%	not available**
TOTAL (excluding pension credit)	**67.1**	**98.0%**		**64.9**	**98.0%**	
Non–contributory Pension Credit *	12.7	95.4%	95.0%	-	-	-

* Pension Credit was introduced during 2003-04 and was not subject to the financial accuracy process until 2004-05

** Not available as targets not set for these benefits

2.22 As noted in paragraph 2.10 my staff reviewed the progress made by the Agency in respect of the following social security programme debtor and creditor balances:

Contributory and Non Contributory Benefit Overpayment Debtors - £46.3 million (Gross)

2.23 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. 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. However, these and subsequent movements in debts outstanding are posted to the PACS general ledger in total rather than by the individual debt amounts. As a result, no listing of individual customers owing money was available from the PACS general ledger system in relation to 2004-05 for my staff to test.

2.24 At 31st March 2005 the debtor balance recorded in the PACS general ledger did not agree with the balance from the OPREC collated database. The Agency considered the PACS general ledger balance of £46.3 million to be the more accurate and, being lower, the more prudent balance.

2.25 In the absence of a satisfactory audit trail between the PACS general ledger and the more detailed information held on the OPREC system, my examination of overpayment debtors was again severely limited. Therefore, having taken account of evidence that the information held on the OPREC system is unreliable and incomplete, I conclude that there is significant uncertainty over the accuracy and completeness of the debtors balance held on the PACS general ledger. I am disappointed that non – system weaknesses in the OPREC system still exist despite the efforts of the Agency during the year.

2.26 The Agency has told me that it regards the issue of uncertainties over certain debtor balances as a priority in its work schedule and it has already taken a number of steps to address these issues. The Agency also told me that it continues to examine and validate the records held on OPREC to ensure that the information held is complete and accurate and to address the discrepancies between OPREC and PACS. The Agency noted that it has embedded a number of new processes to address the non system weaknesses and work to validate the information held on OPREC is now a priority activity using a number of sources. The Agency has indicated that these activities have resulted in improvements which will be consolidated in the forthcoming months.

2.27 Furthermore, the Agency has told me that the Debt Modernisation Project, which was established in April 2005, aims to introduce new and improved business processes for the management of debt. In addition, a new IT system

(Debt Manager) will replace OPREC and should be operational by October 2006. This system has the capability of passing information electronically between various computer systems including a direct interface with PACS and it will resolve the issue of debt identification and the fact that OPREC is a stand alone computer system. Prior to migration to Debt Manager, a reconciliation exercise will be carried out for existing cases to reconcile the accounts on both systems. The Agency has noted that this will resolve the present concerns regarding the differential between PACS and OPREC.

Encashment Control Creditor – Removal of Previous Qualification

2.28 The encashment control creditor balance represents the Agency's estimate of the total value of cheques, which have been issued to customers and are due for encashment at Post Offices or Banks, but remained unencashed at the year end.

2.29 In previous years, the Agency was unable to confirm the actual encashment of individual order book foils and the majority of girocheques as encashment data from the Agency's paying agents did not provide this level of detail. Although the Agency's accounting systems could capture detailed accounting information for individual order book foils and girocheques that are system generated and issued, it could not capture similar information for order books and girocheques that are produced and issued manually to customers. As a result the Agency was unable to perform a full reconciliation between the general ledger balances and statements from paying agents. However, in 2004-05 the Agency was able to obtain sufficient information to allow the encashment control balance to be individually identified at customer level, hence providing my staff with sufficient detail to perform audit work on the year end balance.

2.30 The Agency expects that the ongoing implementation of Direct Payment of benefits[2] should continue to reduce this creditor balance.

2.31 I acknowledge the Agency's efforts in this area and, as a result of my testing, can conclude that it is appropriate to remove this element of my previous qualification.

Summary of audit findings

Fraud and Error in Social Security Benefits

2.32 I have estimated the total level of fraud and error for 2004-05 as £120.4 million, which represents 3.3 per cent of total benefit expenditure.

