



Department for  
**Social  
Development**

[www.dsdni.gov.uk](http://www.dsdni.gov.uk)

# Resource Accounts for year ended 31st March 2011

(Annex includes Child Maintenance and  
Enforcement Division Client Funds  
Account 2010 - 2011)



**Department for Social Development Resource Account**  
**for the year ended 31 March 2011**

*Laid before the Northern Ireland Assembly by the  
Department of Finance and Personnel under  
section 10(4) of the Government Resources  
and Accounts Act (Northern Ireland) 2011*

*1<sup>st</sup> July 2011*

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**Resource Accounts  
for the year ended 31 March 2011**

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# 2010-11 Annual Report for the Resource Accounts

## Annual Report

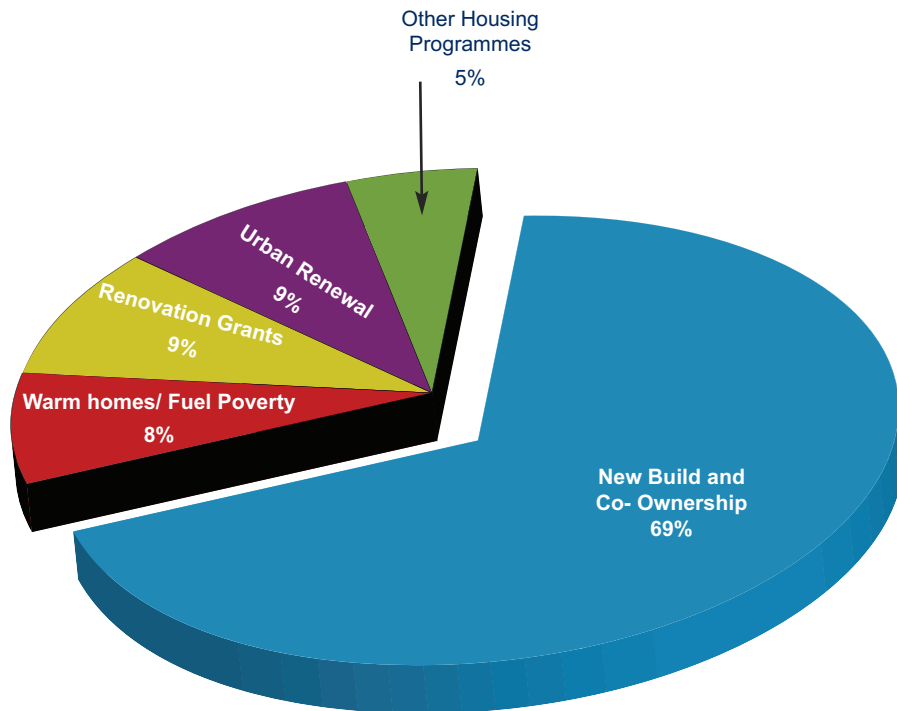
### Directors' Report

#### 1. Introduction

- 1.1 These accounts consolidate the financial information of the Department for Social Development for the financial year to 31 March 2011.
- 1.2 This year was a particularly challenging year for the Department. The ongoing consequences of the economic downturn, including reduced receipts from house and land sales, rising fuel poverty coupled with an extremely cold winter, difficulties in securing private sector finance for urban regeneration projects, including housing and rising unemployment figures have formed a difficult backdrop against which the Department has nonetheless achieved good results in all priority areas.
- 1.3 Tackling disadvantage and exclusion is at the heart of the Department's programmes and services. The Department intervenes at different levels to respond to the problems of poverty and deprivation, community division and disadvantage. For example, delivering the new housing agenda targeting individual need to helping vulnerable groups and tackling disadvantage at area and community level. Policies are focused on protecting the vulnerable together with supporting greater self reliance, particularly through interventions which move people towards employment.
- 1.4 Working alongside delivery partners, the Department has contributed to a range of Public Service Agreements and leads on the delivery of the Public Service Agreement on Housing, Urban Regeneration and Community Development. Published Delivery Agreements, tailored to the specific challenges and circumstances, of each Public Service Agreement have provided the basis for monitoring and reporting on a quarterly basis against relevant milestones, which are set annually.
- 1.5 In delivering its targets, the Department spent £265million on the Housing Programme (gross capital), £67.6 million on Urban Regeneration and Community Development (net programme) and £555.7 million on resource costs. This is broken down in the Charts below. Expenditure was less than in 2009-10 (£294million, £79.1million and £581.9million respectively), due to the increasing levels of efficiency savings required. All areas of the Department met or exceeded their Efficiency Delivery commitments for 2010-11 which resulted in an overall saving of £59.22million during the period 2008-2011 against a target of £56.3million. Information on benefit expenditure by the Social Security Agency can be found in the Agency's Annual Report and Accounts at [www.dsdni.gov.uk/index/publications.htm](http://www.dsdni.gov.uk/index/publications.htm).

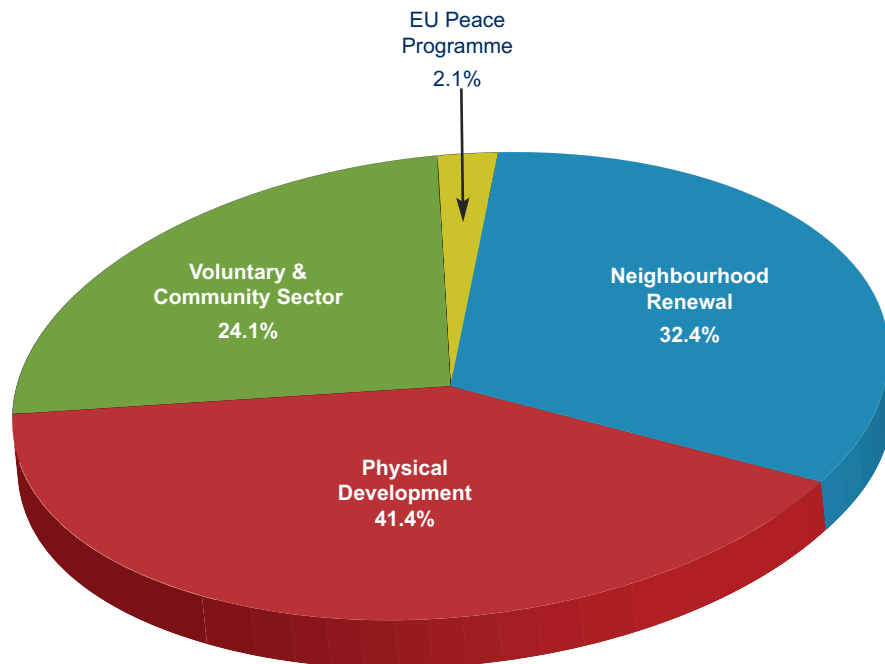
## Housing

### Housing Programme Gross Capital Expenditure £265m



## Urban Regeneration and Community Development

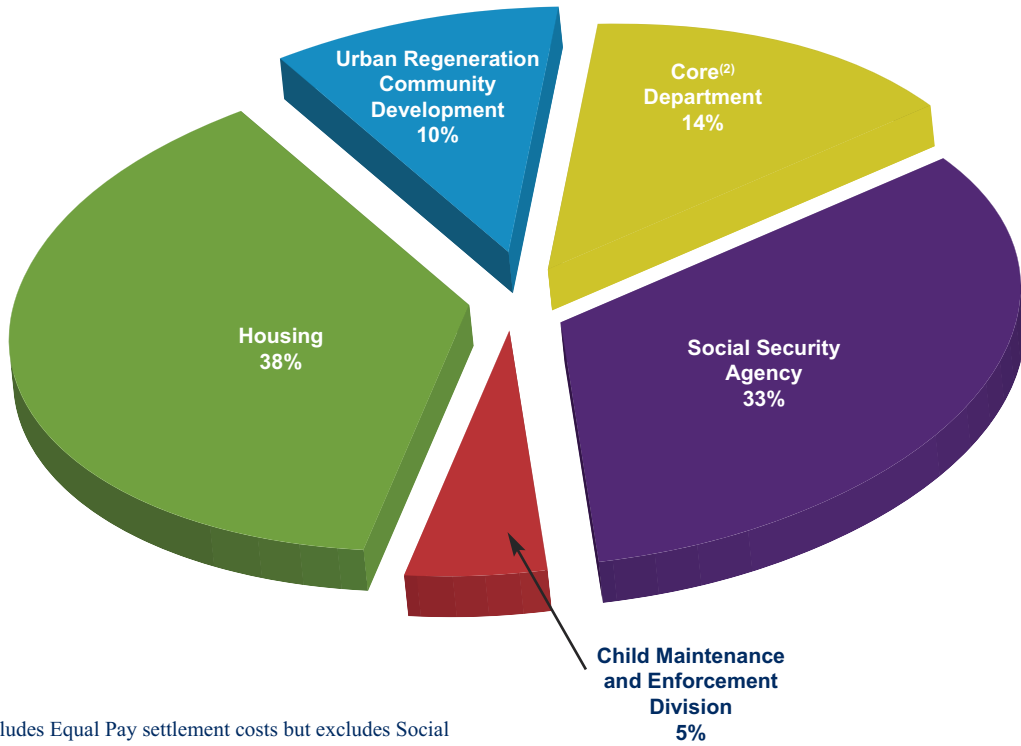
### Urban Regeneration and Community Development Group Net Programme Expenditure <sup>(1)</sup> £67.6m



<sup>(1)</sup> includes recurrent and capital Expenditure but excludes Departmental running costs

## Departmental Resources Costs

Departmental Resources costs by Business Area<sup>(1)</sup> £555.7m



<sup>(1)</sup> Includes Equal Pay settlement costs but excludes Social Security benefit and capital expenditure

<sup>(2)</sup> Includes National Insurance Fund administration costs, Financial assistance Scheme and Independent Living Fund Costs

## Efficiency Delivery

Project	2010-11 Published Efficiency Total (£m)	Efficiency Total Delivered in 2010-11 (£m)	Percentage of total achieved in 2010-11
Conclusion of the Community Regeneration and Improvement Special Programme scheme and Community Economic Regeneration Scheme	3.11	3.11	100.00%
Efficiencies in URCDG Revenue Programme	5.1	5.1	100.00%
Efficiencies in NIHE Revenue Programme	27.8	26.36	94.8% <sup>[1]</sup>
Reduction in NIHE Administration Costs	6.4	9.67	151.10%
Social Security Agency Admin Reduction	11.4	12.49	109.60%
Child Maintenance and Enforcement Division Admin Reduction	0.79	0.79	100.00%
Urban Regeneration and Community Development Group - Admin Reduction	0.63	0.63	100.00%
Core Department - Admin Reduction	1.07	1.07	100.00%
<b>Total</b>	<b>56.3</b>	<b>59.22</b>	<b>105.20%</b>

## 2. The Departmental Accounting Boundary

2.1 The Department's Accounting Boundary comprises the following core groupings:

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

2.2 The detailed functions of the Department and its executive agency are set out in the Department's Corporate Plan 2008-2011. An electronic copy can be obtained from the Department's internet site at: [www.dsni.gov.uk](http://www.dsni.gov.uk) under the heading Features/Reports-Business Plans. Alternatively, a printed copy may be obtained from:

### Corporate Planning and Governance Unit

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**Gasworks Business Park**

**Ormeau Road**

**BELFAST**

**BT7 2JB**

**Telephone: 02890 829502**

<sup>1]</sup> Reduction in planned maintenance efficiencies against target arose mainly from the contractually binding EGAN programme uplifts. Unit costs were (and still are) linked to specific building cost indices rather than the general RPI indices. Building cost indices over the years 2009-10 and 2010-11 outstripped general inflationary factors and as a consequence removed any efficiencies. However, the overall efficiency target was exceeded due to above-target reductions by the NIHE and SSA in administration costs.

- 2.3 The functions of all other public sector bodies outside the Departmental Accounting Boundary are set out in paragraph 2.5 below.

### **Responsibility for Funds**

- 2.4 The Department and the Social Security Agency also have responsibility for the administration of a number of funds:
- The National Insurance Fund, which is the responsibility of HM Revenue & Customs, is excluded from the consolidation and the Summary of Resource Outturn in the Statement of Parliamentary Supply. However, certain elements are included in the remaining Primary Statements. These are contributory benefits, all administration costs and their related assets and liabilities.
  - The Social Fund, which is administered by the Social Security Agency, is consolidated within the Primary Statements.
  - The Child Maintenance and Enforcement Division operates a Client Funds Account to control the receipt of child maintenance and fees from Non-Resident Parents and Parents with Care. Child maintenance is collected and paid over to Persons with Care, the Department and the Child Maintenance and Enforcement Commission and Non-Resident Parents. This Fund is prepared as a separate account and is not consolidated within these accounts. The Client Funds Account is attached at **Annex A**.
  - The Department administers a Central Investments Fund for Charities into which Northern Ireland charities invest funds. Dividends are paid twice yearly by the Department. Within the Central Investment Fund the Department invests the capital of the Charitable Donations and Bequests Fund. These funds are not consolidated within these accounts as no departmental funds are involved.

### **Public Bodies Outside the Departmental Accounting Boundary**

- 2.5 The Department has responsibility for a range of Non-Departmental Public Bodies which sit outside the Departmental Accounting Boundary:

#### ***Public Corporation***

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

#### ***Executive Non-Departmental Public Bodies***

- The Office of the First Minister and deputy First Minister and the Department for Social Development set up the **Ilex Urban Regeneration Company** in July 2003 as a Government-owned company limited by guarantee. Ilex is the only Urban Regeneration Company in Northern Ireland. Its remit is 'to create and promote the co-ordinated regeneration of the Derry City Council area and to facilitate its implementation in co-operation with the Department for Social Development, other relevant government departments, Derry City Council, the private sector and other interested parties'. In addition, the Department and the Office of the First Minister

and deputy First Minister have delegated to Ilex responsibility for the development of the former military sites at Ebrington and Fort George.

- **The Charity Commission for Northern Ireland** was established from 27 March 2009 and has seven Charity Commissioners. The Commission is required to establish a regulatory framework for the charitable sector in Northern Ireland and to increase public confidence in charitable giving.

#### *Non-Executive Non-Departmental Public Bodies*

- **The Charities Advisory Committee** is an independent body appointed by the Department to advise on matters relating to the investment of charitable funds.
- **The Disability Living Allowance Advisory Board for Northern Ireland** is an independent body whose primary role is to provide advice on medical matters referred to it by the Department or its medical advisors. The Public Authorities (Reform) Act 2009 provides for the abolition of the NI Board. The intention had been for the corresponding Great Britain Board to be extended to include Northern Ireland; however, the Coalition Government has announced that it proposes to abolish the Great Britain Board. The future of the NI Board will be considered in line with the future of the Great Britain Board, which is being progressed as part of the Review of Public Bodies.
- **Vaughan's Charity Trustees** - the Department appoints one of the five trustees of the Charity and holds the Charity's capital (no Government funding is involved). The Department and the Trustee it appoints are bound by charity law to carry out the Charity's charitable purposes (to promote the advancement of agriculture in Co. Fermanagh) rather than the Department's aims.

#### *Independent Statutory Bodies*

- **The Office of the Social Fund Commissioner (NI)**'s core business is to deliver independent reviews of discretionary Social Fund decisions made in the Agency. It also shares information and expertise with those who have an interest in the discretionary Social Fund and the independent review. It participates in social policy research that contributes to the wider debate about the Social Fund.

### **3. Management of the Department**

#### **Minister and Senior Officials**

- 3.1 The Department operates under the direction of a Minister. The Permanent Secretary, the Department's most senior official, along with the senior officials in charge of each business area, manage the Department and constitute the Departmental Management Board, which also includes independent membership. The Department's on-vote Executive Agency is headed by a Chief Executive who is supported by their own Executive Board.

3.2 The Permanent Secretary is the Accounting Officer for the Department, and the Chief Executive performs this role for the Social Security Agency. However, during the period 1 July 2010 to 31 July 2010, the Permanent Secretary assumed Accounting Officer responsibility for the Social Security Agency for a short period pending the appointment of its new Chief Executive. The Head of Child Maintenance and Enforcement Division is Accounting Officer for the Client Funds Account.

3.3 Margaret Richie, MLA was the Minister responsible for the Department from 1 April 2010 to 23 May 2010. Alex Attwood, MLA took over as Minister from 24 May 2010.

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

Permanent Secretary:

**Mr Will Haire** 1 April 2010 - 31 March 2011

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

**Mr Barney McGahan** 1 April 2010 - 31 March 2011

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

**Mr David Ferguson** 1 April 2010 - 31 March 2011

Deputy Secretary and Head of Child Maintenance and Enforcement Division:

**Ms Mary Quinn** 1 April 2010 - 31 March 2011

Acting Head of Child Maintenance and Enforcement Division:

**Mrs Catherine McCallum** 6 September 2010 - 31 March 2011

Chief Executive, Social Security Agency:

**Mr Bryan Davis** 1 April 2010 - 30 June 2010

**Mr Tommy O'Reilly** 1 August 2010 - 31 March 2011

Independent Members:

**Mr John West** 1 April 2010 - 15 December 2010

**Ms Lorraine Clinton** 1 April 2010 - 31 March 2011

#### **Appointment of the Permanent Secretary and Members of the Management Board**

3.5 The Permanent Head of the Department was appointed by the Civil Service Commission under the terms of Article 6 of the Civil Service Commission (NI) Order 1999. The appointment is for an indefinite term under the terms of the Senior Civil Service contract (Part 5, Chapter 8 of the Northern Ireland Civil Service Staff Handbook refers).

3.6 Appointments to Executive Departmental Management Board positions were determined in accordance with Northern Ireland Civil Service promotion and appointment procedures.

- 3.7 The two Independent Members of the Management Board were appointed by the Accounting Officer. One of the Independent Board Members also chairs the Departmental Audit Committee, and the other is a member of the Committee. John West's appointment to the Board ended on 15 December 2010 and, in accordance with Ministerial Direction, the vacancy has not been filled.

#### **Pension Liabilities**

- 3.8 Pension liabilities in respect of Ministers, the Permanent Secretary and members of the Management Board are covered in the Remuneration Report. There are no pension liabilities in respect of Independent Board Members.

#### **Conflict of Interests**

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

### **4. Departmental Reporting Cycle**

- 4.1 During 2010-11 the Departmental Management Board and the Minister received quarterly progress reports against the Department's Public Service Agreement and other Business Plan targets. An end of year Report is published on the Internet at [www.dsdni.gov.uk](http://www.dsdni.gov.uk).

### **5. Corporate Governance and Risk Management**

- 5.1 The Department is committed to the highest standards of Corporate Governance. The Departmental Management Board has agreed and published the Department's Corporate Governance arrangements which it oversees and of which Risk Management is an integral part. All tiers of management also have commensurate responsibility for Governance at an organisation/business level. The Department's Principal Accounting Officer has personal responsibility for ensuring and enabling all elements of the Corporate Governance arrangements, which are subject to continuous review and are substantially compliant with the HM Treasury guidelines on Corporate Governance in Central Government Departments: Code of Good Practice.
- 5.2 The Departmental Management Board supports the Accounting Officer in meeting his Corporate Governance responsibilities and takes an objective long-term view of the business of the Department, leading its strategic planning through the establishment of a Senior Civil Service Strategic Planning Group, which advises the Departmental Management Board on strategic business direction.
- 5.3 During the year the Board met on 8 occasions and the minutes of meetings are published on the Department's Internet site.

#### **Matters Reserved for the Board**

- 5.4 The Board advises the Minister on all key matters affecting the Department. Matters

are normally reserved for collective discussion and decision by the Board because of their Department-wide implications or other cross-cutting nature, or they are novel and/or contentious. The Board may decide to delegate decisions as considered appropriate. Those matters that are reserved for the Board's consideration are set out in a formal Terms of Reference.

### **Committees of the Board**

- 5.5 The Board has established a Departmental Audit Committee and Fraud Sub-Committee to advise the Board. Both Committees have a formal Terms of Reference and report to the Board on their work.

#### **Departmental Audit Committee**

- 5.6 The Departmental Audit Committee is independent of the executive management of the Department. Its purpose is to support the Accounting Officer in his responsibilities regarding risk management, control and governance.
- 5.7 The Committee meets on a quarterly basis, supplementing these meetings with Focus Sessions on particular areas of interest.
- 5.8 During the year, the Committee focussed attention on the governance of the Department's Non-Departmental Public Bodies, including the recent review of Governance in the NI Housing Executive, a report on which is published at [www.dsdni.gov.uk](http://www.dsdni.gov.uk).

#### **Fraud Sub-Committee**

- 5.9 The Fraud Sub-Committee oversees counter-fraud policies and procedures across the Department and its Non-Departmental Public Bodies. It is chaired by the Head of Resources, Housing and Social Security Group and meets twice a year. All areas of the Department involved in fraud detection and prevention are represented at the Committee.

### **Publications**

- 5.10 The Corporate Governance Framework, the Board's Terms of Reference and Terms of Reference of its Sub-Committees are published on the Department's Intranet and on the Internet at [www.dsdni.gov.uk](http://www.dsdni.gov.uk). A formal review of these arrangements commenced in 2010-11 and will continue into next year.

### **Sponsorship Responsibilities**

- 5.11 The Corporate Governance Framework, Management Statements and Financial Memoranda and Codes of Practice set out the conduct of and the Department's relationships with its Sponsored Bodies. The Board has also established an Accountability Framework, which together with a Forward Work Plan that includes the quarterly arrangements for reviewing the performance and risk management assurance statements of these Bodies, ensures a structured sponsorship approach.

- 5.12 Sponsor Branches have been appointed to manage the day-to-day working relationship between the Bodies and the Department. These branches ensure that there is compliance with the Accountability arrangements and that the Bodies are kept informed amongst other matters of current best practice. The Department has also developed a Sponsorship Manual to bring an essential measure of consistency of approach to sponsorship across the Department's Bodies. It will provide a sound basis for benchmarking performance and minimising the risk of anything going wrong by facilitating good governance and a team-based approach, further strengthening the arrangements that the Department already has in place.

### **Risk Management Policy**

- 5.13 The Department's policy on Risk Management is subject to continuous review and is compliant with the HM Treasury Orange Book. During the year, the Board approved a revision to the Department's Risk Management arrangements, which followed a series of challenge workshops delivered to senior staff. The Department's policy is also being rolled out across its Sponsored Bodies.

## **6. Auditor Details**

### **Internal Audit**

- 6.1 The Accounting Officer and the Board are independently advised by the Department's Internal Audit Service operating in accordance with Government Internal Audit Standards. The primary objective of Internal Audit is to provide the Accounting Officer and the Board with an independent and objective opinion on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the Department's agreed objectives.
- 6.2 During 2010-11 the Department's Internal Audit Unit carried out planned programmes of work as agreed by the appropriate business area Audit Committees and the Departmental Audit Committee. All audits were conducted in accordance with the Government Internal Audit Standards and outcomes have been reported to all concerned, including Senior Management.
- 6.3 The final claim for European funding in respect of the PEACE II and URBAN II programmes were submitted by the Department during 2010-11. The Head of Internal Audit, as the designated Article 15 body, was responsible for providing the European Commission with an opinion on the final claim and in particular that the final statement of expenditure and the application for payment of the balance of Community Aid were free from material misstatement. The final claim for PEACE II was unqualified; however, there was a minor qualification on the URBAN II claim which was subject to further work during the year. This is still subject to a final decision by the European Commission.

### **Northern Ireland Audit Office**

- 6.4 The Department is also subject to independent scrutiny from the Northern Ireland Audit Office. The Audit Office is independent of Government and is tasked by the

Assembly to hold the Northern Ireland Departments and their Agencies to account for their use of public money. The Comptroller and Auditor General works closely with the Assembly's Public Accounts Committee which can require Accounting Officers and senior officials to account for their actions in relation to the management of public funds.

- 6.5** The accounts and supporting notes relating to the Department's activities for the year ended 31 March 2011 have been audited by the Northern Ireland Audit Office. The report of the Comptroller and Auditor General appears on pages 160 to 175.
- 6.6** The cost of the audit for 2010-11 is a notional cost of £0.356 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.
- 6.7** The auditor was appointed by statute and will report to the Assembly on the audit examination.
- 6.8** So far as the Accounting Officer is aware, there is no relevant audit information of which the Department's auditors are unaware.
- 6.9** The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

## **Management Commentary**

### **7. Departmental Aims and Strategic Priorities**

- 7.1** The Department contributes to the social functioning, wellbeing and quality of life of Northern Ireland society through its mission 'Together, tackling disadvantage, building communities'.
- 7.2** Three overall priorities for social development have provided the framework for the Department's business over the period 2008 - 2011:
- investing in housing and addressing the housing crisis;
  - building communities, tackling disadvantage and encouraging social responsibility; and
  - creating vibrant cities, towns and urban areas.
- 7.3** Guided by the principles of integrity, political impartiality and fairness, the Department strives to be an organisation that delivers high-quality services, provides value for money and values its people. These values have been subject to review by the Departmental Management Board during 2010-11. The outcomes of this review will underpin the strategic direction of the Department going forward.

- 7.4** The Northern Ireland Executive's Programme for Government 2008-11 provides the focus for the Department's business as it contributes to six of the Programme for Government's associated Public Service Agreements.
- 7.5** As summarised in paragraph 1.4 the Department had lead responsibility during the year to promote decent, energy-efficient, affordable housing and regenerate disadvantaged areas and towns and city centres, and support community development to create environments which enhance quality of life and contribute to wellbeing.
- 7.6** In addition, the Department makes a contribution to the achievement of the following Public Service Agreements:
- drive a programme across Government to reduce poverty and address inequality and disadvantage;
  - driving sustainable long-term investment in our key infrastructure over the period 2007-08 to 2017-18 and promoting sustainable development across the public sector, business and wider society;
  - improve the quality and cost-effectiveness of public services to include delivery of the wider public sector reform programme and efficiency savings and outworking of decisions on the Review of Public Administration;
  - to provide for the effective operation of the institutions of government by supporting Ministers and facilitating effective interdepartmental working in the delivery of an agreed Programme for Government, Budget, Investment Strategy and legislative programme; and
  - improve the quality of our natural and built environment and heritage and reduce our carbon footprint.

## **8. Principal Activities**

- 8.1** The principal activities of the Department during 2010-11 were to:
- target and manage resources efficiently and effectively, 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 maintenance and pensions policy and legislation in accordance with the provisions of the Northern Ireland Act 1998;
  - develop policy and promote social legislation in the areas of liquor licensing, gambling and drinking in public and consult with stakeholders to ensure that legislation reflects changing social attitudes and expectations. This aims to provide an effective framework for control and enforcement, whilst respecting the freedom of the individual and avoiding imposing unnecessary burdens on business;
  - assess and deliver most social security benefits and the Social Fund;
  - promote and secure effective child maintenance arrangements;

- develop legislation and administrative arrangements to give effect to Minister's New Housing Agenda and other agreed housing policies, including the implementation of the Private Rented Sector Strategy;
- secure and provide funding to meet the needs of the housing programme, including the Minister's New Housing Agenda, delivered primarily through the Housing Executive and registered Housing Associations;
- develop legislation and take forward work to establish a Charity Commission for Northern Ireland;
- develop policy and legislation to tackle social, economic and physical regeneration in urban areas across Northern Ireland working in partnership with other public sector organisations and seeking to attract private sector investment; and
- develop overall policy and provide ongoing support for the voluntary and community sector by working with voluntary and community-based organisations.

## **9. Performance in the Period**

- 9.1** The Northern Ireland Executive's top-level strategic planning document **Programme for Government 2008-2011** incorporates the Department's Public Service Agreements and provides a clear statement of the main policies and priorities. A separate Budget 2008-11 document summarises the Department's Budget allocation. The Public Service Agreements show the main outcomes that the Department has been working to deliver within the resources that were made available. Associated Delivery Agreements set out Departments' plans to deliver results in return for the investment that is made through the Budget allocations.

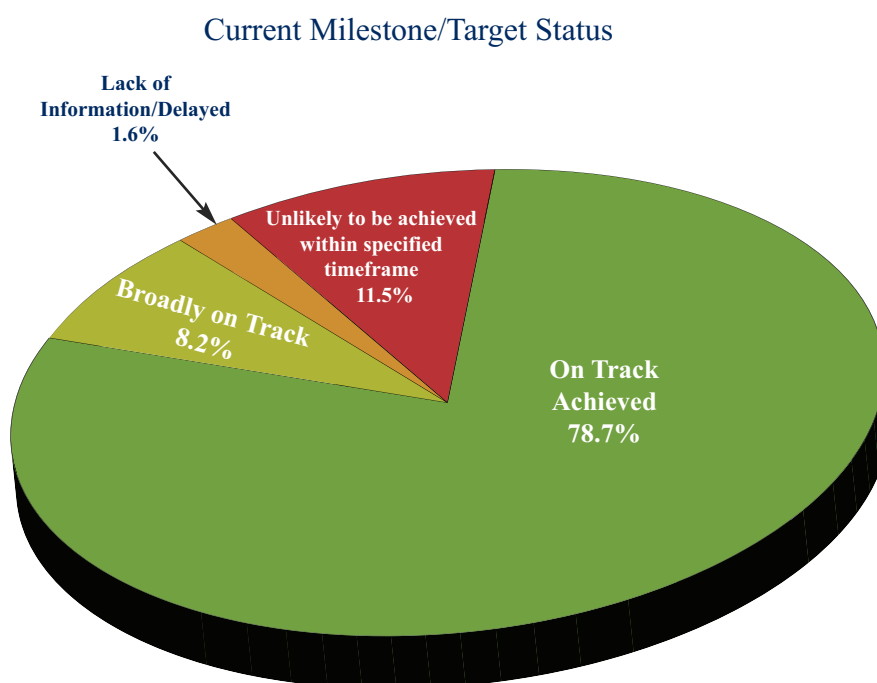
### *Actions Underpinning the Delivery of Public Service Agreements*

- 9.2** Annual Supplements to the Department's Corporate Plan for 2008-11 list the actions that have underpinned the delivery of its Public Service Agreements, other Business Plan targets and budget allocations relative to the Department and its Agency. An electronic copy can be obtained from the Department's internet site at: [www.dsdni.gov.uk](http://www.dsdni.gov.uk) under the heading Features/Reports-Business Plans. Alternatively, a printed copy may be obtained from:

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

**Telephone: 02890 829502**

- 9.3 In summary, the Department had 23 key Public Service Agreement targets during 2010-11 and these were delivered through 24 business level targets. The Department also had a further 9 Other Business Plan targets with 37 associated actions. The end of year overall position was positive with 54 (88.5%) of targets either achieved, substantially achieved or on track for achievement with some delay as set out in the chart below.



### *Key Achievements during 2010-11*

- 9.4 During the year the Department continued to successfully deliver a wide range of targeted programmes and services, tackling poverty and disadvantage and building communities while at the same time focusing on service modernisation, working in partnership with others and fully delivering on efficiency plans. Some of the key achievements during the year are outlined in the following paragraphs.

#### Social Security Agency

- 9.5 Key achievements by the Social Security Agency during 2010-11 included exceeding all of the claims clearance targets for its main benefits and achieving five of the six financial accuracy targets. Whilst State Pension Credit is currently missing the target, at 96.9% this represents the highest level of accuracy reported yet (a 0.3 percentage point increase on 2009 performance).
- 9.6 In addition, the Agency opened the new Jobs and Benefits Office in Andersonstown, piloted and evaluated the Customer First initiative in seven offices across the Agency's North District, and signed a contract with Atos Origin IT Services UK Ltd to put in place the necessary structures and systems to deliver medical advice and assessment services in Northern Ireland.

- 9.7 Full details of the Social Security Agency's results and achievements are contained in the Agency's Annual Report and Accounts for 2010-11. This document can be accessed at: [www.dsdni.gov.uk/index/publications.htm](http://www.dsdni.gov.uk/index/publications.htm).

### **Child Maintenance and Enforcement Division**

- 9.8 Key achievements within the Child Maintenance and Enforcement Division included:<sup>2</sup>

- for those parents using the statutory child maintenance scheme, increasing the proportion of Non-Resident Parents paying child maintenance by 6 percentage points when compared to the March 2009 baseline with a performance of 69.4%;
- for those cases within the statutory child maintenance scheme, increasing the proportion of children benefiting from child maintenance in Northern Ireland to 70.7%, an increase of over 6 percentage points when compared to the March 2009 baseline;
- almost £510,000 collected in 2010-11 using credit/debit cards;
- for clients in Eastern England, the collection or arrangement of over £161 million of child maintenance on behalf of 118,813 children. In addition, over 98% of all complaints were either fully resolved or next steps action agreed within 15 working days of receipt;
- the development of cross government partnerships, working on wider parental responsibilities and engaging with health and education sectors to promote and support financial responsibility as part of front line services;
- the establishment of a Stakeholder Forum to promote the financial responsibility agenda and encourage the voluntary advice sector to avail of the good quality information and guidance around separation and child maintenance issues;
- the launch of a new information and support service known as Child Maintenance Choices in January 2011;
- the successful introduction of new enforcement powers in December 2010. In relation to legal enforcement activity, 123 liability orders were granted and 71 convictions were secured; and
- the Child Maintenance Disregard, which had been set at £20 per week was extended to become a full disregard from 12 April 2010.

- 9.9 The client satisfaction survey on the Information and Support Service also showed that over 90% of clients were satisfied with the services provided and that 95% would recommend it.

<sup>2</sup> While the overall accuracy target of 97% for 2010 - 11 was not met, separate old scheme and new scheme performance targets were met within tolerance levels

## **Housing**

### *Access to Housing*

- 9.10** This year the Department delivered 2,418 new homes for those in greatest need, the largest number of new homes for a 14 years and surpassing the target by 418.
- 9.11** The Northern Ireland Co-Ownership Housing Association was able to assist 492 first time homes to be purchased against a target of 500. In total, 492 homes were purchased or contractually committed by the end of the year.
- 9.12** In the absence of sufficient funding to launch the full Mortgage Rescue scheme, the introduction of the Mortgage Debt Advice Service has already helped hundreds of people against the threat of having their homes repossessed. Approval has been obtained to extend funding until March 2015.
- 9.13** Following a number of legal challenges, the Department approved plans to vest the remaining homes in the Village area of South Belfast to allow a £100 million investment package to proceed. The Minister also announced plans to redevelop three specific areas in North Belfast that will involve the demolition of 276 old unfit homes in a £38 million scheme that will eventually see approximately 150 new homes put back across the areas to improve both the quantity and quality of housing in North Belfast.

### *Private Rented Sector – Knowledge and Awareness*

- 9.14** A series of awareness sessions were rolled out across Northern Ireland to give landlords and letting agents accurate, easily understood and accessible advice and guidance on the law relating to the private rented sector.

### *Addressing Fuel Poverty*

- 9.15** During 2010-11 the fuel poverty budget was £20.5 million. Over 9,000 privately owned or privately rented homes had energy efficiency improvements delivered through the Warm Homes Scheme, while the Housing Executive's Heating Replacement Scheme improved the energy efficiency of 3,314 homes.

### **Housing Legislation**

- 9.16** The Housing (Amendment) Bill, which enables better regulation of the private rented sector, provides new tools to tackle fuel poverty, promotes effective housing management and clarifies existing law in respect of homelessness, was passed by the Assembly on 14 March. The Department also assisted John McCallister MLA in the successful completion of the Caravans Act (Northern Ireland) 2011, the first private member's bill in the history of the Northern Ireland Assembly.

## **Urban Regeneration**

**9.17** Urban regeneration work involves a wide range of activities aimed at regenerating viable and vital town and city centres, examples of which are outlined under the headings below. In addition to those achievements, the Department has also delivered the following:

- £3.2 million was secured from the Ministry of Defence toward the decontamination costs of Fort George to enable the site to be developed for commercial and residential use;
- In June 2010, a Development Agreement was signed with the Waterside Development Trust to deliver a shared space building on the Department's Clondermot site in Derry; and
- The Department, through Ilex Urban Regeneration Company, made funding available for the completion of the jetty at the Fort George site and provided financial support to the company in their role to successfully secure the UK City of Culture 2013 for Derry City Council.

### ***Public Realm***

Public Realm schemes are designed to enhance the local street-scape, open spaces and urban environment through the use of high quality materials, ornamental street furniture, amenity lighting, decorative signage, public art and semi-mature tree planting. Examples during 2010-11 include:

- The £28 million "Belfast: Streets Ahead" Public Realm Phase 1 Project (renewing 14 of the main streets in the city centre) was substantially completed by 31st March 2011. The project has totally transformed the heart of the city centre with new high quality granite surfaces, modern street-lighting and exciting public art features, with the decorative lighting masts on Donegall Place being a fitting finale to the project;
- A programme of 13 Public Realm schemes was completed in targeted areas across Belfast including delivering significant physical regeneration and high quality environmental improvements;
- Public Realm schemes were completed in Portadown and Kilkeel town centres; and
- A Public Realm Scheme in Waterloo Place/ Guildhall in Londonderry was also completed.

### ***Comprehensive Development***

Comprehensive Development schemes contribute to the regeneration of areas through a process of land acquisition, maintenance and disposal. These schemes enable the release of underused or derelict land and property in areas of high dereliction or deprivation, thereby unlocking opportunities for development.

- A local community group in the Alliance area of Belfast secured funding from the Neighbourhood Renewal fund and the International Fund for Ireland to complete its retail and community accommodation development in October 2010.

### ***Urban Development Grant***

Urban Development Grants are discretionary grants used for promoting job creation, inward investment and environmental improvement, by developing vacant, derelict or underused land or buildings in priority areas.

In Belfast eight schemes were completed and a further nine are underway.

### ***Masterplans***

Masterplans provide a means of synthesising the ideas, testing their feasibility and stimulating further dialogue towards economic, social and environmental regeneration. For example, a Masterplan for Strabane was developed and published in September 2010 to guide the redevelopment of Strabane town centre over the next 10 -15 years.

### ***Regeneration of Disadvantaged Areas***

Significant investment in ***Neighbourhood Renewal*** areas continued in 2010-11. A wide range of regeneration actions were taken across disadvantaged areas. For example:

- Conway Mill – The project to restore Conway Mill was completed in November 2010 creating 16 new workspaces and enterprise units for new and expanding businesses in the area. The building now also houses 20 new artist studios and an atrium space;
- The Jolly Roger, a community and retail facility was completed in September 2010. The centre will provide opportunities for local residents to access services including education and training for employment, alternative therapies, counseling and advice. The retail facility will bring opportunities for employment for up to eight local people and provide accessible local shops;
- The Voluntary and Community Unit provided £1.9 million of funding through its ongoing Modernisation Fund Capital programme to modernise buildings and facilities to underpin, support and improve the physical infrastructure of the voluntary and community sector.

- 9.18** In addition, the ***Areas at Risk Programme*** has continued to provide much needed support to those communities outside of the Noble 10% most disadvantaged that are at risk of decline. An evaluation of the pilot programme highlighted and concluded that the programme had made highly significant, varied and positive impacts in the areas targeted.

### *European Funding*

- 9.19** In the North West, the Department provided match funding for the iconic foot and cycle Peace bridge which spans from the water-side to the city-side across the River Foyle. The bridge was officially opened on 25 June 2011.

### *Support for the Voluntary and Community Sector*

- 9.20** During the year, through its Voluntary and Community Unit, the Department maintained a strong influence across central and local government on voluntary and community sector matters while continuing to support the sector to contribute to the delivery of government policies and objectives. Significant achievements included:
- Establishment of 2 year pilot ‘Community Faiths’ Forum’ in May 2010 to better address the needs of the disadvantaged, marginalised and excluded people in our local communities;
  - A new Concordat for relationships between Government and the voluntary and community sector has been endorsed by the NI Executive and Voluntary and Community Sector representatives. Formal publication and implementation of the new Concordat will begin in the first quarter of 2011-2012; and
  - Volunteering Strategy was finalised and will be published in early 2011-12. Over the next five years it will help develop, promote and recognise the impact of volunteering within civic society.

### *Ongoing/Revised Commitments*

- 9.21** A small number of the Department’s Public Service Agreement targets were not achieved within the 3 year period from 2008 – 11. Work will be ongoing to bring these to completion, where possible.
- 9.22** Implementation of the redesigned child support arrangements has been carried forward into the new spending review period from 2011-15, pending further direction from the Coalition Government.
- 9.23** Due to the constrained capital position from the Northern Ireland Spending Review settlement and a reduction in the capital available to complete the final 8 Jobs and Benefits offices, the Social Security Agency will work with the Department for Employment and Learning to consider opportunities to improve joint working in the remaining Social Security Offices and Job Centres.
- 9.24** The new Medical Support Services structures will be in place for the commencement of service delivery on 20 June 2011.
- 9.25** Although the original proposals for Foyle Street in Derry/Londonderry could not be taken forward once the preferred developer withdrew interest, construction of a shared space project was completed in April 2011, the remainder of the site having facilitated additional city centre car parking since December 2010.

- 9.26 The decontamination works on the Fort George site in Derry/Londonderry will be undertaken by Ilex Urban Regeneration Company during 2011-12.
- 9.27 Redevelopment of the combined Crumlin Road Gaol/Girdwood Park site is continuing through a master planning process. In March 2011, it was announced that a planning application for 200 homes on the Girdwood site will be submitted to the Planning Service. Subject to planning approval, it is intended that phase one of the housing development will commence in early 2012.
- 9.28 The planning application for the Royal Exchange retail-led regeneration scheme was lodged by the developers of the scheme, Leaside Investments Limited, in October 2010. This marks the next step in taking forward the regeneration of Belfast City Centre. By making progress with planning during the downturn, the Department is ensuring that Belfast is ready to take advantage of the upturn in the economy when it arrives.
- 9.29 Publication of the Volunteering Strategy will follow subject to formal approval by the Executive, which is expected shortly.
- 9.30 The introduction of a Developers' Contribution Scheme will be re-visited during the next Assembly term. The initial proposals brought forward in draft Planning Policy Statement (PPS) 22 by the Department of the Environment require further consideration.
- 9.31 A draft report on disabled living adaptations is under consideration.
- 9.32 The Child Maintenance and Enforcement Division collected £2.64 million in child maintenance arrears narrowly missing the target to collect £2.8 million. Collection of child maintenance arrears has proved difficult in the deteriorating economic climate, however the Child Maintenance and Enforcement Division will continue to take forward strategies to reduce the level of child maintenance arrears. The Child Maintenance and Enforcement Division will also continue to work to establish a baseline in relation to the number of effective child maintenance arrangements in place in Northern Ireland.
- 9.33 While the Licensing and Registration of Clubs (Amendment) Bill received Royal Assent on 29 March 2011, it will not become operational until September 2011 due to the requirement to provide businesses 3 months' advance notice.

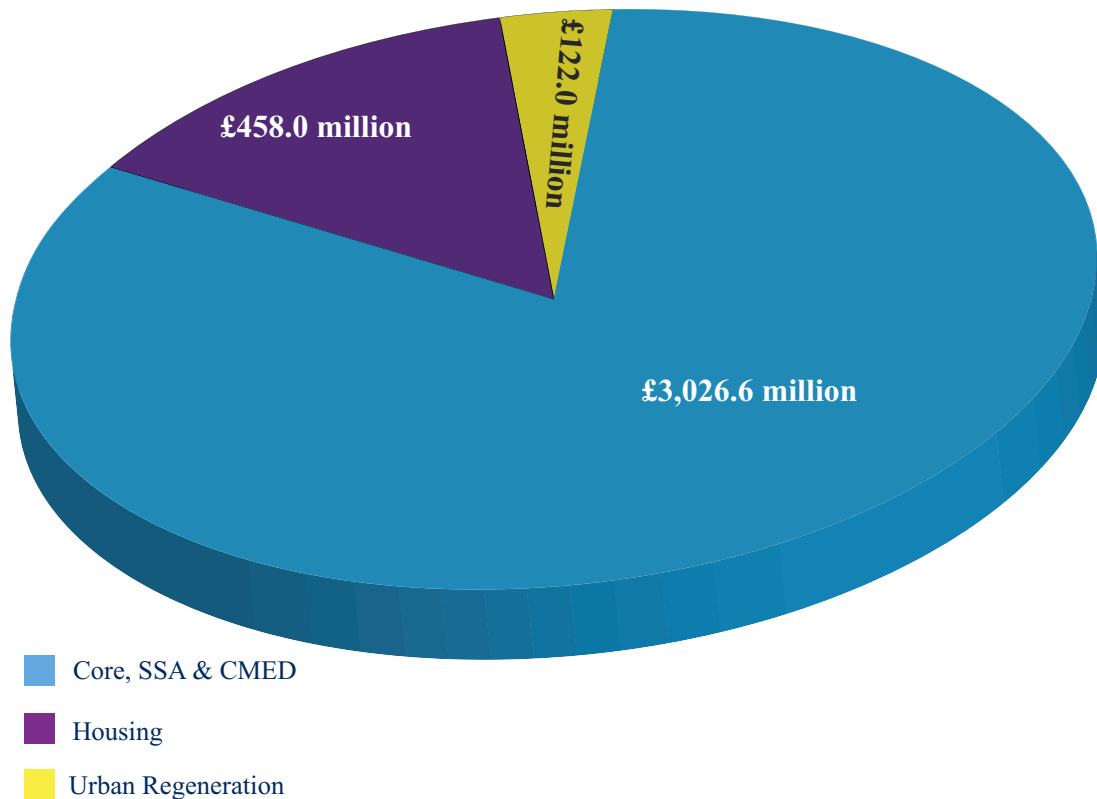
### **Detailed Financial Results for the Year**

- 9.34 Departmental Resource Accounts form the principal financial reports of the Department and are published on an annual basis. Supply Estimates are the means by which parliamentary (Assembly) authority is secured for most government expenditure.

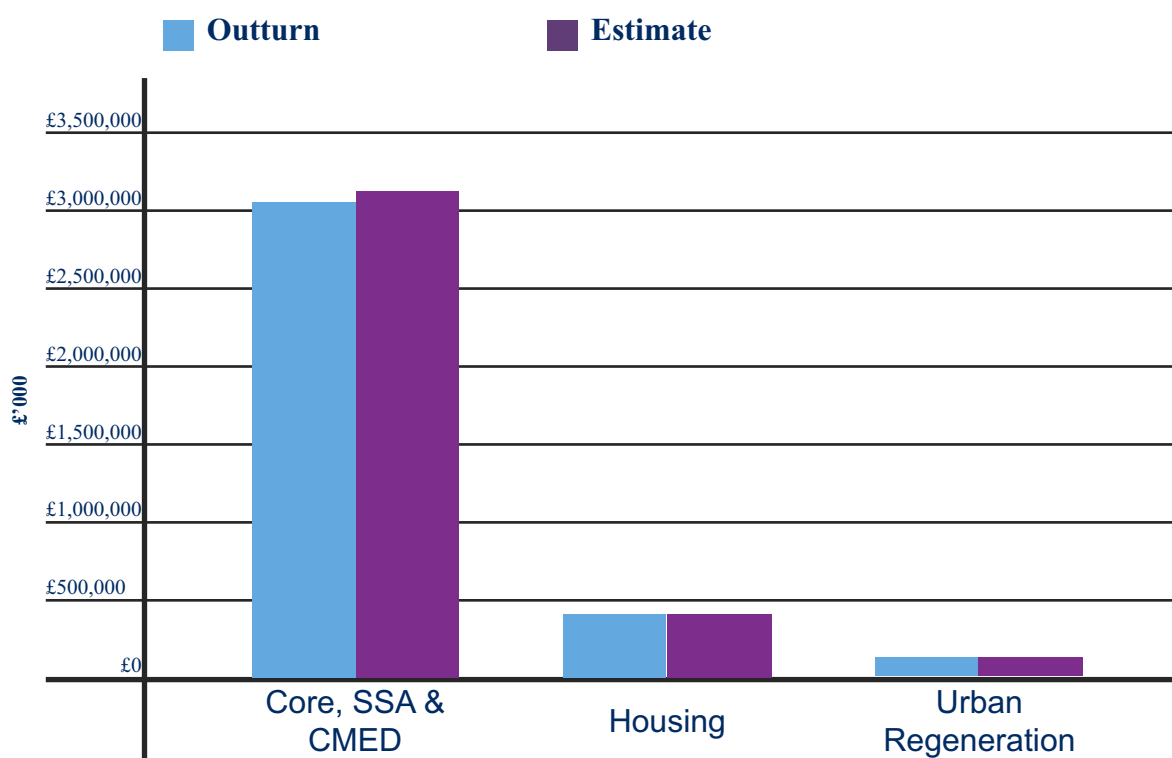
9.35 Supply is granted on an annual basis, voted in the Main and Spring Supplementary Estimates and in the Budget Acts in Northern Ireland. Funding is sought on a Request for Resources Basis (RfR) of which the Department has three. RfR A covers the Department's Social Security and Child Maintenance and Enforcement business, RfR B covers Housing and RfR C covers Urban Regeneration and Community Development.

9.36 The Spend for each area for 2010 - 11 is shown below:

2010 - 11 Outturn by Business Area



9.37 The spend per area compared with the Estimate for 2010-11 is shown below:



9.38 The Net Operating Cost of the Department in 2010-11 was £3.606 billion. The financial results of the Department are set out on pages 56 to 158.

#### Request for Resources A

9.39 **Core Programme:** The variation between the estimate and the outturn was 6.9%. The outturn was £46.044 million less than the estimate. The main reasons for this were:

- Provisions for Financial Assistance Scheme payments were materially reduced due to a change in the dataset used; and
- Payments to the Social Fund (regulated) were less than the estimate due to the estimate including provision for additional cold weather payments which did not materialise.

9.40 **Social Security Agency:** The variation between the estimate and the outturn was 4.3%. The outturn was £107.383 million less than the estimate. The main reasons for this were:

- Disability benefits were forecast by the Department for Work and Pensions and the requirement was reduced as expenditure data became available. However, expenditure was still less than expected;
- Pension Credit expenditure was less than expected given prior year trends; and

- Income Support (reducing caseload) was lower than forecast in the Lone Parent areas due to Lone Parent Obligations policy change and in the Disability area due to Employment and Support Allowance.

**9.41 Child Maintenance and Enforcement Division:** Outturn expenditure was 4.0% (£0.731 million) lower than the estimate.

#### **Request for Resources B**

**9.42 Housing Programme:** Outturn expenditure was 2.3% (£10.374 million) greater than the estimate. The Department incurred an excess of £10.211 million because of spending in Assistance to the Voluntary Housing movement and Housing Grants to the NIHE. The Department will seek Assembly approval by way of an Excess Vote in the next Budget Act.

#### **Request for Resources C**

**9.43 Urban Regeneration and Community Development Administration:** The variation between the estimate and the outturn was 5.7%. The outturn was £0.681 million less than the estimate mainly due a decrease in non cash costs caused by fixed asset impairments being less than anticipated.

**9.44 Urban Regeneration and Community Development Programme:** The variation between the estimate and the outturn was 9.3%. The outturn was £11.363 million less than the estimate. The main reason for this was:

- EU Programme of Peace and Reconciliation: A combination of bad weather over the early part of the last quarter and project slippage contributed to the easement, particularly in respect of the Peace Bridge in the North West.

#### **Fixed Assets**

**9.45** Details of movements in fixed assets are set out in Notes 20 - 22. 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 2011.

#### **Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting accountability.**

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

## **10. Investment in the Future**

**10.1** The Department has been participating in a range of Northern Ireland Civil Service central reform initiatives that are aimed at delivering modern, high quality and efficient public services. These include a range of shared services delivered by the Enterprise Shared Services organisation in the Department of Finance and Personnel.

## *Nidirect*

- 10.2** This initiative aims to provide citizens with a choice of communication channels and a single point of contact where they can interact with public services across central Government. A consolidation exercise started in March 2009 to reduce the number of websites in the public domain and to move any relevant citizen facing content on to the nidirect website. Additionally, nearly 500 pages of customer facing information have been removed from the Department's internet site and placed on nidirect. This exercise was finished in advance of the 31 December 2010 deadline. The Department continues to manage the largest nidirect franchise, 'Money, Tax and Benefits', and various business areas within the Department continue to work with nidirect, to ensure that changes that affect customers are communicated using their external communication procedures which includes social media alerts.

## *Nibusinessinfo.co.uk*

- 10.3** Nibusinessinfo.co.uk is the official gateway for Northern Ireland businesses seeking guidance and support for their individual needs and online dealings with government. There are 14 subject areas offering practical advice on key business issues. The site is going through a review of its profile within government as well as the looking at the governance arrangements. The Department has engaged with the site owners to identify owners for Departmental topics and to contribute news stories when the Department's work has an impact on the business community.

## **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 that 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. The Disability Liaison Team is available to offer advice and guidance in relation to reasonable adjustments which may be required for any member of staff who has a condition they feel falls within the remit of the Disability Discrimination Act.

### **12. Section 75 Equality Duty**

- 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** 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.

### **Disability Duties**

**12.3** Under Section 49A of the Disability Discrimination Act 1995 (DDA 1995) (as amended by Article 5 of the Disability Discrimination (Northern Ireland) Order 2006), the Department is required when carrying out its functions to have due regard to the need to:

- promote positive attitudes towards disabled people; and
- encourage participation by disabled people in public life.

These are collectively referred to as the ‘disability duties’.

**12.4** In line with Section 49B of the Act the Department has developed a disability action plan showing how it proposes to fulfil these duties in relation to its functions.

### **Equality and Good Community Relations**

**12.5** The promotion of equality and good community relations is at the forefront of the Department’s programmes and activities. The actions taken by the Department in relation to its equality duties are detailed in an annual report to the Equality Commission.

### **Diversity Training**

**12.6** Diversity Now, the equal opportunities and diversity training course for NICS staff is now being rolled out across the NICS and is mandatory for all staff. It is delivered in 2 ways – a classroom version is provided for new staff while existing staff take an on-line version that is delivered via their office computer. Classroom training started in October 2009. The majority of staff in the Department have completed the on-line training and action is ongoing to ensure that all staff complete this course.

### **Better Regulation**

**12.7** In line with the Better Regulation Strategy, the Department’s policies are assessed to ensure that there are no unnecessary burdens placed on the business, voluntary and charity and social economy sectors. Actions taken are subsequently included in the Department of Enterprise, Trade and Investment’s Better Regulation Annual Reports.

## Corporate Responsibility

- 12.8** Throughout the year the Department supported a wide range of activities that would fall under the Corporate Responsibility banner, including:
- the actions taken to reduce the impact of the business on the environment outlined at section 13;
  - the support given to various charities, including a number supported through fundraising activities organised by staff;
  - the attendance of a member of staff at a number of customer representation group events for various Voluntary & Community Sector groups;
  - the support of benefit delivery, including the Benefit Uptake Programme, which aims to increase awareness of benefit entitlement to various potential client groups;
  - outreach and training events delivered by staff to disability groups;
  - matching staff annual leave with special leave for staff undertaking charity trips abroad;
  - supporting staff to go on secondment to the Voluntary sector; and
  - allowing staff time to donate blood when the Bloodmobile is onsite.
- 12.9** During 2010-11, eleven Employer Supported Volunteering challenges were also completed by staff. A total of 135 staff from across the Department participated. Each member of staff contributed a half day's leave to match the half day provided by the Department. This total of 135 days equates to 67.5 days being contributed by staff and the Department.

## 13. Environmental Report

- 13.1** In line with all Northern Ireland Civil Service Departments, the Department is committed to the continual improvement of its environmental performance and to the promotion of energy efficiency in the workplace. The Department's main targets for its estate are to become more environmentally efficient, to minimise the unsustainable impacts of consumption and to promote energy efficiency and the use of renewable energy sources.
- 13.2** The Department produced its second Sustainable Operations on the Department for Social Development Estate 2009-11 paper in April 2009 which included an action plan and targets on key areas of waste, energy, water, procurement, estate and travel. The progress on the achievement against the targets is reported bi-annually to the Departmental Management Board. A new Waste Management Strategy is currently being developed by OFMDFM and until this is finalised, the Department will continue to report on achievement against existing targets.

***Key target: waste***

- 13.3 On waste, the target is to reduce the amount of waste sent to landfill. This has been achieved by the introduction of recycling facilities to all sites within the Department's estate. This new arrangement has assisted the Department in quantifying amounts of waste sent to landfill and the amount of waste recycled.

***Key targets: paper***

- 13.4 Paper comprises the largest resource consumed by the Department, and it is the largest contributor to its waste stream. There are two specific targets in this category:
- 10% reduction per year in total paper consumption over the next two years. Current indications are that this target has not been achieved and investigations have highlighted that the reason is the dramatic increase in the Job Seekers Allowance register within the Social Security Agency; and
  - 90% of paper used directly, or by printers or for publications, is to be derived from at least 100% post-consumer waste. This target was achieved by specifying the type of paper purchased via the Northern Ireland Civil Service wide procurement contract and through the strict monitoring and control of purchasing orders.