Debtor Balances

2.33 As a result of weaknesses in the Department's audit trails mainly arising from

2 PSA Target 1.5 is to make significant progress towards modernising welfare delivery so that by December 2005 85% of customers have their benefit paid into their bank accounts. This target has been exceeded with 93% being achieved by March 2005.

deficiencies in the interaction between the Department's Programme Accounting Computer System and its various benefit information systems, there were serious limitations in the evidence to support my audit of the benefit overpayment programme debtor balances within the DSD Resource Account. There is significant uncertainty over the accuracy and completeness of these amounts, which total around £46.3 million.

Conclusion

2.34 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 due to the significant level of estimated fraud and error in social security benefits and the impact of the uncertainty over significant debtor balances.

Part 3: Schedule 2 – Expenditure in Relation to Grants to Registered Housing Associations

Request for Resources B : Promoting Measurable Improvements to Housing in Northern Ireland

Introduction

3.1. During 2004-05, the Department paid out £102.1 million (2003-04 £78.8 million) in respect of Housing Association Grant. There are currently 38 Housing Associations in Northern Ireland providing social housing for rent, and one, the Northern Ireland Co-Ownership Housing Association, which provides the opportunity for those on low income to become homeowners.

3.2 I have qualified my audit opinion in this area since 2001-02 on the basis of inadequate control and monitoring of expenditure. My audit of 2004-05 expenditure has revealed that the previous recommendations for improvements in control and monitoring by the Department and in Housing Associations are now being realised.

3.3 My audit of 2004-05 expenditure to Housing Associations has indicated a high level of awareness of the issues from previous years on which I had qualified my audit opinion. Issues which had led to qualification included concerns over the non-adherence by Housing Associations to departmental procedures and the absence of sufficient evidence to support key decisions taken. I recognise that the Department has worked effectively with Housing Associations to ensure proper procedures are followed and tight controls are established and maintained. In addition the Housing Associations, some of which are relatively small organisations, have positively responded to the recommendations for improvements in control procedures.

Review of the Regulatory Framework

3.4 In my report last year the Department told me that the New Regulatory and Inspection Unit (the Unit) would commence operations with effect from 1st April 2004. At 1st April 2004 responsibility for regulation inspection was transferred to the Unit, which is based within the Department's Housing Finance Branch. The Unit then drafted a Regulatory Framework which was based upon the previous inspection regime and best practice in England and Scotland. After a period of consultation the Regulatory Framework was formally launched in November 2004. Since then, the Unit have been gathering data on Housing Associations and recently selected three pilot associations for detailed inspection under the Framework. These pilots have just commenced and no conclusions are yet available.

3.5 During the development, and prior to the full implementation of the Regulatory Framework the Department's existing monitoring and control of Housing Association Grant has continued. The main component of the existing arrangements is the Scheme Audit Team which was established in 1998. The process followed by Scheme Audit ensures that Associations are accountable for the public funds they receive and provides assurance to the Department's Accounting Officer that funds are not being exposed to unreasonable risk. Since April 2002, Scheme Audit work has been divided into:

- Development Compliance Audit which focuses on the development issues of schemes with emphasis on the certification process and ensuring that schemes are controlled and monitored by Associations in line with the Housing Association Guide; and

- Minor Works and Validation Audit which aims to confirm that minor issues agreed during the previous development compliance audit have been fully addressed. This includes issues on procurement and procedural requirements and scheme design requirements.

3.6 Where Scheme Audit highlights any significant weaknesses the Department may impose sanctions on a Housing Association by way of reducing financial support or removal from the grant scheme. As at 31st March 2005 there were four (five in 2003-04) Housing Associations suspended (a further three have restrictions placed on them) from receiving further scheme approvals as a result of Development Compliance Audits until they can demonstrate that they have introduced acceptable remedial action.

3.7 The development of the Regulatory Framework arose from a review of the role of Scheme Audit, carried out by the Department's Business Improvement Unit over two years ago, which recommended that Scheme Audit's remit should be extended to provide a quality assurance function. I fully endorse the purpose of the Regulatory Framework which is to improve the accountability of Housing Associations. Therefore, I would encourage the Department to fully implement the Regulatory Framework across all Housing Associations as soon as possible. In my view it is essential that the Regulation and Inspection process is fully embedded so the Department obtains greater assurance that Housing Associations maintain good systems of control and are following proper procedures.

3.8 In response to this, the Department told me that it is fully committed to implementing and embedding the new Regulatory Framework and associated inspection regime and that it has plans in place to achieve this. It pointed out that the Development Compliance Audits, Maintenance and Minor Works Validation Audits, Performance Management Reviews and follow-up reviews continued until the pilot exercises commenced. It has gathered substantial up-to-date information on the majority of associations and used this to inform its risk assessment of the individual associations and to develop the long-term inspection strategy and programme. The Department also acknowledges that this is a developing process and it will accordingly continue to engage with Housing Associations and the NIAO as the process rolls forward. Formal monitoring and control arrangements will be established in respect of the inspection process when the final inspection programme has been agreed.

The Department welcomes the recognition in this report of the positive efforts that have been made by both the Department and Housing Associations to strengthen and maintain effective controls.

Conclusion

3.9 On the basis of my audit findings I have concluded that the Department's financial controls and monitoring of grants to Housing Associations is satisfactory. Therefore I have decided not to qualify my audit opinion on this area of expenditure.

3.10 I am encouraged to see that the Department is implementing an enhanced oversight and governance regime over Housing Associations through the new Regulatory Framework and has already been proactive in ensuring previous audit recommendations and good practice are being promoted in and applied by Housing Associations. I will continue to monitor this area of expenditure and in particular the timely and full implementation of the Regulatory Framework and its effectiveness.

Part 4: Schedule 2 – 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

4.1 One of the Departments key strategic objectives is "to tackle disadvantage amongst individuals, communities and neighbourhoods, with particular emphasis on greatest need and encouraging developing and supporting community development". During 2004-05 the Department paid out £66.8 million (2003-04 £67.8 million), in respect of expenditure on Urban Regeneration and Community Development grant.

4.2 The Departmental Resource Account (Request for Resource C) includes expenditure by the Department for Social Development on urban regeneration and community development. This covers physical and social regeneration by way of Urban Development grant in Belfast and Londonderry, expenditure on Comprehensive Development and Environmental Improvement Schemes, grants under the Community Regeneration Improvement Special Programme in urban areas outside Belfast and grant in aid to Laganside Corporation. In addition it covers the implementation of the Making Belfast Work and Londonderry Regeneration Initiatives and more recently the Neighbourhood Renewal Programme, the payment of grants to voluntary and community organisations and has responsibility for the facilitation of payments from certain European Funds and Programmes. Much of the expenditure is administered through third parties such as: Intermediary Funding Bodies; community groups; voluntary organisations; and statutory bodies.

4.3 I have qualified my audit opinion in this area for the past five years on the basis of significant weaknesses in the Department's financial controls and monitoring of expenditure in this area. My audit of the 2004-05 expenditure in this area has revealed that, although there has been some progress made, the Department's control and monitoring of grants made to voluntary and community bodies is still not adequate. I explain the basis of my opinion in paragraphs 4.4 to 4.26 below. I have also reported, in paragraph s 4.28 to 4.33 on major new initiatives that have been introduced or developed in 2005-06 that should improve the Department's distribution and administration of expenditure to tackle disadvantage in Northern Ireland.

NIAO Audit Opinion

4.4 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 the annual assessment made of this area of the Department's expenditure (paragraphs 4.5 to 4.9);
- 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 4.10 to 4.13);
- a review of the work carried out by the Quality Assurance and Improvement Units (paragraphs 4.14 to 4.25).