***Key targets: energy***

- 13.5 The Department provides annual energy use data to the Public Sector Energy Committee which collates the data in an annual report. In the most recent report the targets were:
- to reduce total energy consumption by 1% annually – the Department's total energy consumption was decreased by 4%, on the previous year;
  - to increase the energy efficiency of the buildings on the estate measured in terms of kilowatt-hours of energy used per square metre of the building floor area by 15% by 2010-11 - negative progress was made in energy performance which was 3% worse than in the previous year; and
  - to reduce the absolute carbon from fuel and electricity used in buildings on the estate by 12.5% by 2010-11 – although the Department's absolute carbon emissions have decreased, this was insufficient to meet the target.

The annual report did, however, acknowledge that the treated floor area of the estate had increased by 39%.

***Carbon Reduction Commitment Energy Efficiency Scheme***

- 13.6 The Department is now a registered participant in the Carbon Reduction Commitment Scheme and is in the process of gathering information to compile its Carbon Footprint Report and Yearly Report which will be submitted in July 2011.

***Key target: water***

- 13.7** During 2010-11 the Department installed a further 27 mains-fed chilled water dispensers which enabled the removal of 47 bottled water units from buildings. This will reduce the costs of the provision of bottled water. On sites where a water meter is in place, recording usage has been introduced and a programme is being developed to install water meters on a roll out basis. When this has been completed, it will provide a mechanism for calculating a baseline of water used in the Department's estate.

***Key target: estate***

- 13.8** The new Andersonstown Jobs and Benefits Office, which was opened to the public on 4 May 2010, has been assessed under the Building Research Establishment Environmental Assessment Method as 'excellent'. This excellent rating has been possible due to the Department's staff working with consultants/architects to consider the inclusion of sustainable/renewable energy systems.

***Other key targets: procurement and travel***

- 13.9** The Department is actively pursuing the associated targets to ensure sustainable development principles are embedded into procurement and travel activities.

***Sustainable Housing***

- 13.10** The Department's Housing Division plays a vital role in the provision of sustainable housing in Northern Ireland. There is no doubt that more sustainable housing leads to more sustainable communities. That is why in the Minister's new housing agenda, unveiled on 26 February 2008, a series of new measures on sustainability were announced. The Code for Sustainable Homes includes specific measurements that rate the energy consumption of homes which conform to its standards.
- 13.11** All new build social housing developed by Housing Associations currently conforms to Code Level 3 which has been verified as representing a 25% reduction in terms of more energy-efficient housing.
- 13.12** The Department continued to make the resources available to encourage Housing Associations to deliver Code 4 homes on a voluntary basis. These homes are 44% more energy efficient than before, and a design competition was approved that will see a Code 5 scheme start on-site in 2011-12 to deliver homes that will be even more energy efficient as measured by the Code for Sustainable Homes.

**13.13** The Minister also outlined exciting new plans for the regeneration of the former Grosvenor Barracks Military Base in Enniskillen. Work on the first Pilot Eco Village that will introduce a new ethos in the design process, setting new standards of construction and bringing benefits to the environment and residents alike continues and outline Planning Permission was submitted during the year. In addition, work to refurbish 10 other former military homes on the site and a further 47 in Ballymena were approved. Retaining and making the best use of these existing homes can present a more sustainable approach than demolition with new build replacement housing. Therefore, where this is possible and preferable, the Department will seek to deliver this sustainable housing mix.

#### *Sustainability in Urban Regeneration Programmes*

**13.14** The Department's urban regeneration programmes aim to build sustainable communities and regenerate towns and cities across Northern Ireland. In 2010-11, a number of the Department's projects were assessed under the Civil Engineering Environmental Quality Assessment and Awards Scheme (CEEQUAL), which recognises the attainment of environmental excellence in civil engineering projects ([www.ceequal.com](http://www.ceequal.com)).

**13.15** Ratings achieved by the Department include an 'Excellent' rating for the Whole Project Award in respect of the **Belfast Streets Ahead** Areas 1 & 3 public realm scheme. The Streets Ahead Project is also on course for a CEEQUAL 'Excellent' award for Area 2. The Department's **Derry City Centre Public Realm** scheme has received a CEEQUAL 'Excellent' award for construction. The Department has embedded sustainability requirements into the contract for the **Portadown** and **Lurgan Public Realm** schemes, where construction work is being assessed through the CEEQUAL scheme and the Department is on course for an 'Excellent' rating.

**13.16** The Department also continues to improve sustainability in urban areas through tree-planting and related measures. **The Lagan impoundment** under the Department's responsibility covers a distance of 4.8km from Donegal Quay to Stranmillis Weir, which means there are 9.6km of banks and associated walkways which are maintained by the Department, Belfast City Council and other stakeholders. The impoundment is managed as a wildlife habitat: to date, the Department has provided signage, small native trees, bird boxes and nesting islands to promote biodiversity in the area.

## **14. Payment Practice Codes**

**14.1** The Northern Ireland Civil Service is committed to the Better Payments Practice Code, as set out in Annex 4.6 of Managing Public Money, and is subject to the Late Payment of Commercial Debt Regulations 2002. Payment is regarded as late if it is made outside the agreed terms, or 30 days after receipt of a valid invoice where no terms are agreed.

**14.2** In response to the current economic position the Department for Business Enterprise and Regulatory Reform in Great Britain announced on 21 October 2008 that "central Government has committed to paying businesses within 10 days - and we're urgently speaking to the wider public sector to extend this commitment."

- 14.3 The Department is committed to a prompt payment within 10 days.
- 14.4 Details of payment performance are provided at **Note 41** to the accounts.

## **15. Employee Involvement**

- 15.1 The Department places considerable reliance on the involvement of its employees and recognises the benefit of keeping them informed of progress and developments, especially of new initiatives being introduced. Information is communicated 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.
- 15.4 During the year the Department embarked on a review of its industrial relations arrangements across all the constituent parts of the Department. The overriding aim of the review is the achievement of common, modernised industrial relations arrangements that will be fully attuned to the business needs of the whole Department.
- 15.5 Following the publication of the Staff Attitude Survey in 2010-11, Human Resources Division has facilitated a series of 13 focus groups across the Department including Trade Union side. The priorities identified from the focus groups will form an Employee Engagement Strategy and Action Plan, to be published and implemented in 2011-12.

## **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 customer health and safety is not compromised.

## **17. Freedom of Information Act 2000 and Environmental Information Regulations**

- 17.1 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.
- 17.2 The Department has established a network of Local Information Managers located in all business areas through which requests for information are managed. The Departmental Information Manager monitors the Department's compliance with the Freedom of Information Act and the Environmental Information Regulations and provides advice to all business areas.

17.3 The Department will continue to proactively publish information in accordance with the new model Publication Scheme.

## 18. Data Protection

18.1 The number of Personal Data-related Incidents in the Department during 2010-11 is summarised in the table below:

<b>Personal Data- Related Incidents</b>	
<b>Nature of Incident</b>	<b>Occurrence</b>
Incidents where personal data has been lost	4
Incidents where access to personal data has not complied with Data Protection requirements	5

18.2 The Department places considerable emphasis on the secure handling and transfer of all data and continues to implement measures to strengthen the security of information in its possession. Any personal data related incidents are fully investigated to see if controls can be improved and if any disciplinary action against staff is appropriate.

18.3 Throughout the year, improvements to data awareness training, handling, and transfer arrangements were introduced. These included: issuing revised Departmental guidance on Information Transfers, the completion of the online Data Protection Awareness training package across the Department, the introduction of a lockdown on unofficial storage devices connecting to the Department's IT network, the introduction of a NI Civil Service Laptop Policy and Electronic Device and Electronic Storage Media Policy.

18.4 Throughout the year, Security Audits were carried out to check compliance levels with the Department's Clear Desk Policy. Email content filtering in respect of Departmental information being sent outside the secure network was further developed by using lower levels of filtering.

18.5 Ongoing developments in relation to improved governance in relation to data protection and information assurance have included the following:

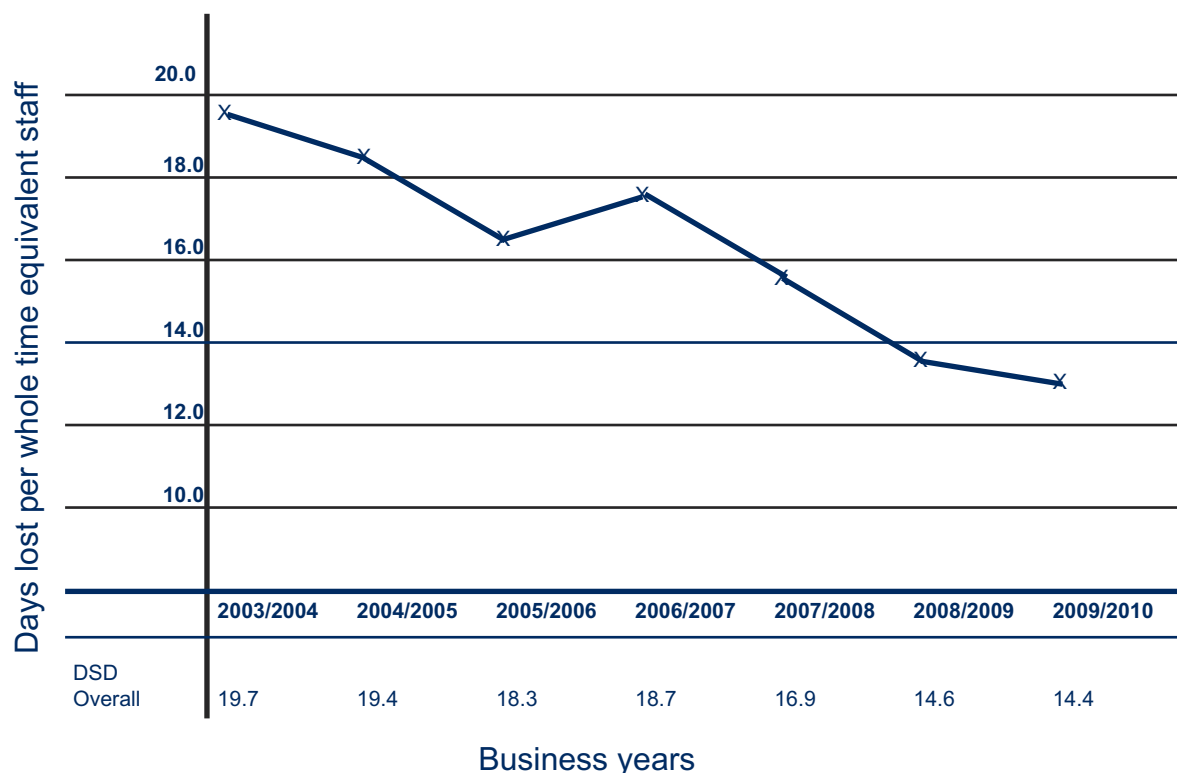
- Establishment of an Information Asset Owner Forum which meets quarterly;
- Completion of Information Asset Register's and associated quarterly risk assessments on all assets;
- Establishment of a Non-Departmental Public Body Security Forum which meets twice a year;

- The Senior Information Risk Owner attends the NICS Senior Information Risk Owner forum which meets quarterly; and
- A monthly paper to Departmental Management Board on Information Security.

## 19. Managing Attendance

- 19.1 The overall Departmental target for 2010-11 was 13.6 working days lost per member of staff. This was agreed on the basis of the base year 2009-2010 whereby 14.4 days were lost per whole time equivalent member of staff against a target of 11.2 days. While figures for 2010-11 will not be available until September/October 2011, early indications are that a downward trend in sickness absence is continuing.

Annual sick absence rate for DSD Overall and constituent business areas: 2003/2004 to 2009/2010  
Source NISRA annual sick absence reports



## 20. Recruitment

20.1 Recruitment figures for the Department are published in the Department of Finance and Personnel annual recruitment report.

## 21. Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets.

	2010-11	2009-10
	£'000	£'000
		(Restated)
<b>Net Resource Outturn</b>	<b>3,606,505</b>	<b>3,696,044</b>
Adjustments:		
Add Non-Voted Expenditure in the Statement of Comprehensive Net Expenditure	2,070,031	2,007,550
Add Consolidated Fund Extra Receipts in the Statement of Comprehensive Net Expenditure	(2,698)	(1,888)
Add back adjustment for National Insurance Fund receipts	31,890	34,310
Less Social Fund Loans	(8,534)	(6,139)
Social Fund grant Funding Adjustment	(1,647)	(1,611)
Prior Period Adjustment		(14,055)
IFRS PFI adjustment	(1,000)	(1,513)
Other	(136)	
<b>Net Operating Cost (Accounts)</b>	<b>5,694,411</b>	<b>5,712,698</b>
Remove voted expenditure that is outside the Resource Budget		
- Grants to ILEX	(2,359)	(1,700)
- Cost of Laganside Development assets	(730)	(4,644)
- Grants to Charity Commission	(830)	(363)
- Notional inter-departmental charges	(25,787)	(28,686)
- Capital grants	(265,398)	(316,364)
Other adjustments		
Loss on disposal	-	(18)
Social Fund adjustment	2,595	2,551
Add Non-Departmental Public Bodies' expenditure	2,709	2,118
NIF Payments to DFP & other adjustments	4,014	2,945
IFRS PFI adjustment	1,000	1,513
<b>Resource Budget Outturn (Budget)</b>	<b>5,409,625</b>	<b>5,370,050</b>
of which		
Departmental Expenditure Limits (DEL)	555,700	583,166
Annually Managed Expenditure (AME)	4,853,925	4,786,884

## 22. Remuneration Report

- 22.1** The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a freeze on senior pay in respect of 2010-11 and 2011-12 pay awards, in line with the Executive's decision in Budget 2011-15 to mirror the UK Coalition Government's commitment to impose pay restraint.
- 22.2** The Northern Ireland Permanent Secretary Remuneration Committee helps determine pay on entry and the annual review of NICS Permanent Secretaries' pay in line with the annual pay strategy as approved by the Minister of Finance and Personnel. The freeze on pay in 2010/11 and 2011/12 also applies to Permanent Secretaries.
- 22.3** The pay award system in place for senior civil servants in the Northern Ireland Civil Service is currently under review.

### Service Contracts

- 22.4** Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.
- 22.5** Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.
- 22.6** Further information about the work of the Civil Service Commissioners can be found at [www.nicscommissioners.org](http://www.nicscommissioners.org)

### Salary and pension entitlements

- 22.7** The following sections provide details of the remuneration and pension interests of the Ministers and most senior management of the department.

#### Remuneration

Minister	2010-11		2009-10	
	Salary	Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)
Margaret Ritchie <b>Member of Legislative Assembly</b> (1 April 2010 to 23 May 2010)	5,589	-	37,801	-
Alex Attwood <b>Member of Legislative Assembly</b> (24 May 2010 to 31 March 2011)	32,212	-	-	-

## Senior Management Remuneration (Audited)

Officials	2010-11			2009-10		
	Salary £'000	Bonus Payments	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments	Benefits in kind (to nearest £100)
Mr Will Haire Permanent Secretary	105 - 110	-	-	15 - 20 (105 - 110 Full Year Equivalent)	-	-
Mr Barney McGahan Deputy Secretary Resources, Housing & Social Security Group	95 - 100	-	-	95 - 100	-	-
Ms Mary Quinn Deputy Secretary and Head of Child Maintenance and Enforcement Division	80 - 85 (85 - 90 Full Year Equivalent)	-	-	85 - 90	-	-
Mrs Catherine McCallum Acting Head of Child Maintenance & Enforce- ment Division (6 September 2010 to 31 March 2011)	35 - 40 (55 - 60 Full Year Equivalent)	-	-	-	-	-
Mr Tommy O'Reilly Chief Executive, Social Security Agency (1 August 2010 to 31 March 2011)	65 - 70 ( 100 - 105 Full Year Equivalent)	-	-	-	-	-
Mr Bryan Davis Chief Executive, Social Security Agency 1 April 2010 to 30 June 2010)	20 - 25 ( 85 - 90 Full Year Equivalent)	-	-	85 - 90	-	-
Mr DG Ferguson Deputy Secretary Urban Regeneration & Community Development Group	95 - 100	-	-	95 - 100	-	-
Mr John West Independent Board Member (1 April to 15 December 2010)	£500 per day. 10 days work = £5,000	Expenses during 2010-11 = £20	-	£500 per day. 18 days work = £9,000	Expenses during 2009-10 = £141	-
Mrs Lorraine Clinton Independent Board Member	£500 per day. 27.5 days work = £13,750	Expenses during 2010-11 = £3,519	-	£500 per day. 30.5 days work = £15,250	Expenses during 2009-10 = £3,503	-

### Salary

- 22.8** 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any gratia payments.

**22.9** The Department for Social Development was under the direction and control of Margaret Ritchie and Alex Attwood during the financial year. Ministerial salaries and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in this resource account. These amounts do not include costs relating to a Minister's role as MLA which are disclosed elsewhere.

#### **Benefits in kind**

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

#### **22.11 Bonuses**

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2010-11 relate to performance in 2010-11 and the comparative bonuses reported for 2009-10 relate to the performance in 2009-10.

#### **22.12 Pension Benefits**

<b>Minister</b>	<b>Accrued pension at age 65 as at 31/3/11</b>	<b>Real increase in pension at age 65</b>	<b>CETV at 31/3/11*</b>	<b>CETV at 31/3/10*</b>	<b>Real increase in CETV</b>
	£'000	£'000	£'000	£'000	£'000
Margaret Ritchie <i>Member of Legislative Assembly</i>	0 - 5	0 - 2.5	33	32	1
Alex Attwood <i>Member of Legislative Assembly</i>	0 - 5	0 - 2.5	9	1	8

\* No distinction is made in the Assembly Members Pension Scheme between service as a Minister and service as any other Assembly Officeholder. Consequently, Ministers may accrue pension entitlement as either a Minister or as one of the Assembly's other Officeholders.

#### **Ministerial pensions**

**22.13** Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2008 (AMPS). The scheme is made under s48 of the Northern Ireland Act 1998. As Ministers will be Members of the Legislative Assembly they may also accrue an MLA's pension under the AMPS (details of which are not included in this report). The pension arrangements for Ministers provide benefits on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate 1/50th or 1/40th multiplied by the cumulative contribution factors and the relevant final salary as a Member.

- 22.14** Benefits for Ministers are payable at the same time as MLA's benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Ministers pay contributions of either 6% or 11.5% of their Ministerial salary, depending on the accrual rate. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 23.3% of the Ministerial salary.
- 22.15** The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65 or immediately on ceasing to be an active member of the scheme if they are already 65.

#### **The Cash Equivalent Transfer Value (CETV)**

- 22.16** This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.
- 22.17** The actuarial factors used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate Civil Service pensions. This means that the CETV in this year's report for 31/03/10 will not be the same as the corresponding figure shown in last year's report.

#### **The real increase in the value of the CETV**

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

## 22.19 Pensions of Senior Management

Officials	Accrued pension at age 60 as at 31/3/11 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/11	CETV at 31/3/10*	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr Will Haire Permanent Secretary	40 - 45 plus 125 - 130 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	815	749	-	-
Mr B McGahan Deputy Secretary Resources, Housing & Social Security	40 - 45 plus 125 - 130 lump sum	(0 - 2.5) plus (0 - 2.5) lump sum	926	863	(3)	-
Mr Tommy O'Reilly Chief Executive, Social Security Agency (1 August 2010 to 31 March 2011)	30 - 35 plus 100 - 105 lump sum	0 - 2.5 plus 5 - 7.5 lump sum	635	554	41	-
Mr Bryan Davis Chief Executive, Social Security Agency (1 April 2010 to 30 June 2010)	30 - 35 plus 100 - 110 lump sum	(2.5 - 5) plus (5 - 7.5) lump sum	769	821	(67)	-
Mr DG Ferguson Deputy Secretary Urban Regeneration & Community Development Group	40 - 45 plus 130 - 135 lump sum	(0 - 2.5) plus (0 - 2.5) lump sum	981	914	(4)	-
Ms Mary Quinn Head of Child Maintenance and Enforcement Division	40 - 45 plus 125 - 130 lump sum	(0 - 2.5) plus (0 - 2.5) lump sum	882	810	4	-
Mrs Catherine McCallum Acting Head of Child Maintenance and Enforcement Division (6 September 2010 to 31 March 2011)	20 - 25 plus 60 - 65 lump sum	0 - 2.5 plus 2.5 - 5 lump sum	408	372	31	-

\* The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors

### Northern Ireland Civil Service (NICS) Pension arrangements

**22.20** Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. From April 2011 pension's payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose

between membership of premium or joining a good quality ‘money purchase’ stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is an ‘earned pension’ arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the CPI. For 2011, public service pensions will be increased by 3.1% with effect from 11 April.

- 22.21** Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.
- 22.22** The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 22.23** The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**.
- 22.24** Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### **Cash Equivalent Transfer Values**

- 22.25** A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP

arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

- 22.26** The actuarial factors that are used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate Civil Service pensions. This means that the CETV in this year's report for 31/03/10 will not be the same as the corresponding figure shown in last year's report.

#### **Real increase in CETV**

- 22.27** This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Will Haire  
**Accounting Officer**  
30<sup>th</sup> June 2011

## Statement of Accounting Officer's responsibilities

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

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

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

- observe the Accounts Direction issued by the Department of Finance and Personnel Northern Ireland, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as, set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Department of Finance and Personnel Northern Ireland has appointed the Permanent Head of Department as Accounting Officer of the Department for Social Development with the exception of the Client Funds Account. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department for Social Development's assets, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and Personnel Northern Ireland and published in Managing Public Money 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 policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

I am the Minister's main policy advisor on all matters relating to the Department's areas of responsibility. It is my responsibility to ensure that 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 targets from which corporate risks are derived. I ensure that the Minister receives regular reports on all aspects of departmental performance, including a formal quarterly progress report which highlights any significant deviation from achievement of targets, financial implications and any underlying risk realisation.

To assist me in fulfilling my responsibilities as Accounting Officer I am supported by the Departmental Management Board, which I chair. The Board is comprised of the Deputy Secretaries from the Department's three core groups, the Chief Executive of the Social Security Agency and also includes independent membership.

I have appointed the Chief Executive of the Social Security Agency and the Head of the Child Maintenance and Enforcement Division as Accounting Officers in their own right. The Chief Executive of the Social Security Agency is the Accounting Officer for the Agency and the Head of Child Maintenance and Enforcement Division is Accounting Officer for the Northern Ireland Client Funds Account. These Accounting Officers are responsible for the maintenance and operation of the system of internal control and risk management in their specific areas and for the production of associated Statements on Internal Control. I draw assurance from these statements that controls are operating effectively.

I have also appointed the Chief Executives of Ilex Urban Regeneration Company, the Northern Ireland Housing Executive and the Charity Commission for Northern Ireland as Accounting Officers. These Chief Executives are responsible for the maintenance and operation of a system of internal control and risk management in their respective organisations and the provision of quarterly assurance statements to confirm that these arrangements are operating effectively. The Department's relationship with all its Non-Departmental Public Bodies is overseen by the Deputy Secretary of the Urban Regeneration and Community Development Group and the Deputy Secretary of the Resources, Housing and Social Security Group. As Accounting Officer I also have a role in ensuring that the fundamental principles of governance and accountability are embedded at all levels within the Department's culture and ethos and are clearly evident at all times and that appropriate assurances are received.

To enable me to complete this Statement on Internal Control I have also drawn on assurances received from the Permanent Secretary in the Department of Finance and

Personnel on the various components of Enterprise Shared Services including Account NI which is responsible for the Department's transaction processing arrangements, HRConnect which is responsible for the Department's Human Resource management arrangements and IT Assist which is responsible for providing IT support services in the Department.

### **Land and Property Services (Housing Benefit for Owner Occupiers)**

In addition I have also received an assurance statement from the Chief Executive of the Land and Property Services Agency which administers Housing Benefit Rate Rebates for owner occupiers on behalf of the Department. This statement has confirmed that controls were in place for the administration of housing benefit rate rebates for owner occupiers and that these were operated efficiently and effectively throughout the year.

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 the Department for Social Development for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### **Capacity to handle risk**

The Departmental Management Board leads the risk management process across the Department, agreeing the key risks, assigning risk ownership to individuals and agreeing the controls to manage risks as identified in the corporate risk register; regularly monitoring and reviewing the approach to risk management across all areas of the business.

The Departmental Management Board concentrates its efforts on those risks which are likely to impact upon the Department's strategic objectives; significantly endanger the achievement of Public Service Agreement targets; result in significant adverse publicity for the Department; and/or require additional funds.

In addition to the formal guidance that is available to all staff the Departmental Management Board, the Agency Management Board and the various Audit Committees that are in place all provide for the exchange of information and sharing of best practice on risk management issues.

## **The risk and control framework**

The Department's Corporate Governance Framework which is published at [www.dsdni.gov.uk](http://www.dsdni.gov.uk), provides the system of direction and control for the organisation. It confirms the scope of the corporate governance arrangements and explains the importance placed on organisational structures, policies, plans and review arrangements which have been established to properly manage the Department's affairs.

The integrated Departmental process, which operates to ensure 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.

The Department's risk management arrangements are subject to ongoing review and follow best practice as laid down in the HM Treasury Orange Book. Following a series of Risk Management Workshops in 2009-10, the Department has refined its Risk Management arrangements and has provided more defined guidance to staff on risk assessment.

All business areas have in place appropriate processes and procedures to identify and evaluate risks, allocate risk ownership and regularly review and report on risks and their management and control. Arrangements are also in place for emergency and contingency planning.

## **Information Risk Management**

My Department and its Executive Agency are responsible for the fair processing and storage of a significant amount of personal and sensitive information which is entrusted to us by our customers to enable us to provide a service to them. When dealing with this information, Data Protection legislation requirements are considered at all times. The Department has also appointed a Senior Information Risk Owner at Board level and Information Asset Owners across all Departmental business areas to ensure that risks to information are identified and managed at an appropriate level.

In addition to the organisational arrangements that are in place including, guidance to staff, monthly reporting to the Board on information security and the maintenance of information asset registers by Information Asset Owners, I receive regular assurance statements from my Board colleagues and from my Department's Non-Departmental Public Bodies confirming that information is handled appropriately.

At a corporate level, risk management is an integral part of the corporate and business planning and decision-making processes of the Department. The Department's corporate and business planning processes ensure that corporate objectives and targets are delegated to the appropriate level.

A system is in place to ensure regular monitoring of progress by the Departmental Management Board against corporate and business plan objectives and targets. In addition to providing regular reports to Minister I also ensure that the Social Development Committee receives regular updates on progress.

The Department also has arrangements in place to ensure relevant recommendations and guidance issues in publications such as Dear Accounting Officer Letters, Finance Director Letters and Public Accounts Committee Memoranda of Reply are circulated to appropriate personnel, including those in our Sponsored Bodies and these are also brought to the attention of the various Audit Committees.

### **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 and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

My review of the effectiveness of the system of internal control is also informed for example by regular reports on business performance, quarterly certificates of assurance, the quarterly statements of assurance and risk management and statements on internal control which are provided by the Accounting Officers in the Department's Non-Departmental Public Bodies, findings from Internal Audit reviews and the Annual Report on Assurance which is provided by the Head of Internal Audit on the effectiveness of the control regime in place in the Department, the annual report on the work of the Departmental Audit Committee and the results of the annual 'Test Drill' report on Economic Appraisals.

As a result of Audit testing completed during the year Ilex and the Child Maintenance and Enforcement Division received a "limited" internal audit opinion. However, the Head of Internal Audit has provided a "Satisfactory" opinion overall as to the adequacy and effectiveness of the framework of governance, risk management and control within the Department, including the Social Security Agency during 2010-11.

### **Significant Internal Control Issues**

#### **Resources, Housing and Social Security Group**

During the year, I sought specific assurance on the effectiveness of the governance and operational systems in the NI Housing Executive. A team with skills in Governance, Internal Audit, Investigation, Procurement and Human Resources were appointed to report on whether:

- the information and structure is available to the Board of the Housing Executive to ensure that it does and can: effectively identify and manage risk; prevent and detect fraud and error; hold senior managers to account; and ensure that the organisation operates and will operate at the highest standards of Corporate Governance;
- there are adequate controls used to manage risk; the prevention and detection of fraud and error, performance, procurement and asset disposal, including in relation to land and property, the procurement of repairs, maintenance, miscellaneous works and adaptations;
- the organisation has, or can, have access to, appropriately skilled and trained staff to allow it to operate in its current form while preparing for and implementing both organisational and cultural change; and
- the seven principles of public life – selflessness, integrity, objectivity, accountability, openness, honesty and leadership – are being effectively implemented throughout the organisation.