Review of Internal Audit findings

4.5 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. The Head of 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 assurance[1] , then limited assurance[2] , substantial assurance[3] and full assurance[4] .

4.6 The Head of Internal Audit's annual assurance report for 2004-05 concluded that the overall assurance rating for the Urban Regeneration and Community Development Group (URCDG) is 'limited assurance'. The limited assurance rating is a better rating than the previous year's 'no assurance' opinion but the Head of Internal Audit concluded he had concerns at the continuing level of non-compliance with procedures. This conclusion was an overall evaluation of the URCDG's activities based on the audit testing which included administration and programme expenditure. Programme expenditure includes the grants made to the voluntary and community sector and forms the largest element of URCDG's expenditure. As a consequence of its significance Internal Audit focuses its resources on testing programme expenditure.

4.7 A significant part of Internal Audit's work on URCDG programme expenditure is a review of project payments. The Head of Internal Audit has indicated in his annual report that some areas of real progress were noted during testing, he has also noted that in the other areas where project payments were tested that

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 and abuse.
2 Limited assurance – weakness 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-compliances 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.

'initial findings are indicating a continuing high level of non-compliance with procedures and this is reflected in the overall assurance rating'. The Head of Internal Audit has recommended that the detail of the changes made in these areas where progress has been realised are examined to see what lessons can be learned for passing to other, weaker parts of URCDG.

4.8 In considering his overall assurance for programme expenditure the Head of Internal Audit further commented 'In summation, although I have concerns at the level on non-compliance, I am satisfied that the Group (URCDG) has made sufficient progress to merit lifting the assurance rating to limited assurance'.

4.9 The various weaknesses in key financial controls and monitoring of expenditure identified by Internal Audit in the testing of projects once again correspond closely to the findings of my audit (paragraphs 4.10 to 4.13). Where appropriate, the issues raised by Internal Audit have been highlighted in the Statement on Internal Control provided by the Accounting Officer in the Resource Account.

NIAO examination of project payments

4.10 My staff examined a sample of projects funded by the Department during the year within the different areas under investigation. Although, I noted a decreasing number of weaknesses in the testing of the projects from that in previous years, I am still concerned at the level and nature of the weaknesses found despite the best efforts made by the Department in recent years. In particular I am concerned that many of the weaknesses found during my testing were due to non-adherence to the Department's own procedures. For instance, during audit testing, my staff noted some instances where the Letter of Offer / Contract for Funding (LOO/CFF) was either inadequate or where the terms and conditions within the LOO/CFF had not been adhered to.

4.11 The adequacy of the Department's control over expenditure in this area is key if public funds are to be protected. The Department's control and monitoring of expenditure made to the voluntary and community sector needs to be effective and many of the Department's procedures have been developed to ensure this is the case. However my testing of projects indicated that although the appropriate procedures and safeguards have been issued, the Department is, in some instances, failing to apply them and thus exposing funds to unnecessary risk.

4.12 One project examined, Fernhill Museum which was awarded a grant of £94,175, particularly concerned me not only because key procedures were not followed and also because, in my view, Department of Finance and Personnel approval was not obtained for what was, in my view, novel and contentious expenditure. Furthermore I have concerns on value for money aspects of this project. I will report, in more detail, on this project at a later date. The

Department has already advised me that it contests a number of points raised in this case. The Department noted that it will have the opportunity to include these details when the final report is being agreed.

Conclusion on project testing

4.13 As noted above my audit testing of project payments indicated a smaller number of weaknesses than in previous years. Nonetheless the types of weaknesses my staff found continue to be within the Department's control and therefore I remain concerned that, despite a number of initiatives undertaken and substantial resources expended to strengthen controls, only limited progress has been made in addressing the weaknesses in controls over this expenditure.

Review of the Quality Assurance & Improvement Units

4.14 There are currently three Quality Assurance and Improvement Units (QAIU) within URCDG. These Units were set up with an aim to provide management with independent assurance on the quality of evidence to support decision making and the accuracy of the payments made and where necessary, to make recommendations to improve quality by addressing any significant concerns identified. The Units are within the Belfast Regeneration Office (BRO), the North West Development Office (NWDO) and the Regional Development Office (RDO). There are currently three other areas within URCDG with no QAIU.

4.15 My review of the Quality Assurance and Improvement Units included consideration of any reviews of the Units completed by Internal Audit during the year and an examination of reports produced by the three Units. As the Units currently operate independently each one is considered separately in the paragraphs below.

Belfast Regeneration Office

4.16 The QAIU within BRO was the first established in response to audit criticisms a number of years ago. In October 2002 a 'Review Panel' was also set up within BRO. The remit of the Review Panel was to provide management with sound independent assurance on the completeness of evidence held on project files to support and justify the recommendation to approve funding. The QAIU supports the Review Panel in its role of quality assuring project files and presenting its findings to the Review Panel.

4.17 During 2004-05 Internal Audit reviewed both BRO QAIU and the Review Panel. The Internal Audit report on QAIU indicated that 'the methodologies employed by the unit gave a sound basis on which to move forward'. However Internal Audit voiced concerns in respect of the other activities QAIU were being asked to complete within BRO which they saw as a threat to the Unit's independence and also a dilution of their resources. Internal Audit also noted that during their review of project files ‘some occasions when not all issues (including some issues which were fundamental) were identified’. Internal Audit also identified some absences in management checks but in particular they strongly recommended the production of a collated report which would summarise QAIU findings and allow management to assess their effectiveness. As a result of Internal Audit’s findings they assigned a ‘limited assurance’ opinion and this remained after the follow up review of the Unit. In response to Internal Audit’s findings, in relation to management checks, the Department told me that the Central Advice and Guidance Unit have devised a system of checks for use across the Group, staff have received training on the importance, relevance and need to properly perform and record timely management checks and that URCDG Management has emphasised the importance of first line management checks to all staff and will monitor performance in this area. A number of the issues raised by Internal Audit on the QAIU also impacted on its assessment of the BRO Review Panel as the Review Panel is dependent upon QAIU. Internal Audit also considered that ‘limited assurance’ was appropriate for the Review Panel and this rating remained after the follow up review.

4.18 In my report for 2003-04 (HC 1153 NIA 107/3) I noted that BRO QAIU had not completed post payment checking for the full year. In 2004-05 my staff noted that payment checking had been suspended for one quarter of 2004-05 to allow a pilot exercise to be completed to consider the introduction of payment accuracy targets within URCDG. I examined the results of the exercise and agree with the principle of having such a target. However I would recommend that the basis for measuring the performance against the target and the methods of gathering information are clearly defined at the outset. In response to this recommendation the Department told me that the pilot exercise for the introduction of Payment Accuracy Targets will be fully evaluated before it is introduced throughout URCDG. The Department noted that this exercise will involve clearly defining the basis for measuring the performance against target and methods of gathering information. I will review the progress and performance on payment accuracy targets in my 2005-06 audit.

4.19 I am encouraged by the improvements in the adherence to Departmental procedures Internal Audit found within the Belfast Regeneration Office and acknowledge that QAIU and the Review Panel have had a role in these improvements. I would strongly recommend that management examine the role both QAIU and the Review Panel currently have and address the issues raised by Internal Audit to ensure further improvements are recognised and reported upon. The Department informed me that, following the introduction of the Neighbourhood Renewal Programme, BRO has replaced its Review Panel with an Approval Panel with effect from April 2005. The Department also told me that the Approval Panel comprises BRO’s Senior Management Team and its ultimate role is to make the final decision to approve or reject applications. The

Department indicated that in order to inform the final decision, the Approval Panel critically assesses the project appraisal, ensures compliance to current procedures and reviews the adequacy of supporting documentation. I will assess the effectiveness of the Approval Panel during my 2005-06 audit.