An external Gateway Health check Review was also commissioned through the Department of Finance and Personnel's Central Procurement Directorate to consider the procurement and management of repairs, maintenance, miscellaneous works and adaptations.

These reviews, reports of which are published at [www.dsdni.gov.uk](http://www.dsdni.gov.uk), resulted in 30 key recommendations and 59 best practice recommendations. Arrangements have been put in place for their timely implementation.

Ongoing investigations into cases of suspected fraud in the Northern Ireland Housing Executive may also give rise to governance and control issues.

In April 2011 the Housing Executive Board, following a detailed consideration of an external review (which had been requested by the Housing Executive Audit Committee) and internal Housing Executive maintenance inspection reports, agreed to terminate all of Red Sky Group's response maintenance contracts with immediate effect, while giving the required three months notice. The Housing Executive has been advised that it is the intention of the Red Sky Group to continue to discharge its contractual requirements until the end of the notice period. Furthermore, as a result of serious issues identified during the reviews of response maintenance work carried out by the Repairs Inspection Unit of the Housing Executive, an internal report was passed to the Housing Executive's Personnel department to consider whether or not disciplinary action is merited. An investigation is currently underway in line with the Housing Executive's Disciplinary Procedures to examine the conduct of the maintenance officers involved.

The 2009-10 qualification of the Department's accounts due to the administration of Special Needs Management Allowance has been addressed. Since January 2011, Registered Housing Associations are only being paid Special Needs Management Allowance when they have provided written assurance statements that they have used the money for the purpose intended as set out in the Housing Association Guide and subsequent procedures issued.

During the year the Inspection Team carried out 7 inspections which included 5 Follow-up Inspections and 2 normal Round 2 Inspections. The overall assurance ratings were one association received a “Satisfactory” grading, two “Limited” and three “No Assurance” and one inspection is still ongoing. The common control issues identified in these inspections were:-

- Poor quality financial management information;
- Inadequate arrangements for maintenance of housing stock;
- Lack of knowledge/capacity for Property Development; and
- Poor governance arrangements.

As a result of these inspections and others carried out in previous years the Department has had to impose sanctions on seven Associations by way of suspending the payment of Housing Association Grant. Three of these Associations have decided to either merge or enter into group structure, the remaining four are currently being subjected to closer scrutiny through on-going monitoring and action plans.

Also during the year, Helm Housing Association underwent their cyclical inspection. In the course of the inspection, a number of control weaknesses were identified. Ongoing investigations and discussions with the Board of Directors and Senior Management are taking place to quantify the nature, extent and financial impact of the issues. The Board and Chief Executive are working with the Department and have implemented immediate processes to ensure that there is no re-occurrence of the weaknesses identified. The Departments Accounts have received a ‘limitation in scope qualification’ due to insufficient evidence for the regularity of expenditure in Helm Housing Association.

Due to the need to divert resources to the inspection of Helm Housing Association the Inspection Team has had to reschedule the remainder of the Inspection Programme.

In approving the Department’s 2010-11 Spring Supplementary Estimate, the Assembly voted a resource total of £447.807 million for the Housing Programme. Owing to additional funding becoming available at the February Monitoring round and the potential loss of these resources due to the suspension of End Year Flexibility arrangements, the Department of Finance and Personnel sought Departments’ co-operation in absorbing these additional resources. Accordingly, the Department increased its Housing Budget by £11.15 million. While this will result in the Department breaching its voted control total and incurring an ‘Excess Vote’, it will not breach its budget as the additional funding has been approved by the Executive. However, as a result of the breach in estimates the Department’s Accounts have been qualified.

Finally, in respect of Resources, Housing and Social Security Group, Internal Audit provided a “limited” opinion following their study of Gateway Reviews.

### **Urban Regeneration and Community Development Group**

In 2006 the Department of Finance and Personnel approved funding for the Public Realm scheme for Guildhall Square/Waterloo Place totalling £7.2 million. However, due to unforeseen ground conditions and an associated increase in project management

fees, the total project outturn was £8.9 million, giving an overspend of £1.7 million. It is the Department of Finance and Personnel's view that the total project spend of £8.9 million is irregular. The Department's internal procedures dictate that retrospective approvals on project expenditure require Grade 3 approval, which was not granted in this case. The Department has completed a detailed review of the circumstances which led to the overspend on the project, identified lessons learned and has taken steps to prevent any recurrence, The lessons learned will be disseminated across the Department and to other areas of the Northern Ireland Public Sector as appropriate. As the Department has incurred expenditure of £0.3 million in 2010 - 11 that was not appropriately authorized; this is therefore deemed to be irregular expenditure and the Department's Accounts have been qualified.

Following on from the Audit Office's 2009 - 10 Report to those Charged with Governance, Ilex has commissioned an internal review to ensure that the correct procedures and approvals have been adhered to for procurement projects. The Department is currently working with Ilex to determine the number of instances in which business cases had not been completed and/or approved as required. If it is determined that retrospective approval is required in any of these cases and this is not granted then the expenditure would be irregular. Ilex has also developed an Action Plan to ensure that recommendations made by the Department's Internal Audit Service are addressed. The Department will review Ilex's progress in implementing recommendations on an ongoing basis.

An issue has arisen as to whether the "public benefit" test prescribed by the Charities Act (NI) 2008 is consistent with the definition of "charity" in the Act. Differing legal opinion as to whether legislative amendment is necessary and on the form of the amendment has delayed resolution. Until the issue is resolved, the Charity Commission cannot make determinations as to whether an institution is, or is not, a charity and consequently registration cannot begin.

Following concerns raised by the Head of Internal Audit about how private eligible expenditure had been identified and recorded in the Urban II claim submitted to the European Commission in March 2010, an exercise to review all projects was completed and a revised claim submitted to the Commission at the end of January 2011. That revised claim included three open irregularities totaling £171k which are still under investigation. The Commission is aware of the situation and awaits a resolution. It is likely that the amount of the Department's exposure will be reduced once the matters are resolved.

The Department's high priority bid for public expenditure cover for Royal Exchange to meet potential compulsory acquisition costs was not met. In view of this and to ensure this key project is delivered, the Department will take forward contingency arrangements for alternative funding vehicles. This should also remove the constraints arising from Treasury budgeting rules which restrict the Department's flexibility to move forward with large comprehensive development projects once they achieve viability and obtain all statutory planning approvals.

Internal Audit provided a "limited" opinion in two reports within Urban Regeneration and Community Development Group. The reports were concerned with Post Project Evaluations and Public Realm.

## **Child Maintenance and Enforcement Division**

From the various assurances available to the Division, significant control challenges were identified as follows:

The Comptroller and Auditor General of the Northern Ireland Audit Office continues to qualify his opinion on the Account on the basis of regularity due to errors in underlying maintenance assessments. The Department does not have the resources to correct all errors on previous cases. Additionally, as the Department is wholly reliant on the Child Maintenance and Enforcement Commission for the provision of IT systems, the Department is not in a position to correct the underlying deficiencies which have led to these errors in the first place. The Department continues to focus on accuracy and will bring cases up to date as they are actioned during normal work progression.

The Department maintains the Division's Client Funds accounting records on the Child Support Computer System (CSCS) and Child Support 2 (CS2) system. Both systems have a long history of problems and are unable to directly generate the information needed to prepare the accounts. The outstanding maintenance arrears at 31 March 2011, disclosed in the Client Funds Account is derived from the total outstanding maintenance arrears balances recorded on the two systems, in conjunction with a series of complex manual workarounds. However, these outstanding maintenance arrears cannot be broken down on a case by case basis. The Division is currently exploring the potential use of a case by case listing to support the closing maintenance arrears balance in future accounts. In the absence of a satisfactory audit trail, the Comptroller and Auditor General's examination of outstanding maintenance arrears balances was severely limited and the outstanding arrears note continues to receive a "Limitation in Scope" qualification.

Further details of internal control issues relating to the Client Funds Account are outlined in a separate Statement on Internal Control which is included within Annex A of these Accounts.

The Department continues to operate in an inherently challenging environment in respect of Client Funds. Whilst there have been significant improvements in performance and control in recent years, the underlying problems with the systems used to administer child support remain. Work will continue with the Child Maintenance and Enforcement Commission in Great Britain on the design and development of a new child maintenance scheme. In the meantime, while there is no expectation that existing systems will be completely fixed, improvements will continue to be progressed and the Department will continue to take all possible action to work around the system issues and mitigate the associated risks.

Following a review of Procurement within the Child Maintenance and Enforcement Division, Internal Audit provided a limited assurance as in some cases Department of Finance and Personnel Procurement guidelines had not been followed by the Facilities Management provider. The Division is taking action to implement the commendations highlighted in the Internal Audit report. Internal Audit also provided a "Limited" opinion to Child Maintenance and Enforcement Division during the year in respect of an audit of the File Store.

## **Social Security Agency**

The Comptroller and Auditor General placed a limitation in audit scope qualification on the Agency's annual 2009-10 accounts in relation to the Agency's application of the International Financial Reporting Standards to specific IT and project costs incurred. These issues were successfully resolved during the audit of the Agency's interim accounts.

The Agency is responsible for the production of the Northern Ireland Social Fund White Paper accounts and during the 2010-11 financial year the Agency took forward discussions with the Northern Ireland Audit Office concerning the audit opinion on these accounts. A conclusion was reached and two qualifications have been applied to the Northern Ireland Social Fund White Paper accounts for the 2006-07 and 2007-08 financial years. One of the qualifications mirrors the irregularity opinion on the Agency annual accounts and concerns the material level of estimated error in Social Fund payments. The second qualification concerns a limitation in audit scope and a lack of audit evidence to support specific notes within the accounts that detail the outstanding Social Fund loan balances. In relation to this matter the Agency is working closely with finance colleagues in the Department for Work and Pensions in Great Britain to resolve the issue

For 2009-10, the NI Comptroller and Auditor General qualified his opinion on the regularity of benefit expenditure, with the exception of State Pension, because of the level of overpayments attributable to fraud and error which have not been applied to the purposes intended by the Assembly and because of the level of over and underpayments in such benefit expenditure which are not in conformity with the relevant authorities.

During 2010-11 the reduction of fraud and error remained one of the Agency's key priorities. The regular monitoring and measuring of Official Error, Customer Error and Customer Fraud continued through the Agency's Financial Accuracy and Benefit Review processes.

For 2010, the Agency reported a consistent performance for the reported estimates for overpayments and underpayments arising from benefit fraud and error and these estimates included, for the first time, the Employers Support Allowance benefit:

- Estimated overpayments of £48.2 million, or 1.1% of the Agency's total benefit spend. (2009: £46.8million or 1.1%); and
- Estimated underpayments of £20.7 million, or 0.5% of the Agency's total benefit spend. (2009: £21.5 million or 0.5%).

### **Benefit Fraud and Error (including Housing Benefit)**

Expenditure for Housing Benefit, which is administered by the Northern Ireland Housing Executive for tenants and by Land and Property Services in the Department of Finance and Personnel for owner occupiers, is reported in note 2 of the Department's Accounts.

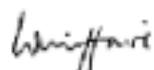
The reported total estimates for the overpayments and underpayments arising from benefit fraud and error, including Housing Benefits, in 2010-11 are:

- Estimated overpayments of £66.9 million or 1.3% of total benefit spend. (2009: £58.5 million or 1.2%); and
- Estimated underpayments of £23.7 million or 0.5% of total benefit spend. (2009: £25.8 million or 0.5%)

The Department's Accounts continues to receive qualification on the regularity of benefit expenditure, except for State Pension.

### **Statement by Accounting Officer**

I will continue to monitor recommendations made by Internal Audit, the Northern Ireland Audit Office and the Public Accounts Committee recommendations to ensure that weaknesses identified are addressed.



Will Haire  
Accounting Officer  
30<sup>th</sup> June 2011

## DEPARTMENT FOR SOCIAL DEVELOPMENT

### THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Department for Social Development for the year ended 31 March 2011 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayer's Equity, the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

#### **Respective responsibilities of the Accounting Officer and auditor**

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

#### **Scope of the audit of the financial statements**

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

#### **Basis for Qualified Opinion on Regularity arising from:**

- a) *Erroneous benefit awards and payment of fraudulent claims*

The total amount paid in benefits is £5 billion, of which £1.7 billion relates to expenditure on State Pension which has a low level of fraud and error and on which I have not qualified my opinion on regularity. In respect of the other benefits amounting to £3.3 billion, the levels of

fraud and error, as reported in Note 39 to the accounts resulted in total overpayments of £66.2 million and underpayments due to official error of £16.3 million. The benefit overpayments are irregular as the expenditure has not been applied in accordance with the purposes intended by the Northern Ireland Assembly and also because fraudulent transactions are by definition irregular since they are without proper authority. In addition both over and underpayments arising because of official error are irregular because the Department is required to calculate benefits in accordance with primary legislation which specifies the entitlement criteria for each benefit and the method used to calculate the amount of benefit to be paid.

I have therefore qualified my opinion on the regularity of benefit expenditure other than State Pension because of the level of overpayments attributable to fraud and error which have not been applied to the purposes intended by the Northern Ireland Assembly and because of the level of overpayments and underpayments due to official error in such benefit expenditure which are not in conformity with the relevant authorities.

*b) An excess vote*

In 2010-11 the Department expended more resources than the Assembly had authorised in Request for Resource B (RfRB). In doing so, the Department breached the Assembly's control over its expenditure and has therefore incurred an "excess" vote caused by the net resource outturn being exceeded. The net resource outturn for RfR B of £458.0 million was £10.2 million in excess of the £447.8 million authorised by the Assembly.

I have therefore qualified my opinion on regularity in respect of this excess vote.

*c) Expenditure without proper approval*

In 2010-11, the Department incurred expenditure of £0.3 million in regenerating part of a City centre. This expenditure was in addition to £8.6 million previously incurred by the Department. The total cost of this expenditure amounted to £8.9 million and exceeded the expenditure limit of £7.2 million that the Department of Finance and Personnel had approved for these costs. The Department has therefore not obtained appropriate approval for the expenditure of £0.3 million incurred in the year ended 31 March 2011 and I have qualified my opinion on regularity in respect of this additional expenditure.

*d) Insufficient evidence for expenditure to a Housing Association*

The Department's ongoing inspection programme of Housing Associations has identified potentially serious issues in relation to Helm Housing Association. These issues are unlikely to be able to be concluded upon for some time and therefore I have been unable to obtain enough information to satisfy myself as to the regularity of housing association grant payments made by the Department to Helm Housing Association. During 2010-11, these payments amounted to £12.1 million and were paid by the Department by way of Housing Association Grant through the Northern Ireland Housing Executive (NIHE).

### **Qualified Opinion on Regularity**

In my opinion, except for the £82.5 million of incorrect benefit expenditure attributable to fraud and error, the £10.2 million excess vote, the £0.3 million regeneration scheme expenditure and the £12.1 million housing association grant to Helm Housing Association, all referred to above, in all material respects the expenditure and income have been applied to the

purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn, net operating cost, cash flows, changes in taxpayers' equity and net operating costs applied to departmental strategic objectives for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in Directors' Report and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

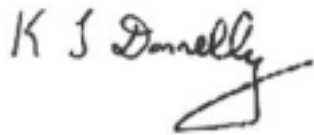
### **Matters on which I report by exception**

In respect alone of the issues relating to housing association grant referred to above, I have not received all of the information and explanations that I considered necessary to confirm the regularity of payments for the purposes of my audit.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- the Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

My detailed observations are included in my report attached to the account.

A handwritten signature in black ink that reads "K J Donnelly". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

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

30th June 2011

## Statement of Parliamentary Supply

Summary of Resource Outturn 2010 -11

	Estimate		2010-11			Net total outturn compared with estimate saving/ (excess): £'000	2009-10 Outturn  Net Total £'000	
	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources			Net Total
	£'000	£'000	£'000	£'000	£'000			£'000
<b>Request for Resources A (notes 2 and 18)</b>								
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:	3,291,444	(110,444)	3,181,000	3,134,092	(107,510)	3,026,582	154,418	3,075,269
<b>Request for Resources B (notes 2 and 18)</b>								
Promoting measurable improvements to housing in Northern Ireland:	544,742	(96,935)	447,807	551,049	(93,031)	458,018	(10,211)	496,992
<b>Request for Resources C (notes 2 and 18)</b>								
Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage:	143,630	(9,681)	133,949	127,561	(5,656)	121,905	12,044	123,783
Total resources (note 9)	3,979,816	(217,060)	3,762,756	3,812,702	(206,197)	3,606,505	156,251	3,696,044
Non-operating AR			(3,065)			(2,858)	(207)	(16,177)

## Statement of Parliamentary Supply Continued

### Net Cash Requirement 2010 - 11

	Note	2010-11		2009-10	
		Estimate	Outturn	Net total outturn compared with estimate: saving/ (excess)	Outturn
		£'000	£'000	£'000	£'000
Net cash requirement	10	3,719,551	3,640,236	79,315	3,547,486

### Summary of income payable to the Consolidated Fund

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

	Note	2010-11 Forecast		2010-11 Outturn	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£'000	£'000	£'000	£'000
Total	11	1,370	<i>1,370</i>	2,698	<i>2,794</i>

The Department has incurred an Excess of £10.211 million because of spending above the amount provided in an RfR B. The Department will seek Assembly approval by way of an Excess Vote in the next Budget Act.

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary.

The notes on pages 65 to 159 form part of these accounts.

## Consolidated Statement of Comprehensive Net Expenditure for the period ended 31 March 2011

	Note	2010-11					2009-10 (Restated)		
		Staff Costs £'000	Core Department Other Costs £'000		Income £'000	Consolidated Staff Costs £'000		Core Department Income £'000	Consolidated Income £'000
			Other Costs £'000	Income £'000		Staff Costs £'000	Other Costs £'000		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Administration costs:</b>									
Staff costs	14	21,811			21,811			22,248	22,248
Other administration costs	15		8,371			8,371		8,597	8,597
Operating Income	18			(334)			(334)	(296)	(296)
<b>Programme costs:</b>									
<b>Request for Resources A</b>									
Staff costs	14	33,027			168,623			35,264	179,137
Programme Costs	16		743,025			2,912,134		783,344	2,953,284
Income	18			(25,568)			(49,105)	(25,767)	(48,790)
<b>Request for Resources B</b>									
Staff costs	14	-			-			-	-
Programme Costs	16		547,782			547,782		596,286	596,286
Income	18			(94,328)			(94,328)	(104,147)	(104,147)
<b>Request for Resources C</b>									
Staff costs	14	1,818			1,818			1,549	1,549
Programme Costs	16		120,855			120,855		113,742	113,742
Income	18			(12,919)			(12,919)	(16,399)	(16,399)
Income EU	18			(328)			(328)	(63)	(63)
<b>National Insurance Benefits and Non-Voted Expenditure</b>									
Programme Costs	16		-			2,072,272		-	2,009,796
Income	18			-			(2,241)	-	(2,246)
<b>Totals</b>		<b>56,656</b>	<b>1,420,033</b>	<b>(133,477)</b>	<b>192,252</b>	<b>5,661,414</b>	<b>(159,255)</b>	<b>1,414,358</b>	<b>5,712,698</b>
<b>Net operating cost</b>	9 & 19			<b>1,343,212</b>			<b>5,694,411</b>	<b>1,414,358</b>	<b>5,712,698</b>

The notes on pages 65 to 159 form part of these accounts.

## Other Comprehensive Expenditure

	Note	2010-11		2009-10	
		Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Net gain/(loss) on revaluation of Property Plant and Equipment		(173,691)	(174,418)	(56,407)	(58,301)
Net gain/(loss) on revaluation of Intangibles		3	11	4	11
Net gain/(loss) on revaluation of assets held for sale		(8,261)	(8,261)	(328)	(328)
Net gain/(loss) on revaluation of available for sales financial assets		-	-	-	-
<b>Total Comprehensive Expenditure for the year ended 31 March 2011</b>		<b>1,525,161</b>	<b>5,877,079</b>	<b>1,471,089</b>	<b>5,771,316</b>

## Consolidated Statement of Financial Position as at 31 March 2011

	Note	2010-11		2009-10 (Restated)	
		Core	Consolidated	Core	Consolidated
		Department £'000	£'000	Department £'000	Consolidated £'000
<b>Non-current assets:</b>					
Property, plant and equipment	20	133,836	145,620	365,989	380,262
Intangible assets	21	112	364	133	342
Financial Assets	24	12,645	12,645	13,545	13,545
<b>Total non-current assets</b>		<b>146,593</b>	<b>158,629</b>	<b>379,667</b>	<b>394,149</b>
<b>Trade and other receivables falling due after more than 1 year</b>	26	<b>625,909</b>	<b>718,635</b>	<b>702,516</b>	<b>791,670</b>
<b>Current assets:</b>					
Assets classified as held for sale	22	2,568	2,568	567	567
Trade and other receivables	26	109,339	194,009	122,356	199,268
Cash with paying agents	27	-	2,840	-	3,062
Cash and cash equivalents	27	3	17	46	61
<b>Total current assets</b>		<b>111,910</b>	<b>199,434</b>	<b>122,969</b>	<b>202,958</b>
<b>Total assets</b>		<b>884,412</b>	<b>1,076,698</b>	<b>1,205,152</b>	<b>1,388,777</b>
<b>Current liabilities:</b>					
Trade and other payables (amounts falling due within one year)	29	(149,626)	(240,918)	(172,803)	(267,871)
<b>Total current liabilities</b>		<b>(149,626)</b>	<b>(240,918)</b>	<b>(172,803)</b>	<b>(267,871)</b>
<b>Non current assets plus/less net current assets/liabilities</b>		<b>734,786</b>	<b>835,780</b>	<b>1,032,349</b>	<b>1,120,906</b>
<b>Non-current liabilities</b>					
Trade and other payables (amounts falling due after more than one year)	29	(614,593)	(632,881)	(693,446)	(710,251)
Provisions	30	(47,785)	(49,929)	(127,251)	(175,147)
<b>Total non-current liabilities</b>		<b>(662,378)</b>	<b>(682,810)</b>	<b>(820,697)</b>	<b>(885,398)</b>
<b>Assets less liabilities</b>		<b>72,408</b>	<b>152,970</b>	<b>211,652</b>	<b>235,508</b>
<b>Taxpayer's Equity:</b>					
General fund		1,216	79,732	(49,550)	(36,182)
Revaluation reserve		65,444	67,490	248,779	259,267
Donated Asset Reserve		5,748	5,748	12,423	12,423
<b>Total Taxpayer's Equity</b>		<b>72,408</b>	<b>152,970</b>	<b>211,652</b>	<b>235,508</b>

The notes on pages 65 to 159 form part of these accounts.



Will Haire  
Accounting Officer  
30<sup>th</sup> June 2011

## Consolidated Statement of Cash flows as 31 March 2011

	Note	2010-11 £'000	2009-10 (Restated) £'000
<b>Cash flows from operating activities</b>			
Net operating cost	19	(5,694,411)	(5,712,698)
Adjustments for non-cash transactions	17	45,130	143,842
Decrease in cash with Paying Agents	27.1	222	1,002
(Increase)/Decrease in trade and other receivables	26	78,294	77,599
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	26	196	(1,841)
Increase/(Decrease) in trade payables	29	(104,323)	(105,411)
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	29	335	2,283
Use of provisions	30	(62,670)	(1,639)
Adjustment to Net Operating Profit		(2)	2
<b>Net cash (outflow) from operating activities</b>		<b>(5,737,229)</b>	<b>(5,596,861)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	20	(1,434)	(7,012)
Purchase of intangible assets	21	(112)	(81)
Proceeds of disposal of property, plant and equipment		1,960	15,377
Proceeds of disposal of intangibles		-	-
Proceeds of disposal of assets held for resale	18	730	4,643
Loans to other bodies	24	-	-
(Repayments) from other bodies	24	900	809
Movement in receivables/payables for capital		(694)	832
<b>Net cash outflow from investing activities</b>		<b>1,350</b>	<b>14,568</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) - relating to the current year		3,647,535	3,550,960
From the Consolidated Fund (Supply) - relating to the prior year		(3,472)	2,828
From the Social Fund		-	-
From the National Insurance Fund		2,098,634	2,036,141
Payments to the National Insurance Fund		(2,101,921)	(2,041,477)
Advances from the Contingencies Fund		-	-
Repayments to the Contingencies Fund		-	-
Loans received from the National Loans Fund		-	-
Repayments of loans from the National Loans Fund		-	-
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		-	-
<b>Net financing</b>		<b>3,640,776</b>	<b>3,548,452</b>
Payments to the National Insurance Fund		2,101,921	2,041,477
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>6,818</b>	<b>7,636</b>
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(2,618)	(8,641)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	27	<b>4,200</b>	<b>(1,005)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	27	<b>(5,711)</b>	<b>(4,706)</b>
<b>Cash and cash equivalents at the end of the period</b>	27	<b>(1,511)</b>	<b>(5,711)</b>

[Inflows = + / Outflows = -]

The notes on pages 65 to 159 form part of these accounts.

## Consolidated Statement of Changes in Taxpayers Equity for year ended 31 March 2011

	Note	Core Department				Consolidated			
		General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves	General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2009</b>		(20,209)	305,673	14,846	300,310	29,578	318,048	14,846	362,472
Net Parliamentary Funding - drawn down		1,336,568	-	-	1,336,568	3,550,960	-	-	3,550,960
Net funding from the National Insurance Fund in year		2,650	-	-	2,650	2,036,141	-	-	2,036,141
Supply payable/(receivable) adjustment	26 & 29	8,159	-	-	8,159	(3,472)	-	-	(3,472)
CFERs Income payable to the Consolidated Fund		(1,760)	-	-	(1,760)	(1,897)	-	-	(1,897)
Release of reserves to the Statement of Comprehensive Net Expenditure		(131)	-	-	(131)	(131)	-	-	(131)
Non-cash charges - auditor's remuneration	15 & 16	261	-	-	261	419	-	-	419
Non-cash charges - other	15, 16 & 17	39,040	-	-	39,040	62,853	-	-	62,853
Transfers between reserves		161	(161)	-	-	161	(161)	-	-
Comprehensive Expenditure for the year	19	(1,414,358)	-	-	(1,414,358)	(5,712,698)	-	-	(5,712,698)
Movements in Reserves		-	(56,733)	-	(56,733)	-	(58,620)	-	(58,620)
Other		69	-	(2,423)	(2,354)	1,904	-	(2,423)	(519)
<b>Balance at 31 March 2010</b>	<b>(Restated)</b>	<b>(49,550)</b>	<b>248,779</b>	<b>12,423</b>	<b>211,652</b>	<b>(36,182)</b>	<b>259,267</b>	<b>12,423</b>	<b>235,508</b>

## Consolidated Statement of Changes in Taxpayers Equity for year ended 31 March 2011

Note	Core Department				Consolidated			
	General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves	General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2010</b>	<b>(49,550)</b>	<b>248,779</b>	<b>12,423</b>	<b>211,652</b>	<b>(36,182)</b>	<b>259,267</b>	<b>12,423</b>	<b>235,508</b>
Net Parliamentary Funding - drawn down	1,342,864	-	-	1,342,864	3,647,535	-	-	3,647,535
Net funding from the National Insurance Fund in year	1,800	-	-	1,800	2,098,634	-	-	2,098,634
Supply payable/(receivable) adjustment	5,702	-	-	5,702	(7,299)	-	-	(7,299)
CFER Income payable to the Consolidated Fund	(2,602)	-	-	(2,602)	(2,698)	-	-	(2,698)
Release of reserves to the Statement of Comprehensive Net Expenditure	(101)	-	-	(101)	(101)	-	-	(101)
Non-cash charges - auditor's remuneration	227	-	-	227	356	-	-	356
Non-cash charges - other	43,276	-	-	43,276	63,865	-	-	63,865
Transfers between reserves	1,388	(1,388)	-	-	9,092	(9,092)	-	-
Comprehensive Expenditure for the year	(1,343,212)	-	-	(1,343,212)	(5,694,411)	-	-	(5,694,411)
Inter-Company Fixed Asset Transfers	-	-	-	-	(2)	-	-	(2)
Movements in Reserves	-	(181,949)	-	(181,949)	19	(182,687)	-	(182,668)
Other	1,424	2	(6,675)	(5,249)	924	2	(6,675)	(5,749)
<b>Balance at 31 March 2011</b>	<b>1,216</b>	<b>65,444</b>	<b>5,748</b>	<b>72,408</b>	<b>79,732</b>	<b>67,490</b>	<b>5,748</b>	<b>152,970</b>

Other General Fund movement consists of: Movement in NIF (£0.500 million), transfers in £1.427 million and rounding (£0.003 million). Other Donated Asset Reserve movement consists of: Release of reserve (£6.675 million). The notes on pages 65 to 159 form part of these accounts

## Consolidated Statement of Operating costs by Departmental Strategic Objective for year ended 31 March 2011

Note	2010-11				2009-10 (Restated)			Total £'000
	Strategic Objective	Strategic Objective	Strategic Objective	Total £'000	Strategic Objective	Strategic Objective	Strategic Objective	
	1	2	3		1	2	3	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Gross Expenditure</b>	5,168,517	550,913	134,236	5,853,666	5,157,550	599,597	127,492	5,884,639
<b>Income</b>	(51,362)	(94,405)	(13,488)	(159,255)	(51,086)	(104,147)	(16,708)	(171,941)
<b>Net Expenditure</b>	<b>5,117,155</b>	<b>456,508</b>	<b>120,748</b>	<b>5,694,411</b>	5,106,464	495,450	110,784	5,712,698
<b>Total Assets</b>	<b>194,757</b>	<b>709,202</b>	<b>172,739</b>	<b>1,076,698</b>	184,383	795,671	408,723	1,388,777

**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.

**Objective 2** Promoting measurable improvements to housing in Northern Ireland.

**Objective 3** Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage.

The above strategic objectives support the Departments Public Service Agreements, see Section 9 in the Annual Report.