North West Development Office

4.20 The QAIU in the North West Development Office (NWDO) was established in October 2003 and in my report last year I noted that the QAIU was already meeting its aims. I also noted in my report last year, that I was concerned that there was a limited number of staff available in QAIU and that no Review Panel had been established. The Department indicated that the staffing issue was being addressed and that a Review Panel was operational from September 2004.

4.21 No specific review of the NWDO QAIU was completed by Internal Audit during 2004-05. However in respect of Internal Audit's review of NWDO project payments they concluded that 'Based on the results of our testing, I am satisfied that NWDO have effective quality control measures in place to support sound decision making and payment. NWDO management and staff should be commended for their progress.' I note that NWDO QAIU undertake post payment checks and the results of these are reported to management on a quarterly basis. QAIU also performed pre approval checks on projects during the year, this began as checks on all applications but was reduced to 20 per cent of projects by the year end. The Department told me that the pre approval checks were reduced because the low level of errors found and the substantial level of internal audit assurance provided evidence that the 100 per cent check was no longer required. The Review Panel examines a sample of pre approval projects and makes recommendations on funding.

4.22 NWDO has made good progress in the past year and the impact of the QAIU has undoubtedly contributed to the improvements found by Internal Audit. I would encourage other parts of URCDG to look to NWDO to see what lessons can be learned from the processes and procedures it has introduced. Furthermore NWDO should continue to ensure the good work commenced is developed so as to further enhance controls.

Regional Development Office

4.23 The Regional Development Office (RDO) formed a QAIU during the 2004-05 year as part of a major restructuring of the Directorate. New staff were recruited and assigned to quality assurance functions but they are also responsible for other activitites. The bulk of the work has been on pre payment checks to ensure sufficient information has been provided by newly established area offices. A report produced by RDO QAIU, based on the initial period of review from August 2004 to May 2005, indicated that the error rates fluctuated and as a consequence the QAIU recommended a continuation of 100 per cent pre payment checking post year end. No Review Panel has been established within RDO. The Department has told me that the Senior Management Team within RDO decide collectively, as an approval panel, whether to accept or reject applications for grant assistance after receiving recommendations from area offices.

Conclusion on the Review of the Quality Assurance and Improvement Units

4.24 The establishment of the Quality Assurance and Improvement Units has undoubtedly impacted upon the improvements in control realised by URCDG during 2004-05. I understand the Department intends to establish a centralised Quality Assurance and Improvement Unit to cover all areas within URCDG. In my opinion a centralised Quality Assurance and Improvement Unit will further enhance quality control within URCDG and I will review the operation of the new Unit during my 2005-06 audit. The establishment of a central QAIU would ensure the same standards are applied throughout URCDG and that best practice is promulgated in the most effective manner.

4.25 In response to my comments on QAIU within URCDG the Department told me that the centralisation of the quality assurance function will initially involve a transfer of existing staff from BRO, RDO and NWDO to form a new unit under the control of URCDG's Financial Controller, a formal Terms of Reference will be agreed for QAIU throughout the Group. Furthermore the Department told me that the new unit will phase in a QAIU process for the areas within URCDG which do not currently have this function and that a key issue for the new unit will be to ensure that continuous improvement remains a priority. In addition the Department told me there will be a system of regular reporting on findings and remedial action proposed and taken.

Overall Conclusion

4.26 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 authorities[5] which govern them, that is, that they are "regular". It is my view, based upon my audit findings in paragraphs 4.5 to 4.25 above, that, although progress has been made, the Department's financial controls and monitoring of expenditure in this area are still not adequate. 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.

4.27 In paragraphs 4.28 to 4.33 below, I have summarised some of the new initiatives that are being actioned in 2005-06. I would hope that these

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

initiatives are successfully and fully implemented as soon as possible together with the centralisation of the quality assurance function noted above. While there has been a reduction in the level of non compliance with laid down procedures in some areas, problems still exist, notwithstanding that I have qualified expenditure in this area since 1999-2000. I would expect to see substantial improvements in the 2005-06 year.