The notes on pages 65 to 159 form part of these accounts

## Notes to the financial statements for the period ended 31 March 2011

### 1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual issued by the Department of Finance and Personnel. The accounting policies contained in the Government Financial Reporting Manual apply International Financial Reporting Standards as adapted or interpreted for the public sector context.

Where the Government Financial Reporting Manual 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 particular policies adopted by the Department are described below. They have been applied consistently in dealing with items considered material to the accounts.

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

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

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, International Financial Reporting Standards and accounting and disclosure requirements issued by the Department of Finance and Personnel as far as those requirements are appropriate.

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

#### 1.2 Basis of consolidation

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

The Executive Agency of the Department during the year was the Social Security Agency.

The Social Fund is consolidated within the Primary Statements and the cash grant to the Social Fund is included in the Summary of Resource Outturn. Although elements of the National Insurance Fund are included in the Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and Consolidated Statement of Operating Costs by Strategic Objectives, they are excluded from the Summary of Resource Outturn, Statement of Parliamentary Supply.

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

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

This consolidation boundary ensures that all items which fall within the Departments' expenditure are reflected in the Statement of Comprehensive Net Expenditure whereas the summary of resource outturn reflects only those items which fall within the supply process.

The Executive Agency produces its own Annual Report and Accounts. Separate White Paper Accounts are produced for the Social Fund and the National Insurance Fund.

### **1.3 Property, Plant and Equipment and Intangible Assets**

Expenditure on property, plant and equipment of over £1,000 is capitalised, with the exception of property improvements, cabling, software and licences, which is capitalised if expenditure is over £5,000. All personal computer equipment under the threshold of £1,000 will be charged as an operating expense.

Software and associated licenses, costing greater than £5,000, are capitalised under intangible assets.

On initial recognition property, plant and equipment and intangible assets are measured at cost including any expenditure, such as installation, directly attributable to bringing them into working condition.

All property, plant and equipment and intangible assets are carried at fair value. The indices that were used were based on December 2010 valuations, for the 2009-10 Accounts we used indices at February 2009.

Land and buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors, the Incorporated Society of Valuers and Auctioneers and the Institute of Revenues Rating and Valuation. Professional revaluations of land and buildings are undertaken every five years, with an interim valuation performed in the third year of every five-year cycle. A valuation of land and buildings was undertaken

by Land and Property Services at 1 April 2010. They are revalued annually, between professional valuations, using indices provided by Land and Property Services, an executive agency within the Department of Finance and Personnel. Properties are valued on the basis of open market value existing use, unless they are specialised, in which case they are valued on the basis of depreciated replacement cost. Properties surplus to requirements are valued on the basis of open market value less any material directly attributable selling costs.

The new towns development land in Craigavon, Ballymena and Antrim has 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, is 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).

### **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 the Department for Social Development; and

(ii) Property held by the Department of Finance and Personnel, which is in the name of the Secretary of State for Northern Ireland.

Professional valuations of antiques are undertaken every 5 years. Dr SB Kennedy, retired Head of Fine and Applied Art at the Ulster Museum, undertook the most recent valuation as at 1 April 2007.

With the exception of the above and items under construction, fair value is estimated by restating the value annually by reference to indices compiled by the Office of National Statistics.

Infrastructure Assets are costs associated with the Laganside weir and riverside walkways which consist of fees for design and investigation, certified construction costs and also compensation paid to landowners for loss of use of land and, in the case of the weir, the river bed. These are valued annually in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS) by the Valuation and Lands Agency. Properties which, due to their specialised nature are rarely if ever sold on the open market for single occupation for a continuation of their existing use, have been valued on a Depreciated Replacement Cost (DRC) basis. Properties which are in operational use for the purposes of the Department's business have been valued on an Existing Use Value (EUV) basis.

The Department has one heritage asset, the SS. Nomadic, which was purchased in the financial year ended 2006. The Nomadic has links with the Titanic and has been periodically available for public visits since its acquisition. Once the current programme of restoration is completed, ownership will pass to the Nomadic Trust and the vessel will become an integral feature of the celebration of the building and launch of the Titanic. It is expected that restoration will be completed before the centenary of the Titanic in 2012. Since the Department does not normally hold or purchase heritage

assets, there is no policy for the ongoing acquisition or disposal of such assets. The Nomadic has been capitalised at its cost of £0.171 million to the Department and has not been depreciated. As restoration work is still ongoing a professional valuation has not been carried out.

## 1.4 Depreciation

Property, plant and equipment and intangible assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Depreciation is charged in the month of acquisition.

No depreciation is provided on freehold land, infrastructure assets and antique collections since they have unlimited or very long established useful lives. Items under construction are not depreciated until they are commissioned. Properties that are surplus to requirements and not in use are not depreciated. Capital expenditure on leasehold improvements is depreciated over the remaining term of the lease.

**Asset lives are normally in the following ranges:**

	DSD Core	Housing & URG	CMED	SSA
Freehold buildings	N/A	100 years	N/A	N/A
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
Public Art	N/A	5 years	N/A	N/A
Infrastructure Assets	N/A	50 years	N/A	N/A

The overall useful life of the Department's buildings takes account of the fact that different components of those buildings have different useful lives. This ensures that depreciation is charged on these assets at the same rate as if separate components had been identified and depreciated at different rates.

The majority of furniture and fittings are rented from the Department of Finance and Personnel and have not been capitalised. Instead this forms part of the notional accommodation costs included in the Statement of Comprehensive Net Expenditure.

The Child Maintenance and Enforcement Division does not own any land or buildings, however fitting out of the Great Northern Tower and Royston House, and any subsequent improvements, have 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 Statement of Comprehensive Net Expenditure.

Land and buildings included in the Statement of Financial Position include the Belfast Benefit Delivery Centre located at 31 Chichester Street, Belfast, and the Lisahally Processing Unit located at 28 Temple Road, Lisahally.

All of the work carried out by the Belfast Benefit Delivery Centre relates to processing services provided to the Department for Work and Pensions in Great Britain.

In some cases, the Department has carried out improvement work to these properties. Where the amount exceeds the capitalisation threshold the expenditure is treated as capital.

## **1.5 Non-Current Assets Held for Resale**

The Department classifies a non-current asset as held for sale where its value is expected to be realised principally through a sale transaction rather than through continuing use. In order to meet this definition International Financial Reporting Standard 5 requires that the asset must be immediately available for sale in its current condition and that its sale is highly probable. A sale is regarded as highly probable where an active plan is in place to find a buyer for the asset through appropriate marketing at a reasonable price and the sale is considered likely to be concluded within one year. Non-current assets held for sale are valued on the basis of open market value less any material directly attributable selling costs. In line with this revised definition £11.532 million was transferred from Property, Plant and Equipment to Assets held for Resale (£10.528 million in 2009-10 was transferred from Assets held for Resale to Property, Plant and Equipment).

## **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 Land and Property Service 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 Leases**

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

## **1.9 Service Concession Arrangements**

Service Concession Arrangement transactions have been accounted for in accordance with International Financial Reporting Interpretations Committee 12, as required by Government Financial Reporting Manual. Where the government body controls the use of the asset and the residual interest in the asset at the end of the arrangement. The Department does not have any assets to recognise within the contract. The service charges are recorded as an operating cost (Note 16).

## **1.10 Inventories**

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

## **1.11 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 on a full cost basis to external customers as well as public repayment work, but also includes other income such as that from investments. It includes both income classified as Accruing Resources and income due to the Consolidated Fund, which in accordance with the Government Financial Reporting Manual, is treated as operating income. Operating income is stated net of VAT. 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.

Operating income is split under the following headings in the Statement of Comprehensive Net Expenditure :

- Administration Income
  
- Programme Income - this comprises of repayments of benefits recouped from Child Maintenance and Enforcement Division and from insurance compensators which is referred to as Compensation Recovery Unit (CRU) Income.

## **1.12 Administration and programme expenditure**

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

Administration costs reflect the costs of running the Department, its on-vote Executive Agency 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 also comprises statutory payments including contributory benefit expenditure, which is funded from the National Insurance Fund and expenditure which is borne by the Social Fund in addition to the programme expenditure, which is within the supply process. Separate White Paper accounts are produced for both National Insurance Fund and Social Fund benefit expenditure.

## **1.13 Employee Benefits including Pensions**

Under the requirements of International Accounting Standard 19: Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. For 2010-11 Financial Year the employee benefit accrual is based on information from the HR Connect Payroll System. The accrual is calculated based on the actual leave amount outstanding per employee as at 31 March 2011, multiplied by the actual staff salary rate. Employers NIC costs at 9.1% and Employers Pension at 22% is added to this calculation to arrive at the employee benefit accrual figure for the Financial Year end. For the comparative year the employee benefit accrual was estimated using average staff numbers, average salary costs, and an average untaken leave balance. The average untaken leave balance was based on a survey of NICS staff completed at 31 March 2008.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme which are described in Note 14. The defined benefit scheme is unfunded and non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Principal Civil Service Pension Scheme.

For the year 2010-11, contributions of £27.662 million (2009-10 £25.161 million) were paid to the Principal Civil Service Pension Scheme at rates determined by the Government Actuary and advised by the Department of Finance and Personnel. These rates were in the range 16.5% - 23.5% of pensionable pay (2009-10 16.5% - 23.5%).

#### **1.14 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 European Union Letters of Offer are disclosed as commitments. Overpayments of grants are shown as Trade receivables.

Housing Association Grants may be repayable to the Department on the sale of housing properties and land. In addition, most grants provided by Urban Regeneration contain a provision within the Letter of Offer for clawback of the grant in particular circumstances. The amount of the repayment that is known with reasonable certainty should be included within Trade receivables (Note 26).

#### **1.15 Private Finance Initiative Transactions**

Private Finance Initiative transactions have been accounted for in accordance with Technical Note No.1 (Revised), entitled How to Account for Private Finance Initiative Transactions as required by the Government Financial Reporting Manual. Where the balance of the risks and rewards of ownership of the the Private Finance Initiative property are borne by the Private Finance Initiative operator, the Private Finance Initiative 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 Private Finance Initiative contract. Where at the end of the Private Finance Initiative 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 the risks and rewards of ownership of the Private Finance Initiative 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.

## **1.16 Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with International Accounting Standard 37, the Department discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Northern Ireland Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

"These comprise:

- a. items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to the Northern Ireland Assembly by departmental Minute prior to the Department entering into the arrangement; and
- b. all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Government Financial Reporting 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 International Accounting Standard 37 are stated at discounted amounts and the amount reported to the Northern Ireland Assembly separately noted. Contingent liabilities that are not required to be disclosed by International Accounting Standard 37 are stated at the amounts reported to the Northern Ireland Assembly.

## **1.17 Provisions**

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation where this can be determined. This relates to early retirement costs, superannuation contributions, potential legal actions and provision for future liabilities in respect of contracts. Where the effect of the time value of money is significant the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2 %).

The Compensation Recovery Unit provision is an amount which is estimated by the Department for Compensation Recovery Unit overpayments which the Department may not be able to fully recover. The estimate is based on the value of appeal and review cases outstanding at the financial period end. The provision is calculated using a percentage amount based on the historical trends of past cases.

## **1.18 Value Added Tax**

Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. VAT is recoverable on a Departmental basis.

### **1.19 Third party assets**

The Child Maintenance and Enforcement Division 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 fees). These are not Departmental assets and are not included in the Statement of Financial Position.

The Client Funds Account for 2010-11 is attached at Annex A.

The Department administers a Central Investment Fund for Charities into which Northern Ireland Charities invest funds and a Charitable Donations and Bequests Fund. These are not Departmental funds and are not consolidated within the Departmental accounts. The value of the Central Investment Fund as at 30th September 2010 was £28.304million (30th September 2009 - £29.442million) on which dividends are paid twice yearly by the Department.

The Department is the sponsoring body for Vaughan Charity (Trustees) and holds third party assets in the form of shares in the Northern Ireland Central Investment Fund for Charities. The value at 31st March 2011 is (1) Vaughan charity 181,395 shares, £1.782million (2009 - 10 £1.715million) and (2) Vaughan Charity - Fermanagh Pig Project 1099 shares, £0.011million). These are not Departmental assets and are not included in the accounts.

### **1.20 National Insurance Fund (NIF)**

As stated in Note 1.2, the National Insurance Fund is excluded from the consolidation. However, contributory benefits funded from the National Insurance Fund and the costs to the Department of administering the National Insurance Fund are included in the Statement of Comprehensive Net Expenditure. The National Insurance Fund provides financing to the Department to cover this contributory benefit expenditure and the administration costs incurred by the Department. The financing from the National Insurance Fund shown in the Consolidated Statement of Cash Flow 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 National Insurance Fund will be reflected in the current account maintained between the Department and the National Insurance Fund (See Notes 26 and 29).

### **1.21 Early departure costs**

The Department is required to meet the additional cost of benefits beyond the normal Principal Civil Service Pension Scheme benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and this is binding on the Department.

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 Department of Finance and Personnel 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 the Department of Finance and Personnel 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 the Department of Finance and Personnel Superannuation Vote rather than the Department. Consequently the Department of Finance and Personnel has issued a direction that whereas the 20% element borne by the Department should be charged to the Statement of Comprehensive Net Expenditure and charged to a provision on the Statement of Financial Position, the annual payments from Superannuation Vote in respect of the 80% element should be reflected as notional costs in the Department's Statement of Comprehensive Net Expenditure when actually paid.

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

## **1.22 EU income**

All receipts from the EU are separately identified and shown as income in the Statement of Comprehensive Net Expenditure. 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.

## **1.23 Funding from parliamentary vote**

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

## **1.24 Provision of agency services**

The Department provides agency services to the Department of Work and Pensions in administering the Belfast Child Maintenance and Enforcement Division Centre and the Belfast Benefit Delivery Centre. The direct cash costs incurred in operating the Belfast Child Maintenance and Enforcement Division Centre and the Belfast Benefit Delivery Centre are recovered in full from the Department of Work and Pensions.

The expenditure in relation to these services is reported as administration costs in the Statement of Comprehensive Net Expenditure with the related Accruing Resources treated as operating income.

## **1.25 Derivatives and Other Financial Instruments**

The following are the key accounting policies used from 1 April 2008 onwards to reflect the adoption of Financial Instruments under the new Financial Reporting Standards (International Accounting Standard 32, International Accounting Standard 39 and International Financial Reporting Standard 7).

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for derecognition. A financial liability is derecognised when, and only when, it is extinguished.

Financial Instruments are initially recognised at fair value unless otherwise stated. Fair value is the amount at which such an instrument could be exchanged in an arm's length transaction between informed and willing parties.

Financial Instruments are subsequently carried at amortised cost using the effective interest method, with changes in value recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.

The Department categorises the following account balances to be financial instruments:

### **(i) Cash and cash equivalents**

- Programme and Resource Financing
- Cash with Paying Agents
- Encashment Control
- National Insurance Fund Receivable

Cash and cash equivalents comprise of funding voted by the Northern Ireland Assembly to meet the Department's resource requirements (Programme and Resource Financing and Encashment Control), cash with Paying Agents and the National Insurance Fund Receivable. Cash and cash equivalents also comprise of funding voted by the Assembly to meet the Department's resource requirements (Programme and Resource Financing), Encashment Control, and Cash with Paying Agents. Cash with Paying Agents are monies deposited with Santander Corporate Banking to facilitate benefit payments to customers and so result from funding arrangements. The NIF receivable represents the balance at the year end of the funding provided to the Department by Her Majesty's Revenue and Customs (HMRC) for the payment of contributory benefits. The Encashment Control represents the balance of cheques

outstanding at the period end. These amounts are due within one year and have no impairment indicators

**(ii) Loans and Receivables**

- Benefit Overpayment Receivable (including Housing Benefit)
- Social Fund Loans

Loans and receivables are non derivative financial assets with fixed or determinable payments which are not quoted on an active market. Receivables are assessed at the end of each accounting period and reduced, where appropriate to its estimated recoverable amount through making an impairment based on forecast cash and benefit deduction recoveries. In addition, the Department applies a discount factor to estimate the present value of the cash flows.

**(iii) Other Liabilities**

- Programme and Resource Payable and Accruals

Contractual Programme and Resource Payable and accruals are non-derivative Financial Instruments. These amounts are due within one year and have no impairment indicators.

The Department assesses at each Statement of Financial Position date whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Statement of Financial Position date and whether such events have had an impact on the estimated future cash flows of the Financial Instrument and can be reliably estimated. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the terms of the asset being evaluated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Future cash flows for a group of Financial Instruments that are collectively evaluated for impairment are estimated on the basis of expected cash flows for the assets and historical loss experience for assets with credit risk characteristics similar to those in the group.

Interest determined, impairment losses and translation differences on monetary items are recognised in the Statement of Comprehensive Net Expenditure.

**Risk Management**

The principal financial risks to which the Department is exposed follow below.

**Liquidity Price Risk**

The Department's resource requirements are financed by resources voted by the Northern Ireland Assembly, as is its capital expenditure. It is not, therefore, exposed to significant liquidity risks.

### **Credit Risk**

The Department manages its exposure to credit risk via credit risk management policies. Credit policies cover exposures generated from Benefit Overpayment Receivables and Social Fund Loans. The Department has an active debt recovery process in place, details of this process are in note 1.27.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the Statement of Financial Position. For Benefit Overpayment Receivables and Social Fund Loans the exposure to credit risk is the amount of debt or loan not recovered from benefit customers. As of the reporting date the maximum amount that the Department is exposed to credit risk is the balance of the net Benefit Overpayment receivables and Social Fund Loans net receivables disclosed in note 26 of the accounts.

The Department has a statutory obligation to issue Social Fund Loans and seek repayments in line with legislation. The Department is not permitted to withhold loans on the basis of poor credit rating nor is it able to seek collateral. The Department is therefore exposed to risk that some Social Fund Loans will not be repaid.

The economic downturn may also increase the amount of credit risk the Department is exposed to for future reporting periods. This may potentially impact on the recoverability of Benefit Overpayment Receivables and Social Fund Loans from customers.

### **Interest Rate Risk**

Interest rate risk primarily occurs when there are changes in the market interest rates. The Department has discounted the forecast future cash flows for estimated recoveries and write offs for Benefit Overpayment Receivables and Social Fund Loans. The discount rate applied is the Treasury's real rate for the cost of capital 3.5%. The Treasury's discount rate is substantially independent of changes in market interest rates.

### **Sensitivity Analysis**

The Treasury's discount rate is substantially independent of changes in market interest rates therefore sensitivity analysis is not appropriate.

## **1.26 Presentation of the Consolidated Accounts**

From 2008-09 the Child Maintenance and Enforcement Division was no longer an Agency and has been brought into the Core Department. This results in the Core Accounts now being material in comparison to the results of the Consolidated Departmental Resource Account. Therefore, the Department has disclosed the transactions and flows for the financial year and the balances at the year-end between the Core Department and the Consolidated Group.

## **1.27 Benefit Overpayment Receivables**

Benefit overpayment receivables arise when a benefit overpayment occurs. The gross benefit receivable amount recognised in the Statement of Financial Position is valued

at the difference between the amount paid to the customer by the Department and the actual benefit entitlement due. The value is communicated to the customer by an overpayment decision letter. The Department regards this letter as sufficient and appropriate evidence to support the initial or original valuation and the existence of debt. Customers have the right of appeal against an overpayment decision.

Overpayments are referred to Debt Centre Northern Ireland (DCNI) for collection using overpayment recovery procedures appropriate to the respective nature of the overpayment.

The Benefit Overpayment Receivable is assessed at the end of each accounting period and reduced to its estimated recoverable amount through making an impairment based on forecast cash and benefit deduction recoveries.

In addition, the Department includes impairment in respect of an element of benefit overpayment receivables that could be subject to challenge and consequently written off. A discount factor is also applied to the benefit receivables balance at the end of the accounting period to estimate the present value of cash flows.

Certain categories of identified overpayment are not recognised as a receivable, including

- (i) Those due to official error where there is not statutory right of recovery;
- (ii) Cases satisfying Departmental waiver policies; and/or
- (iii) The customer is deceased and there is insufficient estate to recover debt.

(Categories (ii) and (iii) are initially recorded as receivables and are subsequently written off, when relevant criteria is met).

Receivable write-off policy has been agreed with the Department of Finance and Personnel. To ensure it is applied consistently detailed guidance is given in the Departmental Discretion Guide and Managing Public Money Northern Ireland. Departmental Waivers are decided within the Debt Centre Northern Ireland. Other write-off categories are also decided within Debt Centre Northern Ireland and are subject to management review and agreement.

The Department also undertakes additional management reviews on the quality and consistency of write off decisions through periodic business management and risk assurance checks. Any performance issues resulting from this assurance process are formally addressed through revised guidance and training.

Housing Benefit for tenants in the public and private rented sectors is administered by the Northern Ireland Housing Executive. Similar policies and procedures to those used by the Social Security Agency are used by the Housing Executive for the purposes of recovering Housing Benefit overpayments.

The Department provides guidance to the Housing Executive on overpayment recovery policy and legislation and monitors performance against overpayment recovery targets.

## 1.28 Estimation Techniques

### **Fair Value Adjustment:**

(i) The fair value adjustment of a Financial Instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties. Where the classification of a Financial Instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to present value.

(ii) The fair value adjustment for payments made to the Compensation Recovery Unit (CRU) is based on likely future write-offs and is calculated on a case by case basis.

The fair value adjustment is not disclosed within the Trade receivables note however the fair value adjustment relating to Financial Instruments is detailed in Note 23.

### **Benefit Overpayment Receivables:**

The estimation technique employed in the calculation of Benefit Overpayment Receivable is disclosed in note 1.27.

### **Employee Benefits:**

The estimation technique employed in the calculation of Employee Benefits is disclosed in note 1.13.

### **Provisions:**

The estimation technique employed in the calculation of Provisions is disclosed in note 1.17.

### **NHS Trusts balance**

An exercise is completed each year by the Department's Compensation Recovery Unit (CRU) to estimate the potential value of those claims awaiting settlement from the insurance companies and due to the Health Service Trusts (HST). The CRU collects the monies due from the insurance companies on behalf of the HST, and those amounts are then forwarded to the Trusts themselves. The CRU estimate is based on the number of claims outstanding and the associated medical costs applicable to each claim. For clarity and transparency purposes the amount due to the HST is disclosed as a receivable and a corresponding payable within the accounts. (Note 26 and Note 29).

### **1.29 Capital Charge**

In line with direction provided by the Department of Finance and Personnel no Cost of Capital charge has been included for the 2010-11 accounts. In relation to the charge for the previous 2009-10 financial year, a Prior Period Adjustment (PPA) of £10.502 million has been made in the Statement of Comprehensive Net Expenditure - Note 15 and Note 16.

### **1.30 Deferred Payable**

Deferred payables includes the cost of decontamination work at Fort George army barracks. Financed by the Ministry of Defence at a cost of £3.2 million. Work is expected to commence in 2011-12 and be completed by 2012-13. Also included is £0.328 million of deferred grant income in respect of the refurbishment of the SS Nomadic, which is ongoing but expected to complete in 2012-13.

## 2. Analysis of net resource outturn by section

						Outturn	Estimate Net total outturn compared	
	Admin	Other	Gross	Accruing	Net	Net	with	
	£'000	current	resource	Resources	Total	Total	Estimate	
	£'000	£'000	expenditure	£'000	£'000	£'000	£'000	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>2010 - 11</b>								
<b>Request for Resources A (RfR A)</b>								
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:								
<b>Departmental Expenditure in DEL</b>								
Social Security Administration	13,138	182,232	-	195,370	(32,669)	162,701	172,535	9,834
Belfast Benefit Delivery Centre	-	18,252	-	18,252	(18,021)	231	352	121
Eastern Area (GB Child Maintenance and Enforcement Commission)	-	25,329	-	25,329	(25,329)	-	-	-
Child Maintenance and Enforcement Division	-	17,131	-	17,131	(21)	17,110	17,864	754
Mesothelioma Compensation Scheme	-	213	-	213	(213)	-	-	-
Grants to the Independent Living Fund	-	-	10,800	10,800	-	10,800	11,000	200
<b>Annually managed expenditure</b>								
Non-contributory and means-tested benefits:								
- Pension benefits	-	-	3,713	3,713	-	3,713	3,550	(163)
- Disability benefits	-	-	1,094,164	1,094,164	(2,029)	1,092,135	1,115,372	23,237
- Industrial injuries benefits	-	-	29,090	29,090	(680)	28,410	30,270	1,860
- Pension credit	-	-	355,843	355,843	-	355,843	370,000	14,157
Income support - non-Pensioners, Jobseeker's allowance and Employment and Support Allowance:								
Income support - non-pensioners	-	-	416,927	416,927	(1,663)	415,264	451,600	36,336
Jobseeker's allowance (income based)	-	-	157,882	157,882	(71)	157,811	163,000	5,189
Jobseeker's allowance (contribution based) - Employment and support allowance (non-contributory)	-	-	26,666	26,666	(26,666)	-	-	-
	-	-	50,516	50,516	(148)	50,368	54,900	4,532
Job grant	-	-	1,442	1,442	-	1,442	1,600	158
Grants to Motability	-	-	1,003	1,003	-	1,003	1,100	97
Housing benefit (rent)	-	-	490,741	490,741	-	490,741	496,500	5,759
Discretionary housing payments	-	-	966	966	-	966	1,142	176
Housing benefit rates (tenants)	-	-	66,113	66,113	-	66,113	66,100	(13)
Housing benefit rates (owner occupiers)	-	-	38,434	38,434	-	38,434	38,700	266
Financial Assistance Scheme (Non cash costs)	-	(62,323)	-	(62,323)	-	(62,323)	(23,737)	38,586
Movement in provisions (non benefit)	-	83	-	83	-	83	467	384
<b>Non-Budget</b>								
Payments to the Social Fund (Regulated)	-	-	24,300	24,300	-	24,300	32,500	8,200
Payments to the Social Fund in respect of Winter Fuel Payments	-	-	69,184	69,184	-	69,184	69,184	-
Payments to the Social Fund (Discretionary)	-	-	20,578	20,578	-	20,578	20,578	-
Payments to the Northern Ireland National Insurance Fund	-	-	58,411	58,411	-	58,411	59,369	958
Notional Charges	2,302	20,962	-	23,264	-	23,264	27,054	3,790
<b>Total</b>	<b>15,440</b>	<b>201,879</b>	<b>2,916,773</b>	<b>3,134,092</b>	<b>(107,510)</b>	<b>3,026,582</b>	<b>3,181,000</b>	<b>154,418</b>

## 2. Analysis of net resource outturn by section (continued)

	Admin	Other current	Grants	Gross resources expenditure	Accruing Resources	Net Total	Outturn	Estimate
	£'000	£'000	£'000	£'000	£'000	£'000	Net Total	Net total outturn compared with Estimate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2010 - 11</b>								
<b>Request for Resources B (RfR B)</b>								
Promoting measurable improvements to housing in Northern Ireland:								
<b>Departmental Expenditure in DEL</b>								
Assistance to the voluntary housing movement	-	-	184,832	184,832	(3,073)	181,759	173,355	(8,404)
Housing - other expenditure	2,751	654	823	4,228	(110)	4,118	4,169	51
Housing grants to the NI Housing Executive	-	214,161	56,850	271,011	(22,500)	248,511	243,511	(5,000)
Renovation grants and group repair of dwellings	-	-	23,250	23,250	-	23,250	26,250	3,000
Interest Payments on Housing Loans	-	67,348	-	67,348	(67,348)	-	-	-
<b>Annually managed expenditure (AME):</b>								
Movement in Provisions	-	-	-	-	-	-	1	1
<b>Non-Budget</b>								
Other Expenditure	-	-	-	-	-	-	1	1
Notional Charges	380	-	-	380	-	380	520	140
<b>Total</b>	<b>3,131</b>	<b>282,163</b>	<b>265,755</b>	<b>551,049</b>	<b>(93,031)</b>	<b>458,018</b>	<b>447,807</b>	<b>(10,211)</b>
<b>2010 - 11</b>								
<b>Request for Resources C (RfR C)</b>								
Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage:								
<b>Departmental Expenditure in DEL</b>								
Urban Regeneration	7,920	7,609	40,232	55,761	(1,373)	54,388	54,392	4
Community and Voluntary Sector funding	1,500	-	15,476	16,976	-	16,976	16,995	19
EU Programme for Peace and Reconciliation	-	-	5,711	5,711	(4,283)	1,428	2,608	1,180
Community Initiatives	-	-	-	-	-	-	1	1
Integrated Development Fund	-	-	1,852	1,852	-	1,852	1,858	6
<b>Annually managed expenditure</b>								
Urban Regeneration/Community Development Non-cash items	-	41,199	-	41,199	-	41,199	51,560	10,361
<b>Non-Budget</b>								
Grants to ILEX	-	-	2,359	2,359	-	2,359	2,435	76
Cost of Laganside Development Assets	-	-	730	730	-	730	730	-
Grants to Charity Commission (NI)	-	-	830	830	-	830	831	1
Notional Charges	2,143	-	-	2,143	-	2,143	2,539	396
<b>Total</b>	<b>11,563</b>	<b>48,808</b>	<b>67,190</b>	<b>127,561</b>	<b>(5,656)</b>	<b>121,905</b>	<b>133,949</b>	<b>12,044</b>
<b>Resource Outturn</b>	<b>30,134</b>	<b>532,850</b>	<b>3,249,718</b>	<b>3,812,702</b>	<b>(206,197)</b>	<b>3,606,505</b>	<b>3,762,756</b>	<b>156,251</b>

## 2. Analysis of net resource outturn by section (continued)

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

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

**Disability benefits** were forecast by DWP and the requirement was reduced as expenditure data became available however expenditure was still less than expected.

**Pension Credit** expenditure was less than expected given prior year trends

**Income Support, (Reducing Caseload)**, was lower than forecast in the Lone Parent area due to Lone Parent Obligations policy change and on the Disabled area due to Employment and Support Allowance. Cautious approach taken to both IS and SPC as they are income related.

**Financial Assistance Scheme:** The decrease relates to a change in the dataset used which has resulted in materially lower pensions.

**Payments to the Social Fund (Regulated):** The Estimate included an amount for potential further Cold Weather payments based on the previous year expenditure. Further periods of cold weather did not occur which has resulted in the variance.

**Notional charges** are less than the estimate mainly due to a decrease in unit cost charge by accommodation services.

### **Explanation of the variation between Estimate and outturn for Request for Resources B (RfR B)**

The Department has incurred an Excess of £10.211million because of spending in Assistance to the Voluntary Housing movement and Housing Grants to the NIHE. The Department will seek Assembly approval by way of an Excess Vote in the next Budget Act.

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

**EU Programme for Peace and Reconciliation:** A combination of bad weather over the early part of the last quarter and project slippage contributed to the easement, particularly in respect of the Peace Bridge.

**Non cash.** In the continuing volatile property market, predictions of the impairment of the fixed asset portfolio had to cover the worst possible outcome. The final figure, based on the 5 year Land and Property Services revaluation, was less than expected.

Detailed explanations of the variances are given in the Operating and Financial Review.

## 2. Analysis of net resource outturn by section (continued)

	Outturn						Estimate	
	Admin	Other	Grants	Gross	Accruing	Net	Net	Net total
	£'000	current	£'000	resource	Resources	Total	Total	compared
	£'000	£'000	£'000	expenditure	£'000	£'000	£'000	with
				£'000				Estimate
								£'000
<b>2009-10</b>								
<b>Request for Resources A (RfRA)</b>								
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:								
<b>Departmental Expenditure in DEL</b>								
Social Security Administration	13,636	196,050	-	209,686	(34,881)	174,805	181,363	6,558
Belfast Benefit Delivery Centre	-	19,822	-	19,822	(17,869)	1,953	1,881	(72)
Eastern Area (GB Child Maintenance and Enforcement Commission)	-	28,048	-	28,048	(25,710)	2,338	2,763	425
Child Maintenance and Enforcement Division	-	17,224	-	17,224	(21)	17,203	18,023	820
Mesothelioma Compensation Scheme	-	168	-	168	(168)	-	-	-
Grants to the Independent Living Fund	-	-	10,700	10,700	-	10,700	10,700	-
Settlement of NICS Equal Pay Claims	-	60,685	-	60,685	-	60,685	61,766	1,081
<b>Annually managed expenditure</b>								
Non-contributory and means-tested benefits:								
Pension benefits	-	-	3,436	3,436	-	3,436	3,210	(226)
Disability benefits	-	-	1,065,853	1,065,853	-	1,065,853	1,078,787	12,934
- Industrial injuries benefits	-	-	28,726	28,726	-	28,726	31,500	2,774
- Pension credit	-	-	355,974	355,974	-	355,974	355,000	(974)
Income support - non-Pensioners and Jobseeker's allowance and Employment and Support Allowance:								
Income support - non-pensioners	-	-	439,117	439,117	(956)	438,161	474,800	36,639
Jobseeker's allowance (income based)	-	-	130,356	130,356	(13)	130,343	140,000	9,657
Jobseeker's allowance (contribution based)	-	-	31,637	31,637	(31,637)	-	-	-
Employment and support allowance (non-contributory)	-	-	26,759	26,759	-	26,759	40,000	13,241
Job grant	-	-	1,080	1,080	-	1,080	1,250	170
Grants to Motability	-	-	1,058	1,058	-	1,058	1,100	42
Housing benefit (rent)	-	-	454,689	454,689	-	454,689	465,300	10,611
Discretionary housing payments	-	-	877	877	-	877	1,142	265
Housing benefit rates (tenants)	-	-	61,011	61,011	-	61,011	61,500	489
Housing benefit rates (owner occupiers)	-	-	34,585	34,585	-	34,585	35,000	415
Financial Assistance Scheme (Non cash costs)	-	4,059	-	4,059	-	4,059	1,498	(2,561)
<b>Non-Budget</b>								
Payments to the Social Fund (Regulated)	-	-	24,169	24,169	-	24,169	29,150	4,981
Payments to the Social Fund in respect of Winter Fuel Payments	-	-	68,729	68,729	-	68,729	68,729	-
Payments to the Social Fund (Discretionary)	-	-	19,970	19,970	-	19,970	20,270	300
Payments to the Northern Ireland National Insurance Fund	-	-	59,201	59,201	-	59,201	59,201	-
Financial Instruments Prior Period Adjustments	-	3,015	-	3,015	-	3,015	4,395	1,380
Notional Charges	1,666	24,224	-	25,890	-	25,890	26,400	510
<b>Total</b>	<b>15,302</b>	<b>353,295</b>	<b>2,817,927</b>	<b>3,186,524</b>	<b>(111,255)</b>	<b>3,075,269</b>	<b>3,174,728</b>	<b>99,459</b>

## 2. Analysis of net resource outturn by section (continued)

						Outturn	Estimate	
	Admin	Other	Grants	Gross resource expenditure	Accruing Resources	Net Total	Net Total	Net total outturn compared with Estimate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2009-10</b>								
<b>Request for Resources B (RfR B)</b>								
Promoting measurable improvements to housing in Northern Ireland:								
<b>Departmental Expenditure in DEL</b>								
Assistance to the voluntary housing movement	-	-	172,346	172,346	(2,501)	169,845	170,065	220
Housing - other expenditure	2,849	655	1,060	4,564	(21)	4,543	4,897	354
Housing grants to the NI Housing Executive	-	224,502	75,950	300,452	(23,500)	276,952	281,952	5,000
Renovation grants and group repair of dwellings	-	-	44,950	44,950	-	44,950	44,950	-
Interest Payments on Housing Loans	-	76,655	-	76,655	(76,655)	-	-	-
Settlement of NICS Equal Pay Claims	-	217	-	217	-	217	221	4
<b>Non-Budget</b>								
Other Expenditure	-	-	-	-	-	-	1	1
Financial Instruments Prior Period Adjustments	-	29	-	29	-	29	29	-
Notional Charges	456	-	-	456	-	456	550	94
<b>Total</b>	<b>3,305</b>	<b>302,058</b>	<b>294,306</b>	<b>599,669</b>	<b>(102,677)</b>	<b>496,992</b>	<b>502,665</b>	<b>5,673</b>
<b>2009-10</b>								
<b>Request for Resources C (RfR C)</b>								
Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage:								
<b>Departmental Expenditure in DEL</b>								
Urban Regeneration	8,455	9,193	58,795	76,443	(10,112)	66,331	69,305	2,974
Community and Voluntary Sector funding	1,406	156	22,966	24,528	(9)	24,519	24,319	(200)
EU Programme for Peace and Reconciliation	-	-	5,118	5,118	(3,839)	1,279	2,118	839
Community Initiatives	-	-	144	144	(84)	60	78	18
Integrated Development Fund	-	-	2,630	2,630	-	2,630	2,634	4
Settlement of NICS Equal Pay Claims	-	907	-	907	-	907	923	16
<b>Annually managed expenditure</b>								
Urban Regeneration/Community Development Non-cash items	(9)	18,896	-	18,887	-	18,887	28,080	9,193
<b>Non-Budget</b>								
Grants to ILEX	-	-	1,700	1,700	-	1,700	2,104	404
Cost of Laganside Development Assets	-	-	4,644	4,644	-	4,644	4,600	(44)
Grants to Charity Commission (NI)	-	-	363	363	-	363	500	137
IFRS Prior Period Adjustments	-	123	-	123	-	123	123	-
Notional Charges	2,340	-	-	2,340	-	2,340	2,400	60
<b>Total</b>	<b>12,192</b>	<b>29,275</b>	<b>96,360</b>	<b>137,827</b>	<b>(14,044)</b>	<b>123,783</b>	<b>137,184</b>	<b>13,401</b>
<b>Resource Outturn</b>	<b>30,799</b>	<b>684,628</b>	<b>3,208,593</b>	<b>3,924,020</b>	<b>(227,976)</b>	<b>3,696,044</b>	<b>3,814,577</b>	<b>118,533</b>

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

### 3. Contributory benefit expenditure paid from the National Insurance Fund

	2010-11			2009-10 (Restated)			
		Gross	Accruing	Net	Gross	Accruing	Net
	Note	Expenditure £'000	Resources £'000	Expenditure £'000	Expenditure £'000	Resources £'000	Expenditure £'000
<b>Pension benefits</b>							
Retirement pension							
- basic element		1,347,822	-	1,347,822	1,288,585	-	1,288,585
- additional component		317,444	-	317,444	302,962	-	302,962
Christmas bonus		3,430	-	3,430	3,402	-	3,402
Widow's benefit							
- basic element		13,872	-	13,872	14,724	-	14,724
- additional component		2,435	-	2,435	3,106	-	3,106
- widow's payment		5,309	-	5,309	5,486	-	5,486
Unemployment, Invalidity and Sickness Benefits.		(38)	(10)	(48)	(12)	(11)	(23)
<b>Unemployment, incapacity and other benefits</b>							
Jobseeker's Allowance - Contributions Based		26,681	(15)	26,666	31,645	(7)	31,638
Incapacity Benefit							
- basic element		295,025	(2,065)	292,960	317,006	(2,188)	314,818
- additional component		5,848	-	5,848	6,606	-	6,606
Employment Support Allowance (Contribution Based)		44,360	(151)	44,209	25,879	(40)	25,839
<b>Family benefits</b>							
Maternity Allowance		10,083	-	10,083	10,150	-	10,150
<b>Periodicity and Paydays</b>							
		1	-	1	257	-	257
<b>Total</b>	9.2	<b>2,072,272</b>	<b>(2,241)</b>	<b>2,070,031</b>	2,009,796	(2,246)	2,007,550

## 4. Non-contributory benefit expenditure

	2010-11			2009-10 (Restated)			
	Note	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000
<b>Pension benefits</b>							
Non-contributory retirement pension		2,324	-	2,324	2,068	-	2,068
Christmas bonus		1,386	-	1,386	1,368	-	1,368
Other		2	-	2	2	-	2
<b>Disability allowance</b>							
Attendance allowance		193,685	(78)	193,607	196,817	(133)	196,684
Carers allowance		103,573	-	103,573	97,999	-	97,999
Severe disablement allowance		41,216	(2)	41,214	42,266	(1)	42,265
Disability living allowance		755,413	(1,948)	753,465	729,973	(1,602)	728,371
Disability working allowance		-	-	-	4	-	4
Miscellaneous Diseases Scheme		(10)	-	(10)	(2)	-	(2)
<b>Industrial injuries benefits</b>							
		29,334	(681)	28,653	29,356	(630)	28,726
<b>Income support for the elderly/Pension Credit</b>							
Income support for the elderly		3,848	-	3,848	4,576	-	4,576
Pension Credit		351,996	-	351,996	351,396	-	351,396
<b>Family benefits</b>							
Family credit		5	-	5	(10)	-	(10)
Child Support Maintenance bonus		-	-	-	1	-	1
<b>Periodicity and Paydays</b>							
		43	-	43	42	-	42
<b>Income support - non-pensioners and Jobseeker's Allowance</b>							
Income support (non-pensioners)		416,753	(1,663)	415,090	440,045	(1,885)	438,160
Jobseeker's allowance (income based)		159,320	(71)	159,249	131,468	(36)	131,432
Employment Support Allowance (Contribution Based)		50,515	(148)	50,367	26,796	(37)	26,759
<b>Total</b>		<b>2,109,403</b>	<b>(4,591)</b>	<b>2,104,812</b>	<b>2,054,165</b>	<b>(4,324)</b>	<b>2,049,841</b>

Other pension benefits include: Over 70s payments £0.002 million.

## 5. Statutory benefits

	2010-11			2009-10			
	Note	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000
Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP)		58,411	-	58,411	59,201	-	59,201
<b>Total</b>		<b>58,411</b>	<b>-</b>	<b>58,411</b>	<b>59,201</b>	<b>-</b>	<b>59,201</b>

## 6. Other social grants and disbursements

	2010-11			2009-10		
	Gross Expenditure	Accruing Resources	Net Expenditure	Gross Expenditure	(Restated) Accruing Resources	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Grants to independent bodies</b>						
Independent living funds	10,800	-	10,800	10,700	-	10,700
Motability	1,003	-	1,003	1,058	-	1,058
<b>Housing benefit</b>						
Rent rebate	179,883	-	179,883	176,159	-	176,159
Rent allowances	310,858	-	310,858	278,182	-	278,182
Rates	104,547	-	104,547	95,469	-	95,469
<b>Discretionary Housing Payments</b>	966	-	966	877	-	877
<b>Social Fund disbursements</b>						
Funeral payments	2,484	-	2,484	2,519	-	2,519
Cold weather payments	16,813	-	16,813	16,876	-	16,876
Maternity payments	5,357	-	5,357	5,005	-	5,005
Community care payments	13,819	-	13,819	13,646	-	13,646
Winter fuel payments	69,185	-	69,185	68,830	-	68,830
Other - fair value adjustments and impairment of debt written off	(3,602)	-	(3,602)	(4,123)	-	(4,123)
<b>Total</b>	<b>712,113</b>	<b>-</b>	<b>712,113</b>	<b>665,198</b>	<b>-</b>	<b>665,198</b>

## 7. National Insurance Fund administration

	Note	2010-11	2009-10
		£'000	£'000
NIF Administration costs incurred by the Department		31,890	34,310
<b>Total</b>	9.1 & 12	<b>31,890</b>	<b>34,310</b>

## 8. Programme overheads

	Note	2010-11		2009-10	
		Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Increase in provision for fair value adjustments	8.1	(42)	2,143	(2,494)	(4,899)
Programme Receivables written off	8.2	25	16,260	-	18,410
Other programme overheads	8a	4,851	4,851	4,797	4,797
<b>Total</b>		<b>4,834</b>	<b>23,254</b>	<b>2,303</b>	<b>18,308</b>
Non-contributory programme overheads	16	4,834	20,324	2,303	13,907
Contributory programme overheads		-	2,930	-	4,401
<b>Total</b>		<b>4,834</b>	<b>23,254</b>	<b>2,303</b>	<b>18,308</b>

### 8.1 Movement in provision for fair value adjustments

The movement in the provision for fair value adjustments consists of a movement in the overpayments of the following benefits and other expenditure:

	Note	2010-11		2009-10	
		Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Contributory benefits		-	1,026	-	1,515
Non-contributory benefits		-	3,495	-	(1,047)
Social Fund payments		-	(2,336)	-	(2,873)
Other programme		(42)	(42)	(2,494)	(2,494)
<b>Total</b>	<b>8</b>	<b>(42)</b>	<b>2,143</b>	<b>(2,494)</b>	<b>(4,899)</b>

Other programme includes: Grant clawback (£0.042) million.

### 8.2 Bad debts written off

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

	Note	2010-11		2009-10	
		Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
<b>Contributory benefits</b>					
Pension benefits		-	507	-	878
Incapacity benefits		-	1,112	-	1,873
Other	8b	-	285	-	135
<b>Non-contributory benefits</b>					
Disability benefit		-	3,347	-	4,021
Income support		-	3,303	-	4,698
Other	8c	-	6,462	-	5,538
<b>Social Fund</b>					
Funeral grants		-	1,060	-	1,131
Other	8d	-	159	-	136
Other adjustments	8e	25	25	-	-
<b>Total</b>		<b>25</b>	<b>16,260</b>	<b>-</b>	<b>18,410</b>

8a Other programme overheads include maintenance £3.517 million, interest payable on compensation £0.136 million, legal and professional fees £0.363 million, land registry fees £0.008 million and other £0.827 million.

8b Other contributory benefits include Employment Support Allowance £0.184 million, Job Seekers' Allowance £0.057 million, Maternity Allowance £0.019 million, Unemployment, Invalidation and Sickness Benefits £0.017 million, and Bereavement Allowance £0.008 million.

- 8c Other non-contributory benefits include Pension Credit £3.916 million, Employment Support Allowance £0.369 million and Job Seeker's Allowance £2.177 million.
- 8d Other Social Fund includes: Budget Loans £0.105 million, Crisis Loans £0.053 million and Community Care Grants £0.001 million.
- 8e Other adjustments include: grant clawback £0.025 million.

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

### 9.1 Reconciliation of net resource outturn to net operating cost

	Note	Outturn £'000	Supply Estimate £'000	2010-11 Outturn compared with Estimate £'000	2009-10 (Restated) Outturn £'000
<b>Net Resource Outturn</b>	2	<b>3606,505</b>	3,762,756	<b>156,251</b>	3,696,044
Prior period adjustments		-	-	-	(14,055)
IFRS PFI adjustment		(1,000)	-	1,000	(1,513)
Non-supply Expenditure (net) (+)	9.2	2,070,031	2,090,198	20,167	2,007,550
AR not treated as income - funding from NIF to cover administration costs (+)	7	31,890	31,890	-	34,310
Social Fund Loans		(8,534)	(6,758)	1,776	(6,139)
Other Social Fund adjustments		(1,647)	-	1,647	(1,611)
Non-supply Income (CFERs) (-)	11	(2,698)	(1,370)	1,328	(1,888)
Other		(136)	-	136	-
<b>Net operating cost</b>		<b>5,694,411</b>	<b>5,876,716</b>	<b>182,305</b>	5,712,698

Other includes: Reversal of an over-accrual of (£0.136 million) relating to Fuel Poverty which has no Estimate line in 2010-11.

### 9.2 Non-supply expenditure

	Note	2010-11 £'000	2009-10 £'000
Contributory benefits (net)	3	2,069,342	2,005,395
NIF write-offs and movement on debt provision	8	2,930	4,401
<b>Total gross non-supply expenditure</b>	16	<b>2,072,272</b>	<b>2,009,796</b>
Contributory benefits - Accruing Resources	3	(2,241)	(2,246)
<b>Total net non-supply expenditure</b>	9.1	<b>2,070,031</b>	<b>2,007,550</b>

### 9.3 Outturn against final Administration Budget

	Budget £'000	2010-11 Outturn £'000	2009-10 Outturn £'000
Gross Administration Budget	25,572	25,357	26,392
Income allowable against the Administration Budget	(321)	(334)	(296)
<b>Net outturn against final Administration Budget</b>	<b>25,251</b>	<b>25,023</b>	<b>26,096</b>

## 10. Reconciliation of net resource outturn to net cash requirement

	Note	2010-11		Net total outturn compared with Estimate saving/ (excess) £'000	2009-10
		Estimate £'000	Outturn £'000		(Restated) Outturn £'000
Resource Outturn	2	3,762,756	3,606,505	156,251	3,696,044
Capital:					
Acquisition of property, plant and equipment	20 & 21	2,139	1,546	593	7,093
Non-operating AR					
- Proceeds of fixed asset disposals		(2,165)	(1,960)	(205)	(15,377)
- Repayments of loans to other bodies	24	(900)	(900)	-	(800)
Accruals adjustments:					
- Non-cash items	16 & 17.2	(68,325)	(6,696)	(61,629)	(109,257)
- Proceeds on disposal of assets held for sale	17.1	(730)	(730)	-	(4,643)
- Changes in working capital other than cash		3,210	(47,818)	51,028	(56,528)
- Changes in payables falling due after more than one year	29.2	-	77,370	(77,370)	86,832
- Use of provision	30	62,266	62,670	(404)	1,639
- Social Fund Loans	9.1	-	(8,534)	8,534	(6,139)
- Excess Social Fund grant over full cost	9.1	-	(1,647)	1,647	(1,611)
Rates rebates (owner occupier)	16	(38,700)	(38,434)	(266)	(34,585)
Prior Year Adjustment		-	-	-	(13,669)
IFRS PFI adjustment		-	(1,000)	1,000	(1,513)
Other		-	(136)	136	-
<b>Net cash requirement</b>		<b>3,719,551</b>	<b>3,640,236</b>	<b>79,315</b>	<b>3,547,486</b>

Other includes: Reversal of an over-accrual of (£0.136 million) relating to Fuel Poverty which has no Estimate line in 2010-11.

Explanation of the variation between Estimate and outturn (net cash requirement):  
The main reason for the variance between the Estimates and the Outturn in respect of Net Cash Requirement, relates to a £100.7million underspend in Social Security Benefit expenditure. This is partly offset by an overspend of £10.4million in respect of assistance to the voluntary housing movement and housing grants to the Northern Ireland Housing Executive

## 11. Analysis of income payable to the Consolidated Fund

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

Note	2010-11	Forecast	2010-11	Outturn
	Income	Receipts	Income	Receipts
	£'000	£'000	£'000	£'000
Operating income and receipts				
- excess AR	-	-	182	<i>182</i>
Other operating income and receipts not classified as AR	1,370	<i>1,370</i>	2,516	<i>2,612</i>
<b>Total income payable to the Consolidated Fund</b>	<b>1,370</b>	<b><i>1,370</i></b>	<b>2,698</b>	<b><i>2,794</i></b>

## 12. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

Note	2010-11	2009-10 (Restated)
	£'000	£'000
Operating income	18	159,255
Profit on disposal of property, plant and equipment		-
Release from Donated Asset Reserve		(6,675)
Other		-
NIF Administration Costs (SSA)	7	30,090
NIF Administration Costs (DSD Core)	7	1,800
NIF Contributory Benefits	3	26,681
NIF Accruing Resources	3	(15)
Contributory and Non Contributory Income		(2,241)
Gross Income		208,895
Income authorised to be Accruing Resource (deduct the lower of AR and Estimate)		(206,197)
<b>Operating Income payable to the Consolidated Fund</b>	<b>11</b>	<b>2,698</b>

### 13. Non-operating income - Excess AR

There was no non-operating income - excess Accruing Resources during 2010-11

	Note	2010-11 £'000	2009-10 £'000
Repayments of loans to other bodies		-	9
<b>Non-operating income - excess AR</b>	11	-	9

### 14. Staff numbers and related costs

#### 14.1 staff costs comprise:

Administration staff costs consist of:		2010-11					2009-10
		Total £'000	Permanent staff £'000	Others £'000	Ministers £'000	Special advisers £'000	Total £'000
Wages and salaries		17,053	17,015	-	38	-	17,970
Social security costs		1,257	1,252	-	5	-	1,271
Other pension costs		3,501	3,492	-	9	-	3,007
<b>Sub Total</b>		<b>21,811</b>	<b>21,759</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>22,248</b>
Less recoveries in respect of outward secondments		-	-	-	-	-	-
<b>Total net administration staff costs</b>		<b>21,811</b>	<b>21,759</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>22,248</b>
Programme staff costs consist of:		2010-11					2009-10
Note		Total £'000	Permanent staff £'000	Others £'000	Ministers £'000	Special advisers £'000	Total £'000
Wages and salaries	16	136,725	135,434	1,291	-	-	148,278
Social security costs	16	9,070	9,070	-	-	-	9,341
Other pension costs	16	24,646	24,646	-	-	-	23,067
<b>Sub Total</b>		<b>170,441</b>	<b>169,150</b>	<b>1,291</b>	<b>-</b>	<b>-</b>	<b>180,686</b>
Less recoveries in respect of outward secondments		-	-	-	-	-	-
<b>Total net programme staff costs</b>		<b>170,441</b>	<b>169,150</b>	<b>1,291</b>	<b>-</b>	<b>-</b>	<b>180,686</b>
<b>Total net costs*</b>		<b>192,252</b>	<b>190,909</b>	<b>1,291</b>	<b>52</b>	<b>-</b>	<b>202,934</b>
Of which:							
<b>Core Department</b>		<b>56,656</b>					

\* Permanently employed staff includes the cost of the Department's Special Advisor employed during the financial year 2010-11. The Advisor was paid in the Grade 5 payband of £57,300 to £82,531.

From 8 May 2007 to 23 May 2010 the Department was under the control of Margaret Ritchie. From 24 May 2010 the Department was under the control of Alex Attwood. The Ministerial salary and allowances were paid by the Northern Ireland Assembly and have therefore been treated as a notional cost in these resource accounts. Details of the Ministerial salary, allowances and other benefits are given above. These amounts do not include costs relating to the Ministers role as MLA/MP/MEP which are disclosed elsewhere.

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded multi-employer defined benefit scheme 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 2007 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2010-11, employers' contributions of £27.662 million were payable to the PCSPS(NI) (2009-10 £25.161 million) at one of four rates in the range 16.5% to 23.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2010-11, the rates will be in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £0.370 million were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, DSD employer contributions of £0.003 million, 0.8% of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

35 individuals retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £0.056 million.

Under the requirements of IAS 19: Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. For 2010-11 financial year the employee benefit accrual is based on information from the HR Connect Payroll System. The accrual is calculated based on the actual leave amount outstanding per employee as at 31 March 2011, multiplied by the actual staff salary rate. Employers NIC costs at 9.1% and Employers Pension at 22% is added to this calculation to arrive at the employee benefit accrual figure for the Financial Year end. For the comparative year the employee benefit accrual was estimated using average staff numbers, average salary costs, and an average untaken leave balance. The average untaken leave balance was based on a survey of NICS staff completed at 31 March 2008. The decrease in the employee accrual from 1 April 2010 to 31 March 2011 is (£1.842 million) (2009-10 increase of £1.407 million), this decrease is included within staff costs.

Of the total expenditure on staff costs in 2010-11 of £192.252 million (2009-10 £202.934 million) £179.152 million relates to Request for Resources A (2009-10 £189.851 million), £2.600 million relates to Request for Resources B (2009-10 £2.655 million) and £10.500 million relates to Request for Resources C (2009-10 £10.428 million).

## 14.2 Average number of persons employed

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 within the consolidated Departmental resource account.