New Initiatives Introduced in 2005-06

New Common Systems Project

4.28 The New Common Systems Project was set up to provide URCDG with a standardised system for grant administration. The project commenced in June 2004. The Department informed me that it was fully implemented by June 2005. One of the most important outputs from the project was the production of a procedural guide and desk aids to assist staff operating the new system and to promote a consistent approach. The project has now established a Central Advice and Guidance Unit who have a varied remit which includes providing timely and accurate information to staff within URCDG, updating procedural guidance as necessary, providing training and monitoring accuracy levels throughout URCDG. I have examined the outputs from the project and my staff have attended some of the training given to URCDG staff. I am encouraged that such an approach provides a sound basis for ensuring that projects are subjected to a consistent and robust system of control. I will review the operation of the New Common Systems during my 2005-06 audit.

Risk Based Assessment

4.29 The Department indicated in my report on last year's audit that it was introducing a risk management approach to the verification and monitoring of grants. The approach was being piloted within the Voluntary and Community Unit of URCDG. At the outset each recipient of grant was considered using a structured process and then a risk assessment was awarded. The extent of Departmental oversight of the recipient activities depended upon the initial and subsequent risk rating awarded. However overall the introduction of the risk based approach aimed to reduce both the level of verification / monitoring undertaken and also the amount of original documentation the recipient of grant needed to send to the Department. The approach also involved on site verification and monitoring visits.

4.30 My staff examined one project that had been included as part of the pilot exercise to test the risk based assessment. The process of awarding the risk rating was completed satisfactorily and the level of monitoring and verification was reduced accordingly. However the on site verification and monitoring visit that was recommended was not carried out due to a shortage of staff. The

Department has indicated that the pilot exercise is ongoing and that an evaluation of the pilot is due to be carried by the end of 2005 at which time any necessary improvements will be made to the system. Furthermore the Department indicated that it considers it is essential to proceed with the implementation of risk based assessment in a measured way. I reiterate my comments from last year that I would like to see the Department easing the burden of grant administration on the voluntary and community sector and making greater use of risk assessment in its consideration of monitoring and verification. This issue was also raised by the National Audit Office in its recent report: Home Office Working with the Third Sector[6] where one of the recommendations stated " Monitoring processes should be proportionate – tailored to the amount of funding, good financial management and risk to value for money on specific cases."

4.31 The Department has told me that it is committed to extending the risk based approach to other parts of URCDG following the evaluation of the pilot and enhancing the model as necessary. I will continue to monitor developments in this area during my next audit.

The Funding Database

4.32 The Funding Database was formally launched in July 2005 by the Department's Minister. However the database has been available to trained staff in all departments from 1st April 2004. The Department's Voluntary and Community Unit in partnership with other departments developed the database with the aim of having a comprehensive record of government funding to the voluntary and community sector. The key benefits of the database have been identified as;

- a centralised and uniform source of accessible information and reports;
- ability to better target Government support through analysis of the information;
- greater transparency in terms of where Government grants are going;
- greater accountability for Departments in being able to track payments;
- the ability to prevent duplication of funding and prevent potential fraud;
- less administration and bureaucracy for the voluntary and community sector;
- greater access by the public to sources of support available from Government.

I endorse the aims of the database and encourage all funding bodies to make optimum use of the facility to realise the valuable benefits outlined above.

Best Practice in Finance and Governance Manual

4.33 The Best Practice in Finance and Governance Manual has been developed for

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the voluntary and community sector by the Department in association with the Department of Finance and Personnel, other departments and representatives from the voluntary and community sector. The Manual details best practice principles which Government would expect to find in a well run organisation when considering funding. The Manual was also launched in July 2005 and will be used across Government Departments and within the Voluntary and Community Sector. I have reviewed the contents of the manual and agree that it provides a good statement of best practice in governance for use by the voluntary and community sector and government funders.

J M Dowdall CB
Comptroller and Auditor General
27 October 2005

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