Departmental Strategic Objective	2010-11					2009-10
	Total	Permanent staff	Others	Ministers	Special advisers	Number
<b>Objective 1</b>						
Providing a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save:	6,921	6,825	94	1	1	7,145
<b>Objective 2</b>						
Promoting measurable improvements to housing in Northern Ireland:	68	68	-	-	-	68
<b>Objective 3</b>						
Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage:	276	276	-	-	-	285
Staff engaged on capital projects	-	-	-	-	-	-
<b>Total</b>	<b>7,265</b>	<b>7,169</b>	<b>94</b>	<b>1</b>	<b>1</b>	<b>7,498</b>
Of which:						
<b>Core Department</b>	<u>2,046</u>					

### 14.3 Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	2010-11			2009-10		Total number of exit packages by cost band
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	
<£10,000	-	8	8	-	6	6
£10,000 - £25,000	-	3	3	-	5	5
£25,000 - £50,000	-	11	11	-	6	6
£50,000 - £100,000	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
Total number of exit packages by type	-	22	22	-	17	17
<b>Total Resource Cost £</b>	-	474,371	474,371	-	307,478	307,478

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## 15. Other Administration Costs

### 15.1 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	2010-11		2009-10 (Restated)	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Accommodation costs	893	893	1,065	1,065
Contracted services	872	872	894	894
Travel and subsistence	241	241	382	382
Management consultancy	68	68	103	103
Medical adjudication	11	11	2	2
Postage	205	205	216	216
Printing and stationery	219	219	312	312
Computer and office running costs	183	183	245	245
Other expenditure	15.1a 826	826	895	895
Non-cash items	15.2 4,853	4,853	4,483	4,483
<b>Total</b>	<b>8,371</b>	<b>8,371</b>	<b>8,597</b>	<b>8,597</b>

15.1a Other administration costs include: Telecom £0.146 million, Machinery & Equipment £0.007 million, Staff Training £0.041 million, Legal and Other Professional costs £0.072 million, Compensation Payments £0.036 million, Advertising & Publicity £0.030 million, Contracted out services £0.196 million, Research Costs £0.165 million and Miscellaneous £0.133million.

Of the total expenditure on other administration costs in 2010-11 of £8.371 million (2009-10 £8.597 million), £4.959 million relates to Request for Resources A (2009-10 £4.619 million),

£0.531million relates to Request for Resources B (2009-10 £0.656 million) and £2.881million relates to Request for Resources C (2009-10 £3.322 million).

## 15.2 Administration costs: non-cash items

	Note	2010-11		2009-10 (Restated)	
		Core		Core	
		Department	Consolidated	Department	Consolidated
		£'000	£'000	£'000	£'000
Notional costs (excluding Ministers' salaries)	15.3	4,773	4,773	4,410	4,410
Depreciation on administration property, plant and equipment	20 & 21	34	34	50	50
Movement in administration provisions	30	48	48	30	30
Permanent diminution in value of administration property, plant and equipment		(2)	(2)	(7)	(7)
<b>Total</b>	15.1 & 17	<b>4,853</b>	<b>4,853</b>	<b>4,483</b>	<b>4,483</b>

## 15.3 Notional Costs

Certain services are provided and received by the Department without the transfer of cash. Amounts of £4.773 million (2009-10 £4.410 million) are included in the net cost of operations and are made up as follows:

	Note	2010-11		2009-10 (Restated)	
		Core		Core	
		Department	Consolidated	Department	Consolidated
		£'000	£'000	£'000	£'000
<b>Services provided by other Departments</b>					
Accommodation costs	15.3a	1,977	1,977	1,868	1,868
Other indirect charges and services	15.3b	2,637	2,637	2,386	2,386
		4,614	4,614	4,254	4,254
<b>Other notional costs</b>					
Auditors' remuneration and expenses	15.3c	159	159	156	156
		159	159	156	156
<b>Total</b>	15.2	<b>4,773</b>	<b>4,773</b>	<b>4,410</b>	<b>4,410</b>

15.3a Accommodation costs include charges levied from the Accommodation and Construction Division of DFP.

15.3b Other indirect charges and services are levied by DFP, DHSSPS, DRD, DWP and NICS Recruitment Service.

15.3c The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller & Auditor General. There was no remuneration paid for non-audit work during the year.

## 16. Programme costs

### 16.1 Programme costs consist of

	Note	2010-11		2009-10 (Restated)	
		Core		Core	
		Department £'000	Consolidated £'000	Department £'000	Consolidated £'000
Grants and other current expenditure		1,365,136	3,449,473	1,403,169	3,436,068
Seconded out staff - wages and salaries	14.1	27,798	136,725	30,297	148,278
Seconded-out staff - social security costs	14.1	1,881	9,070	1,861	9,341
Seconded-out staff - other pension costs	14.1	5,166	24,646	4,655	23,067
Non-contributory programme overheads	8	4,834	20,324	2,303	13,907
Non-supply expenditure: contributory benefits	9.2	-	2,072,272	-	2,009,796
Accommodation costs		3,695	6,560	3,759	7,952
Contracted services	16b	7,018	30,495	6,664	30,810
Travel and subsistence		205	1,456	321	2,213
Management consultancy		1,066	1,068	1,759	1,748
Medical adjudication		2,752	6,204	2,624	6,753
Postage		63	2,268	74	2,806
Printing and stationery		117	1,161	205	1,486
Computer and office running costs		86	2,088	29	2,609
Other programme costs	16a	1,950	12,773	1,566	15,230
Non-cash items		24,740	46,901	70,899	141,730
		1,446,507	5,823,484	1,530,185	5,853,794
Less: programme income	18	(133,143)	(158,921)	(146,376)	(171,645)
<b>Total</b>		<b>1,313,364</b>	<b>5,664,563</b>	<b>1,383,809</b>	<b>5,682,149</b>

16a Other programme costs include: Legal and Other Professional costs £0.409 million, Staff training & conference fees £0.510 million, Telecoms £1.305 million, Advertising & publicity £0.238 million, Special Payments £1.415 million (£0.178 million relates to payments for CMED Client Funds Special Payments for maladministration), Card Account £6.942 million, 3rd Party Research £0.061 million, Housing Advisory Branch £0.485 million and Miscellaneous £1.408 million.

16b Included within Contracted Services is £0.073 million (2009-10: £0.067 million) representing payments to private sector collection agencies for the recovery of benefit overpayment receivables within the Social Security Agency and £0.016 million (2009-10: £0.026 million) within the Child Maintenance and Enforcement Division.

Current 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 3 includes programme overheads.

## 16.2 Programme costs: non-cash items

	Note	2010-11		2009-10 (Restated)	
		Core		Core	
		Department	Consolidated	Department	Consolidated
		£'000	£'000	£'000	£'000
Notional costs (excluding Ministers' salaries)	16.3	244	20,962	254	24,225
Depreciation on programme property, plant and equipment	20 & 21	1,465	2,069	1,603	2,490
Release from General Fund in respect of GB capital items		(101)	(101)	(131)	(131)
Loss on disposal of programme property, plant and equipment		25	25	-	55
Profit on disposal of programme property, plant and equipment	17	-	-	(37)	(37)
Movement in programme provisions	30	(62,139)	(62,596)	24,570	70,488
Permanent diminution in value of programme property, plant and equipment		46,812	48,108	10,055	10,055
Housing Benefit Owner Occupiers		38,434	38,434	34,585	34,585
Other		-	-	-	-
<b>Total</b>	16.1 & 17	<b>24,740</b>	<b>46,901</b>	70,899	141,730

## 16.3 Notional costs

Certain services are provided and received by the Department without the transfer of cash. Amounts of £20.962 million (2009-10 £24.225 million) are included in the net cost of operations and are made up as follows:

	Note	2010-11		2009-10 (Restated)	
		Core		Core	
		Department	Consolidated	Department	Consolidated
		£'000	£'000	£'000	£'000
<b>Services provided by other Departments</b>					
Accommodation costs	16.3a	-	16,967	-	20,590
Other indirect charges and services	16.3b	176	3,798	149	3,372
		176	20,765	149	23,962
<b>Other notional costs</b>					
Auditors' remuneration and expenses	16.3c	68	197	105	263
		68	197	105	263
<b>Total</b>	16.2	<b>244</b>	<b>20,962</b>	254	24,225

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

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

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

## 17. Non Cash Items

	Note	2010-11		2009-10 (Restated)	
		Core		Core	
		Department	Consolidated	Department	Consolidated
		£'000	£'000	£'000	£'000
Administration (excluding Ministers' salaries)	15.2	4,853	4,853	4,483	4,483
Administration (Ministers' salaries)	14	52	52	52	52
		4,905	4,905	4,535	4,535
Programme	16	25,472	47,633	75,579	146,410
<b>Total</b>		<b>30,377</b>	<b>52,538</b>	<b>80,114</b>	<b>150,945</b>

17 a The programme non-cash items in 2010-11 of £47.633 million (2009-10 £146.410 million) comprises movements in provision (excluding amounts utilised in year) (£62.596 million), Housing Benefit Owner Occupiers £38.434 million, programme depreciation £2.069 million, permanent diminution in value of programme fixed assets £48.108 million, loss on disposal of fixed assets £0.025 million, release from General Fund in respect of GB capital items (£0.101 million), Auditors Remuneration £0.197 million, Notional Charges £20.765 million, profit on sale of property, plant and equipment £0.002 million and proceeds on the disposal of assets held for resale £0.730 million. (2009-10 comprises movements in provision (excluding amounts utilised in year) £70.488 million, Housing Benefit Owner Occupiers £34.585 million, programme depreciation £2.490 million, permanent diminution in value of programme fixed assets £10.055 million, loss on disposal of fixed assets £0.055 million, release from General Fund in respect of GB capital items (£0.131 million), Auditors Remuneration £0.263 million, Notional Charges £23.962 million and proceeds on the disposal of assets held for resale £4.643 million.)

17.1 The total of non-cash transactions included in the Reconciliation of operating cost to operating cash flows in Schedule 4 comprises:

	Note	2010-11		2009-10 (Restated)	
		Core		Core	
		Department	Consolidated	Department	Consolidated
		£'000	£'000	£'000	£'000
Non-cash items (as above)		30,377	52,538	80,114	150,945
Less non-cash income					
- profit on sale of property, plant and equipment		(2)	(2)	(37)	(37)
- proceeds on disposal of assets held for sale		(730)	(730)	(4,643)	(4,643)
Other		(6,676)	(6,676)	(2,423)	(2,423)
<b>Total non-cash transactions</b>		<b>22,969</b>	<b>45,130</b>	<b>73,011</b>	<b>143,842</b>

Other movements include: Release of donated asset reserve £6.675 million and other £0.001 million.

17.2 The total of non-cash items included in the Reconciliation of Resources to Cash Requirement in Note 11 comprises:

	2010-11		2009-10 (Restated)	
	Core		Core	
	Department	Consolidated	Department	Consolidated
Note	£'000	£'000	£'000	£'000
Total non-cash transactions as above	22,969	45,130	73,011	143,842
<b>Non-cash items per Reconciliation of Resources to Cash Requirement</b>	<b>22,969</b>	<b>45,130</b>	<b>73,011</b>	<b>143,842</b>

## 18. Income

### 18.1 Operating Income

This note analyses the income recorded in the Statement of Comprehensive Net Expenditure, net of any transfers between Request for Resources.

**Operating income is as follows:**

	Note	2010-11				2009-10 (Restated)			
		RfR A	RfR B	RfR C	Total	RfR A	RfR B	RfR C	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Administration income:</b>									
Fees and charges to external customers		-	-	234	234	29	-	246	275
Profit on disposal of administration assets		2	-	-	2	-	-	-	-
Other	18a	14	77	7	98	21	-	-	21
		16	77	241	334	50	-	246	296
<b>Programme income:</b>									
EU receipts		-	-	4,283	4,283	-	-	3,923	3,923
Interest receivable		-	1,374	-	1,374	-	1,470	-	1,470
Proceeds on disposal of assets held for resale		-	-	730	730	-	-	4,643	4,643
Other	18b	51,346	92,954	8,234	152,534	51,036	102,677	7,896	161,609
	16	51,346	94,328	13,247	158,921	51,036	104,147	16,462	171,645
<b>Total</b>	12	<b>51,362</b>	<b>94,405</b>	<b>13,488</b>	<b>159,255</b>	<b>51,086</b>	<b>104,147</b>	<b>16,708</b>	<b>171,941</b>
Of which:									
<b>Core Department</b>		25,584	94,405	13,488	133,477	25,817	104,147	16,708	146,672

18a Other administration Accruing Resources include: Core: CFER Income £0.003 million, recoveries from DFP £0.009 million and misc £0.002 million. Housing: Strategic Investment Board £0.077 million. URG: CFER Income £0.007million.

- 18b Other programme Accruing Resources include: Core: Recoveries of secondees costs £0.150 million, Housing: HAG £3.073 million, NIHE Sales £19.000 million, Interest reimbursements from NIHE £67.348 million, Special Purchase of Evacuated Dwellings Sales £3.500 million and Strategic Investment Board £0.033 million, URCDG: Recoupment from IFI £0.055 million, Victoria Square Recoupments £0.354 million, CFER income £1.150million, release of donated asset reserve £6.675 million. SSA: Non AR income £0.087 million, Recoveries from DWP £18.432 million, Other Non trading Income £0.417 million, SSA Benefits: Income Support Non Pensioners £0.707 million, JSA Income Based £0.010 million,CFER income £0.010 million, CMED: Income from DWP £25.328 million in respect of Eastern Area Expenditure, CFER income £0.068 million, Contributory Income £2.241 million Non Contributory Income £3.874 million, and Miscellaneous £0.022 million.

	2010-11			2009-10		
	Income	Full Cost	Surplus/ (deficit)	Income	Full Cost	Surplus/ (deficit)
Income from external customers	234	234	-	275	246	29
<b>Total</b>	<b>234</b>	<b>234</b>	<b>-</b>	<b>275</b>	<b>246</b>	<b>29</b>

## 19. Analysis of net operating cost by spending body

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

	2010-11		2009-10 (Restated)	
	Estimate	Outturn	Estimate	Outturn
	£'000	£'000	£'000	£'000
Core Department (RHSSG and URCDG)	1,259,440	1,098,035	1,303,191	1,153,333
Social Security Agency	2,354,780	2,366,630	2,344,920	2,373,505
Child Maintenance and Enforcement Division	18,146	15,563	36,246	33,782
National Insurance Fund	2,122,088	2,100,121	2,070,412	2,039,210
Social Fund Payments	122,262	114,062	118,149	112,868
<b>Net Operating Cost</b>	<b>5,876,716</b>	<b>5,694,411</b>	<b>5,872,918</b>	<b>5,712,698</b>

## 20. Property, plant and equipment

	Land	Buildings	Heritage Assets	Infrastructure Assets	Information Technology	Plant & Machinery	Furniture & Fittings	Transport Equipment	Antiques & Works of Art	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>										
At 1 April 2010	334,243	12,229	225	45,494	1,433	83	892	112	123	394,834
Additions	1,163	-	146	28	16	-	81	-	-	1,434
Transfers in	1,427	-	-	-	1	-	10	-	-	1,438
Disposals	(1,418)	-	-	-	(280)	-	(25)	(13)	-	(1,736)
<i>Intercompany transfers out</i>	-	-	-	-	(11)	-	(1)	-	-	(12)
Reclassifications	(11,532)	-	-	-	-	-	-	-	-	(11,532)
Impairments	(5)	(1,375)	-	-	10	-	-	-	-	(1,370)
Upward Revaluations	-	6	-	-	4	-	2	-	-	12
Downward Revaluations	(222,421)	(138)	(4)	(8,037)	-	-	(7)	(71)	-	(230,678)
<b>At 31 March 2011</b>	<b>101,457</b>	<b>10,722</b>	<b>367</b>	<b>37,485</b>	<b>1,173</b>	<b>83</b>	<b>952</b>	<b>28</b>	<b>123</b>	<b>152,390</b>
<b>Depreciation</b>										
At 1 April 2010	69	785	-	11,712	1,031	75	694	83	123	14,572
<i>Intercompany transfers in</i>	-	-	-	-	1	-	9	-	-	10
Charged in year	6	666	-	985	263	2	73	3	-	1,998
Disposals	-	-	-	-	(255)	-	(25)	(13)	-	(293)
<i>Intercompany transfers out</i>	-	-	-	-	(10)	-	-	-	-	(10)
Impairments	-	(78)	-	-	7	-	-	-	-	(71)
Upward Revaluations	-	3	-	-	2	-	-	-	-	5
Downward Revaluations	(75)	(296)	-	(8,995)	-	-	(5)	(70)	-	(9,441)
<b>At 31 March 2011</b>	<b>-</b>	<b>1,080</b>	<b>-</b>	<b>3,702</b>	<b>1,039</b>	<b>77</b>	<b>746</b>	<b>3</b>	<b>123</b>	<b>6,770</b>
<b>Net book value at 31 March 2011</b>	<b>101,457</b>	<b>9,642</b>	<b>367</b>	<b>33,783</b>	<b>134</b>	<b>6</b>	<b>206</b>	<b>25</b>	<b>-</b>	<b>145,620</b>
Net book value at 31 March 2010	334,174	11,444	225	33,782	402	8	198	29	-	380,262

## 20. Property, plant and equipment (Continued)

	Land	Buildings	Heritage Assets	Infrastructure Assets	Information Technology	Plant & Machinery	Furniture & Fittings	Transport Equipment	Antiques & Works of Art	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Asset Financing at 31 March 2011</b>										
Owned	101,457	7,867	367	33,783	134	6	206	25	-	143,845
Capitalised leasehold	-	1,775	-	-	-	-	-	-	-	1,775
<b>Net book value at 31 March 2011</b>	<b>101,457</b>	<b>9,642</b>	<b>367</b>	<b>33,783</b>	<b>134</b>	<b>6</b>	<b>206</b>	<b>25</b>	<b>-</b>	<b>145,620</b>

Freehold land and buildings were revalued during the year this exercise took place in an environment of volatile land values. Land and Property Service determined the level of revaluation necessary. The next revaluation will be carried out before 1 April 2015 in line with accounting policy note 1.3. Other tangible assets were revalued on the basis of the latest available indices.

## 20. Property, plant and equipment (Continued)

	Land	Buildings	Heritage	Infrastructure	Information	Plant &	Furniture &	Transport	Antiques &	Total
	£'000	£'000	Assets	Assets	Technology	Machinery	Fittings	Equipment	Works of Art	£'000
<b>Cost or valuation</b>										
At 1 April 2009	397,028	13,266	154	49,388	1,710	83	928	98	123	462,778
Adjustments to opening balances	-	(104)	-	-	132	-	(28)	-	-	-
Additions	6,661	-	71	231	14	-	4	31	-	7,012
Transfers in	65	-	-	-	-	-	-	-	-	65
Disposals	(15,340)	(20)	-	-	(510)	-	(21)	(17)	-	(15,908)
Reclassifications	10,528	-	-	-	(46)	-	-	-	-	10,482
Impairments	(9,996)	(84)	-	-	23	-	-	-	-	(10,057)
Upward Revaluations	-	-	-	-	110	-	9	-	-	119
Downward Revaluations	(54,703)	(829)	-	(4,125)	-	-	-	-	-	(59,657)
<b>At 31 March 2010</b>	<b>334,243</b>	<b>12,229</b>	<b>225</b>	<b>45,494</b>	<b>1,433</b>	<b>83</b>	<b>892</b>	<b>112</b>	<b>123</b>	<b>394,834</b>
<b>Depreciation</b>										
At 1 April 2009	1,060	567	-	10,614	813	72	621	98	123	13,968
Adjustments to opening balances	-	(106)	-	-	116	-	(10)	-	-	-
Charged in year	7	669	-	1,098	493	3	90	2	-	2,362
Disposals	(1)	(1)	-	-	(482)	-	(14)	(17)	-	(515)
Impairments	(997)	(21)	-	-	15	-	-	-	-	(1,003)
Upward Revaluations	-	-	-	-	76	-	7	-	-	83
Downward Revaluations	-	(323)	-	-	-	-	-	-	-	(323)
<b>At 31 March 2010</b>	<b>69</b>	<b>785</b>	<b>-</b>	<b>11,712</b>	<b>1,031</b>	<b>75</b>	<b>694</b>	<b>83</b>	<b>123</b>	<b>14,572</b>
<b>Net book value at 31 March 2010</b>	<b>334,174</b>	<b>11,444</b>	<b>225</b>	<b>33,782</b>	<b>402</b>	<b>8</b>	<b>198</b>	<b>29</b>	<b>-</b>	<b>380,262</b>
Net book value at 31 March 2009	395,968	12,699	154	38,774	897	11	307	-	-	448,810

## 20. Property, plant and equipment (Continued)

	Land		Buildings		Heritage Assets		Infrastructure Assets		Information Technology		Plant & Machinery		Furniture & Fittings		Transport Equipment		Antiques & Works of Art		Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Asset Financing at 31 March 2010</b>																			
Owned	334,174	9,554	225	33,782	402	8	198	29	-	-	378,372								
Capitalised leasehold	-	1,890	-	-	-	-	-	-	-	-	1,890								
<b>Net book value at 31 March 2010</b>	<b>334,174</b>	<b>11,444</b>	<b>225</b>	<b>33,782</b>	<b>402</b>	<b>8</b>	<b>198</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>380,262</b>								
<b>Analysis of property, plant and equipment</b>																			
The net book value of property, plant and equipment comprises:																			
Core Department 2011	97,282	2,150	367	33,783	77	6	146	25	-	-	133,836								
Agencies 2011	4,175	7,492	-	-	57	-	60	-	-	-	11,784								
Core Department 2010	329,262	2,322	225	33,782	164	8	197	29	-	-	365,989								
Agencies 2010	4,912	9,122	-	-	238	-	1	-	-	-	14,273								
<b>Analysis of Heritage Assets<sup>1</sup></b>																			
<b>Cost or valuation</b>																			
At 1 April	225	154	171	171	171	171	171	171	171	171	171								
Additions	146	71	-	-	-	-	-	-	-	-	-								
Impairments	-	-	(17)	-	-	-	-	-	-	-	-								
Downward Revaluations	(4)	-	-	-	-	-	-	-	-	-	-								
<b>Net book Value at 31 March</b>	<b>367</b>	<b>225</b>	<b>154</b>	<b>171</b>	<b>171</b>	<b>171</b>	<b>171</b>	<b>171</b>	<b>171</b>	<b>171</b>	<b>171</b>								

<sup>1</sup> See note 1.3 Accounting Policies.

## 21. Intangible assets

Intangible assets comprise:

	Computer Software £'000	Other £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2010	853	17	870
Additions	112	-	112
Disposals	(22)	-	(22)
Impairments	8	-	8
Upward Revaluations	20	1	21
<b>At 31 March 2011</b>	<b>971</b>	<b>18</b>	<b>989</b>
<b>Amortisation</b>			
At 1 April 2010	520	8	528
Charged in year	102	3	105
Disposals	(22)	-	(22)
Impairments	5	-	5
Upward Revaluations	8	1	9
<b>At 31 March 2011</b>	<b>613</b>	<b>12</b>	<b>625</b>
<b>Net book value at 31 March 2011</b>	<b>358</b>	<b>6</b>	<b>364</b>
Net book value at 31 March 2010	333	9	342
Other intangible assets include: Computer Licences			
	Computer Software £'000	Other £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2009	705	16	721
Additions	81	-	81
Reclassifications	46	-	46
Impairments	5	-	5
Upward Revaluations	16	1	17
<b>At 31 March 2010</b>	<b>853</b>	<b>17</b>	<b>870</b>
<b>Amortisation</b>			
At 1 April 2009	335	5	340
Charged in year	175	3	178
Impairments	2	-	2
Upward Revaluations	8	-	8
<b>At 31 March 2010</b>	<b>520</b>	<b>8</b>	<b>528</b>
<b>Net book value at 31 March 2010</b>	<b>333</b>	<b>9</b>	<b>342</b>
Net book value at 1 April 2009	370	11	381
<b>Analysis of intangible fixed assets</b>			
<b>The net book value of intangible fixed assets comprises:</b>			
Core Department 2011	106	6	112
Agencies 2011	252	-	252
Core Department 2010	124	9	133
Agencies 2010	209	-	209

## 22. Assets classified as held for sale

	2010-11	2009-10
Note	£'000	£'000
Balance at 1 April	567	16,066
Disposal	(1,270)	(4,643)
Reclassification	11,532	(10,528)
Upwards Revaluation	163	185
Downward Revaluations	(8,424)	(513)
<b>Balance at 31 March</b>	<b>2,568</b>	<b>567</b>

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

Assets held for resale comprise some of the assets falling within the New Town Lands in Antrim, Ballymena, Craigavon and Belfast areas. The properties are being offered for sale in anticipation of disposals being confirmed in 2011-12.

### Analysis of Assets held for resale

The net book value of assets held for resale comprises:

Core Department	2011	2,568
Agencies	2011	-
Core Department	2010	567
Agencies	2010	-

## 23. Financial Instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

### **Credit Risk**

The Department manages its exposure to credit risk via credit risk management policies. Credit policies cover exposures generated from Benefit Overpayment Receivables and Social Fund Loans.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the Statement of Financial Position. For Benefit Overpayment Receivables and Social Fund Loans the exposure to credit risk is the amount of receivables or loan not recovered from benefit customers.

### **Liquidity risk**

The Department's resource requirements are financed by resources voted by the Assembly, as is its capital expenditure. It is not, therefore, exposed to significant liquidity risks.

### **Interest rate risk**

Interest rate risk primarily occurs when there are changes in the market interest rates. The Department has discounted the forecast future cash flows for estimated recoveries and write offs for Benefit Overpayment Receivables and Social Fund Loans. The discount rate applied is the Treasury's real rate for the cost of capital 3.5%. The Treasury's discount rate is substantially independent of changes in market interest rates.

The Department categorises the following account balances to be financial instruments:

#### **(i) Cash and cash equivalents**

- Programme and Resource Financing
- Cash with Paying Agents
- Encashment Control
- NIF Receivable

Cash and cash equivalents are classified as Financial Instruments under IAS 32, IAS 39 and IFRS 7 criteria. The fair value for these approximates to the current value stated in the Statement of Financial Position owing to the short maturity of this instrument.

## (ii) Loans and Receivables

- Benefit Overpayment Receivables (including Housing Benefit)
- Social Fund Loans
- NIHE Loan Receivable

The Benefit Overpayment Receivables and Social Fund Loans are classified as Financial Instruments under IAS 32, IAS 39 and IFRS 7 criteria. These standards require these to be stated in the Statement of Financial Position at their fair value.

Financial Instruments are carried at amortised cost using the effective interest method, with changes in value between the 1 April 2010 - 31 March 2011 recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.

The amounts included in the 2010-11 accounts are:

	Gross Receivables	Impairment & Discounting Debt	Net Receivables
<b>Statement of Financial Position</b>			
<i>Receivables (amounts falling due less than one year):</i>			
Contributory Benefits	684	(99)	585
Non-contributory Benefits	7,647	(1,647)	6,000
Housing Benefit	2,416	-	2,416
Funeral Loans	40	(40)	-
Social Fund: Other Loans	48,336	(2,160)	46,176
CRU Debt	1,111	(370)	741
<i>Receivables (amounts falling due more than one year):</i>			
Contributory Benefits	7,629	(5,951)	1,678
Non Contributory Benefits	79,105	(48,583)	30,522
Housing Benefit	24,482	(13,166)	11,316
Funeral Loans	8,099	(8,048)	51
Social Fund: Other Loans	43,813	(6,305)	37,508
	<b>223,362</b>	<b>(86,369)</b>	<b>136,993</b>

### NIHE Loan Receivable

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.

## (iii) Other Liabilities

- Programme and Resource Payable and Accruals

Contractual Programme and Resource payable and accruals are non-derivative Financial Instruments. These amounts are due within one year and have no impairment indicators.

The Department has reviewed all contracts including Service Level Agreements and Letters of Offer with Third Parties for any embedded derivatives. The review concluded that any embedded derivatives which exist are outside the scope of IAS 39.

## 24. Investments in other public sector bodies

	2010-11	2009-10
	£'000	£'000
Balance at 1 April	13,545	14,354
Repayments	(900)	(809)
<b>Balance at 31 March</b>	<b>12,645</b>	<b>13,545</b>
<b>Analysis of investments</b>		
<b>The balance of investments comprises:</b>		
<b>Core Department</b>	<b>2011</b>	<b>12,645</b>
<b>Agencies</b>	<b>2011</b>	<b>-</b>
Core Department	2010	13,545
Agencies	2010	-

## 25. Impairments

	2010-11	2009-10
	£'000	£'000
Amount charged to the Statement of Comprehensive Net Expenditure	48,106	10,048
Amount taken through the Revaluation Reserve	182,851	58,850
<b>Total Impairment charge for the year</b>	<b>230,957</b>	<b>68,898</b>

## 26. Trade receivables and other current assets

### Analysis by type

#### 26.1 Amounts falling due within one year:

	Note	2010-11		2009-10	
		Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
<b>Administration</b>					
VAT		191	191	65	65
Prepayments and accrued income		127	127	52	52
Other administration receivables	26.1a	168	168	336	247
<b>Programme</b>					
Inter- Departmental receivable with DHSSPS		-	7,306	-	6,502
VAT		662	973	96	640
Benefit overpayments					
- Contributory benefits		-	585	-	337
- Non-contributory benefits		-	6,000	-	5,165
- Housing benefit		2,416	2,416	2,239	2,239
- Social Fund		-	192	-	165
Benefit prepayments					
- Contributory benefits		-	9,505	-	11,479
- Non-contributory benefits		-	6,836	-	9,045
Social Fund loans					
- Other loans	26.1b	-	46,176	-	39,955
NIF receivable		-	9,348	-	9,848
Current account balance with NIF		-	-	-	-
Prepayments and accrued income		1,030	3,062	1,308	1,574
Amounts due from the Consolidated Fund					
in respect of supply		5,702	-	8,159	-
NIHE receivable	26.1f	78,871	78,871	87,062	87,062
Other programme receivables	26.1c - 26.1e	20,172	22,253	23,039	24,893
<b>Total amounts falling due within one year</b>		<b>109,339</b>	<b>194,009</b>	<b>122,356</b>	<b>199,268</b>

**26.1a** Other administration receivables consist of: Recoveries from DFP £0.016 million, Recoveries from NI Water £0.004 million, Travel Cards £0.006 million, Accrued Income £0.077 million, Recoupment from IFI £0.058 million and Miscellaneous £0.007 million.

**26.1b** Other Social Fund loans consist of: Budget Loans £34.996 million and Crisis Loans £11.180 million

**26.1c Other programme receivables consist of:**

- (i) DSD Core: Housing Benefit Rent and Rates Prepayments £7.341 million.
- (ii) Housing: Loan interest receivable £0.675 million, NICHA £1.248 million and NIHE £0.494 million.
- (iii) URCDG: EU Receivable £6.317 million, Land Sales Receivable £2.283 million, Clawback Debtors £0.011 million, Other Receivables £1.585 million.
- (iv) SSA: Sundry receivable £0.097 million.
- (v) SSA Benefits: Overseas Receivables £0.258 million, CRU Receivable £1.111 million, Potential Receivable £0.520 million, DWP £0.448 million, sundry receivables £0.017 million and Impairment (£0.370 million).
- (vi) CMED: Control Account Receivable £0.218 million.

**26.1d** Included within Other programme receivables is £1.107 million (2009-10 £1.203 million) that will be due to the Consolidated Fund once the receivables are collected.

**26.1e** In 2010-11 the Social Security Agency has undertaken an exercise to value the benefit receivables amount not yet identified to Debt Centre NI (DCNI) and held at local and central benefit offices. The valuation is based on a stock count at 31 March 2011 and historical trends of average overpayment values. This has been valued in total at £5.199 million and is disclosed as £0.520 million in other programme receivables less than one year, and £4.679 million in other programme Receivables falling due after more than one year.

**26.1f** NIHE loans with DFP of £78.871 million are shown in the DSD Statement of Financial Position. There is a trade receivable from NIHE and a corresponding trade payable to DFP (Consolidated Fund).

## 26.2 Amounts falling due after more than one year:

	2010-11		2009-10	
	Core		Core	
	Department	Consolidated	Department	Consolidated
Note	£'000	£'000	£'000	£'000
<b>Programme</b>				
Inter- Departmental receivable with DHSSPS	-	18,288	-	16,805
Benefit overpayments				
- Contributory benefits	-	1,678	-	1,396
- Non-contributory benefits	-	30,522	-	31,775
- Housing benefit	11,316	11,316	9,070	9,070
Social Fund loans				
- Funeral loans	-	51	-	49
- Other loans	26.2a	37,508	-	32,249
NIHE receivable	26.2c	614,593	693,446	693,446
Other programme receivables	26.2b	4,679	-	6,880
<b>Total amounts falling due after more than one year</b>		<b>625,909</b>	<b>718,635</b>	<b>791,670</b>
<b>Total trade receivables and other current assets</b>		<b>735,248</b>	<b>824,872</b>	<b>990,938</b>

**26.2a** Other Social Fund loans consist of: Budget Loans £23.407 million, Crisis Loans £14.101 million.

**26.2b** Other programme receivables consist of: £4.679 million relating to the valuation of benefit overpayment receivables not yet identified to Debt Management Unit and held at local and central offices.

**26.2c** NIHE loans with DFP of £614.593 million are shown in the DSD Statement of Financial Position. There is a trade receivable from NIHE and a corresponding trade payable to DFP (Consolidated Fund).

## 26.3 Intra-Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2010-11	2009-10	2010-11	2009-10
	£'000	£'000	£'000	£'000
Balances with other central government bodies	13,147	14,593	-	-
Balances with local authorities	2,071	-	18,714	-
Balances with NHS trusts	7,306	6,502	18,288	16,805
Balances with public corporations and trading funds	87,052	94,434	607,195	702,516
<b>Subtotal: intra-government balances</b>	<b>109,576</b>	<b>115,529</b>	<b>644,197</b>	<b>719,321</b>
Balances with bodies external to government	84,433	83,739	74,438	72,349
<b>Total trade receivables and other current assets at 31 March</b>	<b>194,009</b>	<b>199,268</b>	<b>718,635</b>	<b>791,670</b>

### Potential Receivables - Compensation Recovery Unit

Receivables will only be recognised in the Statement of Financial Position 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 in the Statement of Financial Position.

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 Department 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 Department's Statement of Financial Position, 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 Department for the year to 31 March 2011, £6.435million (2009-10 £7.282 million), on an annualised basis has been included in the Statement of Comprehensive Net Expenditure 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.

## 27. Cash and cash equivalents

### 27.1 Cash with paying agents

	2010-11		2009-10		
	Note	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Santander Commerical Bank plc		-	2,840	-	3,062
<b>Balance at 31 March</b>		-	<b>2,840</b>	-	<b>3,062</b>

### 27.2 Cash and cash equivalents

	2010-11		2009-10		
		Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Balance at 1 April		(7,561)	(5,711)	(7,026)	(4,706)
Net change in cash and cash equivalent balances		2,369	4,200	(535)	(1,005)
<b>Balance at 31 March</b>		<b>(5,192)</b>	<b>(1,511)</b>	<b>(7,561)</b>	<b>(5,711)</b>

The following balances at 31 March are held at:

	2010-11		2009-10		
		Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Commercial bank balances		(5,195)	(1,528)	(7,607)	(5,772)
Cash at bank and in hand		3	17	46	61
<b>Balance at 31 March</b>		<b>(5,192)</b>	<b>(1,511)</b>	<b>(7,561)</b>	<b>(5,711)</b>

## 28. Reconciliation of Net Cash Requirement to increase/decrease in cash

	2010-11		2009-10	
	Core		Core	
	Department	Consolidated	Department	Consolidated
Note	£'000	£'000	£'000	£'000
Net cash requirement*	1,348,565	3,754,298	1,344,780	3,660,485
From the Consolidated Fund (Supply) -current year	(1,342,864)	(3,647,535)	(1,336,568)	(3,550,960)
From the Consolidated Fund (Supply) – prior year	(8,159)	3,472	(13,144)	(2,828)
Amounts due to the Consolidated Fund received in a prior year and paid over	241	308	6,001	6,017
Amounts due to the Consolidated Fund received and not paid over	29	(456)	(241)	(309)
Funding from Social Fund	-	(114,062)	-	(112,868)
From the National Insurance Fund	(1,800)	(2,098,634)	(2,650)	(2,036,141)
Payments to the National Insurance Fund	1,800	2,101,921	2,650	2,041,477
Other Government Financing	303	(3,483)	(239)	(3,739)
Other	1	-	(54)	(129)
<b>Increase/(decrease) in cash</b>	<b>(2,369)</b>	<b>(4,200)</b>	<b>535</b>	<b>1,005</b>

\* The Net Cash Requirement per the Statement of Parliamentary Supply has been adjusted by £114 million to reflect funding from Social Fund for the purpose of the reconciliation in this note.

## 29. Trade payables and other current liabilities

### Analysis by type

#### 29.1 Amounts falling due within one year:

	Note	2010-11		2009-10	
		Core		Core	
		Department	Consolidated	Department	Consolidated
		£'000	£'000	£'000	£'000
<b>Administration</b>					
Trade Payables:					
- Capital		-	-	1	1
VAT		34	34	-	-
Other taxation and social security		1	1	71	71
Accruals and deferred income		4,698	4,698	2,102	2,102
Consolidated Fund extra receipts due to be paid to the Consolidated Fund					
- Received		-	-	4	4
Other administration payables	29.1a	44	44	42	42
<b>Programme</b>					
Bank overdraft	27.2	5,195	1,528	7,607	5,772
Accruals and deferred income		2,370	14,043	2,520	24,470
Inter-Departmental payable with DHSSPS		-	7,306	-	6,502
Inter-Departmental payable with DWP		53	53	356	356
Benefit accruals:					
- Contributory benefits		-	29,087	-	26,813
- Non-contributory benefits		-	32,414	-	28,859
- Social Fund		-	54	-	158
Encashment control		-	3,260	-	3,905
Amounts issued from the Consolidated Fund for supply but not spent at year end					
		-	7,299	-	3,472
Consolidated Fund extra receipts due to be paid to the Consolidated Fund					
- Received		456	485	237	305
- Receivable		1,107	1,107	1,203	1,203
EU grants accrual		790	790	1,273	1,273
NIHE payable	29.1c	78,871	78,871	87,062	87,062
Other programme payables	29.1b	56,007	59,844	70,325	75,501
<b>Total amounts falling due within one year</b>		<b>149,626</b>	<b>240,918</b>	<b>172,803</b>	<b>267,871</b>

**29.1a** Other administration payables consist of: Staff payroll costs £0.040 million, Misc £0.004 million.

**29.1b** Other programme payables consist of:

(i) DSD Core: Housing Benefit Accrual £10.795 million and Financial Assistance Scheme Accrual £0.960 million.

(ii) Housing: HAG to NI Co-Ownership Housing Association £0.840 million and Other Accruals £0.040 million.

(iii) URCDG: Grant Accruals £33.468 million, Vested Land Payable £4.980 million, Roads Services £0.003 million, Land Sales Deposits £0.169 million, Deferred Grant Income £3.528 million, Other £1.171 million.

(iv) SSA: Other payables £0.132 million.

(v) SSA: Inland Revenue £0.254 million, Inter Government £0.688 million, Health Service £1.261 million, DEL £0.590 million, Overseas Governments £0.040 million and Other Payables £0.872 million.

(vi) CMED: Payroll Payables £0.013 million and Payover control £0.040 million.

**29.1c** NIHE loans with DFP of £78.871 million (2009-10 £87.062 million) are shown in the DSD Statement of Financial Position. There is a receivable from NIHE and a corresponding payable to DFP (Consolidated Fund). Included in this balance is a payable of £2.071million (2009-10 £2.142 million) to local authorities.

**29.2** Amounts falling due after more than one year:

	Note	2010-11		2009-10	
		Core		Core	
		Department	Consolidated	Department	Consolidated
		£'000	£'000	£'000	£'000
<b>Programme</b>					
Inter - Departmental Payable with DHSSPS		-	18,288	-	16,805
NIHE payable	29.2a	614,593	614,593	693,446	693,446
<b>Total amounts falling due after more than one year</b>		<b>614,593</b>	<b>632,881</b>	693,446	710,251
<b>Total payables and other current liabilities</b>			<b>873,799</b>		978,122

**29.2a** NIHE loans with DFP of £614.593 million (2009-10 £693.446 million) are shown in the DSD Statement of Financial Position. There is a receivable from NIHE and a corresponding payable to DFP (Consolidated Fund). Included in this balance is a payable of £18.714 million (2009-10 £20.803 million) to local authorities.

### 29.3 Intra - Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2010-11	2009-10	2010-11	2009-10
	£'000	£'000	£'000	£'000
Balances with other central government bodies	18,612	105,695	-	672,643
Balances with local authorities	2,071	2,142	18,714	20,803
Balances with NHS trusts	8,567	7,447	18,288	16,805
Balances with public corporations and trading funds	88,322	9,408	595,879	-
<b>Subtotal: intra-government balances</b>	<b>117,572</b>	<b>124,692</b>	<b>632,881</b>	<b>710,251</b>
Balances with bodies external to government	123,346	143,179	-	-
<b>Total trade payables and other current liabilities at 31 March</b>	<b>240,918</b>	<b>267,871</b>	<b>632,881</b>	<b>710,251</b>

### 30. Provision for liabilities and charges

	Core Department						Consolidated						
	Early Departure Costs £'000	Equal Pay Admin £'000	Financial Assistance Scheme £'000	Equal Pay Programme £'000	Other Programme £'000	Total £'000	Early Departure Costs £'000	Equal Pay Admin £'000	Financial Assistance Scheme £'000	Equal Pay Programme £'000	Other Programme £'000	Total £'000	
Balance at 1 April 2010	8	-	190	109,738	16,740	575	127,251	8	190	109,738	62,910	2,301	175,147
Provided in the year	15.2, 16	76	-	1,784	-	184	2,062	76	18	-	1,784	366	2,244
Provisions not required written back	15.2, 16	(41)	(5)	(73,001)	(1,784)	-	(74,831)	(41)	(5)	(73,001)	(1,784)	(623)	(75,454)
Unwinding of discount	15.2, 16	-	-	10,678	-	-	10,678	-	-	10,678	-	(16)	10,662
Other	15.2, 16	-	-	-	-	-	-	-	-	-	-	-	-
		35	-	13	(62,323)	-	184	35	13	(62,323)	-	(273)	(62,548)
Provisions utilised in the year		(8)	(14)	(960)	(15,929)	(464)	(17,375)	(8)	(14)	(960)	(61,138)	(550)	(62,670)
<b>Balance at 31 March 2011</b>	<b>35</b>	<b>-</b>	<b>189</b>	<b>46,455</b>	<b>811</b>	<b>295</b>	<b>47,785</b>	<b>35</b>	<b>189</b>	<b>46,455</b>	<b>1,772</b>	<b>1,478</b>	<b>49,929</b>

### **30. Provision for liabilities and charges (Continued)**

Grant related expenditure incurred but not yet claimed by each recipient, or grant claimed but not yet paid by the Department, are accrued in the Department's Resource Account within Payables and Accruals payable within one year. This is consistent with the Department's accounting policy that grants are recorded as expenditure in the period in which the recipient carries out the activity which creates the entitlement to the grant.

#### **Other Administration provisions include:**

(i) Core: Equal Opportunities Provision £0.027 million and Personal Injury Provision £0.025 million.

(ii) Urban Regeneration: Tribunal Cases £0.012 million and Provision for Back Salary Payments for Contract Staff £0.125 million.

#### **Other Programme provisions include:**

(i) Urban Regeneration: Personal Injury Cases £0.234 million.

(ii) SSA: Personal injury £0.534 million, equal opportunities £0.113 million and early departures £0.034 million.

(iii) SSA Benefits: Compensation Recovery Unit £0.502 million.

(iv) CMED: Equal Opportunity £0.040 million and Personal Injury £0.021 million.

### 30. Provision for liabilities and charges (Continued)

Analysis of expected timing of discounted flows

	Core Department						Consolidated					
	Early Departure Costs	Equal Pay	Other Admin	Financial Assistance Scheme	Equal Pay Programme	Total	Early Departure Costs	Equal Pay	Other Admin	Financial Assistance Scheme	Equal Pay Programme	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
In the remainder of the Spending												
Review period (to 2011)	2	-	137	598	142	1,113	2	-	137	598	142	1,615
Between 2012 and 2016	33	-	52	3,929	669	4,744	33	-	52	3,929	1,630	6,386
Between 2017 and 2021	-	-	-	5,403	-	5,403	-	-	-	5,403	-	5,403
Thereafter	-	-	-	36,525	-	36,525	-	-	-	36,525	-	36,525
<b>Balance at 31 March 2011</b>	<b>35</b>	<b>-</b>	<b>189</b>	<b>46,455</b>	<b>811</b>	<b>47,785</b>	<b>35</b>	<b>-</b>	<b>189</b>	<b>46,455</b>	<b>1,772</b>	<b>49,929</b>

## **30. Provision for liabilities and charges (Continued)**

### **Early departure costs**

The Department (and its Agency ) meet the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS(NI) over the period between early departure and normal retirement date. The Department and its Agency provide for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 3.5 % in real terms.

### **Financial Assistance Scheme**

The Financial Assistance Scheme provides financial assistance to members of certain occupational pension schemes who have lost part or all of their pensions as a consequence of their scheme ending without having enough money to pay full pensions benefits. The Department for Work and Pensions calculate the provision on behalf of the whole of the UK, including Northern Ireland, using statistical models. As some employees were quite young when their Pension Scheme ended the Department for Work and Pensions model has forecast payments up until 2100. The provision is calculated using a discount rate of 2.5% for inflation and a further 2.2% for net present value

### **Equal Pay**

The vast majority of equal pay settlement payments (circa 14,800) have now been made with around 1,100 remaining. This provision represents the Department's expected share of the settlement payment for the remaining staff.

### **Other**

Other provisions include Equal Opportunities, Personal Injury, Walsh Judicial Review, Tribunal Cases, Contract Staff back payments, Warm Homes and Compensation Recovery Unit. These provisions are calculated on a case by case basis and the expenditure is likely to be incurred within the next financial year.

### 31 Notes to the Consolidated Statement of Operating Costs by Departmental Strategic Objectives

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

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

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

	2010-11	2009-10 (Restated)
	£'000	£'000
Objective 1	5,101,683	5,091,181
Objective 2	453,454	492,139
Objective 3	109,426	98,829
<b>Total</b>	<b>5,664,563</b>	<b>5,682,149</b>
<b>Capital Employed by Departmental Aim and Objectives</b>		
	2010-11	2009-10 (Restated)
	£'000	£'000
Objective 1	40,197	(92,392)
Objective 2	13,359	12,708
Objective 3	99,414	315,192
<b>Total</b>	<b>152,970</b>	<b>235,508</b>

## 32. Capital commitments

	2010-11		2009-10	
	Core		Core	
	Department	Consolidated	Department	Consolidated
Note	£'000	£'000	£'000	£'000
Contracted capital commitments at 31 March not otherwise included in these financial statements:				
Property, Plant and Equipment	-	450	-	-
Information Technology	-	913	-	-
<b>Total</b>	-	1,363	-	-

### Medical Support Services (MSS)

The Agency signed a contract in January 2011 with Atos Healthcare for the provision of medical support services. The contract arrangements have commenced in June 2011. The total contract costs include charges for medical experts, administrative staff, accommodation and ICT infrastructure costs.

Capital commitments within the MSS contract include accommodation and ICT infrastructure costs. The accommodation costs are for the upgrade of Medical Examination Centres (MECs) in Ballymena and Londonderry that Atos Healthcare will use in the provision of the contract service. The capital cost for this work is estimated to be £0.450 million due within the 2011-12 financial year.

The ICT infrastructure costs within the MSS contract are for cabling, servers and other IT equipment that is required to facilitate the operation of the new IT computer system. This ICT infrastructure will be required for all MECs utilised by the contractor.

The capital cost for this work is estimated to be £0.913 million due within the 2011-12 financial year.

### 33 Commitments under leases

#### 33.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2010-11		2009-10 Restated		
	Note	Core Department £'000	Consolidated £'000	Department £'000	Consolidated £'000
<b>Obligations under operating leases comprise:</b>					
Buildings:					
Not later than one year		2,220	2,220	2,239	2,239
Later than one year and not later than five years		7,722	7,722	8,270	8,270
Later than five years		1,251	1,251	2,895	2,895
<b>Total</b>		<b>11,193</b>	<b>11,193</b>	<b>13,404</b>	<b>13,404</b>
Other:					
Not later than one year		30	98	87	178
Later than one year and not later than five years		20	27	27	64
<b>Total</b>		<b>50</b>	<b>125</b>	<b>114</b>	<b>242</b>
<b>Total obligations under operating leases</b>		<b>11,243</b>	<b>11,318</b>	<b>13,518</b>	<b>13,646</b>

Other commitments under operating leases include: Photocopiers £ 0.090 million, payphones £0.001 million, van £0.001million, carpark spaces £0.005 million, Mallusk stores £0.021million and cars £0.007million.

#### 33.2 Finance leases

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

## 34 Government grant commitments

Note	2010-11		2009-10	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£'000	£'000	£'000	£'000
Government grant commitments at 31 March for which no provision has been made	67,220	67,220	81,872	81,872
<b>Total</b>	<b>67,220</b>	<b>67,220</b>	<b>81,872</b>	<b>81,872</b>

Future amounts payable under EU letters of Offer are included within this note as a commitment rather than as a provision within note 30.

## 35 Other financial commitments

### Standard Service Business Allocation

The Department for Work and Pensions (DWP) has entered into contracts for Information Technology Services to support the administration and delivery of social security benefits. The Department for Social Development (DSD) acting for and on behalf of the Social Security Agency is treated as a 'related organisation' for some of these DWP contracts. One of these DWP contracts is the Standard Services Business Allocation (SSBA) contract. The Department is not a signatory to the SSBA contract. The Department effectively buys a service from the contract, under the DWP contract terms and arrangements and DWP pass on the costs for the Department's share of the services it has consumed via a monthly re-charge.

The charges for the Standard Services Business Allocation contract for 2010-11 are £15.443 million (2009-10: £15.914 million).

As above the Department costs for the SSBA contract are charged on a monthly basis depending on the Department's usage of the relevant IT services.

The anticipated charges for the 2011-12 financial year for the Standard Services Business Allocation (SSBA) arrangements are estimated to be in the region of £15 million. This amount is subject to fluctuation and is dependant upon the volumetric usage of the contract by the Department throughout the year.

### Post Office card account

The Department for Social Development (DSD) acting for and on behalf of the Social Security Agency (SSA) is a party to the DWP contract for the provision of Post Office Card Accounts with Post Office Ltd (commonly known as the Post Office Card Account contract). The Post Office Card Account service is a simple bank account service for recipients of benefits and tax credits which is contracted out to Post Office Ltd. The Government departments who utilise the contract are invoiced directly by Post Office Ltd on a monthly basis. The running costs of the contract are apportioned

between the Government departments based on the volume of payments made to the Post Office card accounts in the preceding month.

The charges under the Post Office Card Account contracts for 2010-11 are £6.035 million (2009-10: £9.530 million).

As above the Department's costs for the Post Office card account contract are charged on a monthly basis depending on the volume of Department payments made to the Post Office card accounts.

The anticipated charges for the 2011-12 financial year for the Post Office card account (POca) arrangements are estimated to be in the region of £5 million. This amount is subject to fluctuation and is dependant upon the volumetric usage of the contract by the Department throughout the year.

### **Central Payments System**

The Central Payment System (CPS) Programme has been established to design and develop an integrated payment and accounting system for the Department for Work and Pensions (DWP) in GB, for the delivery of Social Security Benefits.

The Agency utilises the DWP Heritage Benefit Systems (HBSs) for processing benefits to Northern Ireland (NI) customers. These systems have been developed and maintained under DWP contracts.

In order to ensure its ability to deliver its primary business function and maintain parity with DWP, the Agency has taken forward the CPS solution in Northern Ireland

The anticipated charge for the 2011-12 financial Year for CPS is estimated to be in the region of £2 million.

### **Medical Support Services (MSS)**

The Northern Ireland Social Security Agency (SSA) signed a contract in January 2011 with Atos Healthcare for the provision of medical support services. The contract arrangements have commence in June 2011. The total contract costs include charges for medical experts, administrative staff, accommodation and ICT infrastructure costs.

The anticipated charges for 2011-12 financial year for the MSS contract are estimated to be £7 million.

## 36 Contingent liabilities disclosed under IAS 37

**The Department has entered into the following contingent liabilities**

### **Urban Regeneration and Community Development Group:**

There is an estimated contingent liability for outstanding public liability claims £0.233million.

### **Child Maintenance and Enforcement Division**

From April 1995 some debt has been deferred and will not be recoverable from clients provided certain conditions have been met. This could result in the Division taking over this debt from the Parent with Care. The maximum potential liability at 31 March 2011 is £0.012 million (£0.013 million 2009-10). To date only £0.199 million has been paid out and as a result it is deemed too soon to accurately predict the final amount.

### **Social Security Agency**

#### **Home Responsibilities Protection Error Initiative**

Home Responsibilities Protection (HRP) was introduced in 1978 and reduces the number of qualifying years required in order to receive a full basic State Pension. HRP should be allocated if the customer receives child benefit for a child under the age of 16. It should be recorded automatically on the child benefit payee's account on the National Insurance and PAYE system (NPS) by means of a data feed from the Child Benefit Computer system. However, it emerged that there had been a significant weakness in the system. Many cases had to be clerically matched because neither the individual's national insurance number nor date of birth was included in the child benefit details. As a result, the correct number of HRP years had not been included in some records, affecting State Pension entitlement. This weakness has now been removed for new claims to child benefit from 2000 onwards as customers are required to provide their national insurance numbers.

A special exercise commenced in July 2009 to review existing State Pension awards for women and is due to be completed by 30 June 2011. As at 31 March 2011, State Pension arrears of £2,873,768 had been paid, plus compensation of £434,964 in 2010-11. All 6,000 cases identified have now been reviewed, with an error rate of 21% reported.

It is estimated that the remaining cases to be examined between April 2011 and July 2011 could result in compensation payments of up to £63,700 and Programme arrears of up to £318,400 in total, although these estimates are subject to uncertainty.

#### **Additional Pension Exercise**

Following work done to correct erroneous up-rating of Guaranteed Minimum Pensions (GMP) in public sector schemes, Her Majesty's Revenue and Customs have requested further checks on cases suspected of having further errors in the calculation of

GMP. Initial analysis suggests that there are no predominant types of error. The overall error rate is relatively low (estimated at around 3% of the Additional Payment (AP) caseload), considering the complexity of GMP. However, the size of the AP caseload and the initial estimates of the monetary value of error prompted a review of cases which started in January 2011 and is planned to end in March 2012. During 2010-11, special payments were made to customers totalling £85,750. While the value of future compensation payments may vary and cannot be estimated reliably approximately a further £50k in special payments may be incurred during 2011-12.

### **Transfer of State Pensions and Benefits**

The Transfer of State Pensions and Benefits Regulations 2007 allows for a person's rights which have accrued by virtue of National Insurance contributions to be transferred to the Pension Scheme for Officials and Servants of Community Institutions and a transfer payment made accordingly by the Department. Until the transfer value has been calculated, a contingent liability arises.

## 37. Losses and special payments:

### Losses and Special Payments

RfR A	2010-11	2009-10
<b>Social Security and Child Maintenance and Enforcement</b>		
<b>Losses</b>	<b>£'000</b>	<b>£'000</b>
Total (101 cases)	31	5
<b>Special Payments</b>	<b>£'000</b>	<b>£'000</b>
Total ( 11,815 cases)	2,952	2,027
Comprising:		
Ex-gratia payments (1,706 cases)	1,502	940
Extra-statutory payments (10,109 cases)	1,450	1,087
<b>Social security - administered by the Social Security Agency</b>		
<b>Losses</b>	<b>£'000</b>	<b>£'000</b>
Total (55,650 cases)	16,494	18,927
<b>Social security - administered by the Northern Ireland Housing Executive</b>		
<b>Losses</b>	<b>£'000</b>	<b>£'000</b>
Total (6,849 cases)	1,815	1,289
<b>Reimbursement of Child Maintenance Overpayments</b>		
<b>Losses</b>	<b>£'000</b>	<b>£'000</b>
Total (284 cases)	197	190
<b>RfR B</b>		
<b>Housing</b>		
<b>Losses</b>	<b>£'000</b>	<b>£'000</b>
Total (28 cases)	2,027	-
<b>Special Payments</b>	<b>£'000</b>	<b>£'000</b>
Total (677 cases)	3,324	18
Comprising:		
Ex-gratia payments (29 cases)	105	18
Extra-statutory payments (648 cases)	3,219	-
<b>RfR C</b>		
<b>Urban regeneration and community development</b>		
<b>Losses</b>	<b>£'000</b>	<b>£'000</b>
Total (3 cases)	20	453
<b>Special Payments</b>	<b>£'000</b>	<b>£'000</b>
Total (1 cases)	5	1,261
Comprising:		
Ex-gratia payments (1 cases)	5	1,261
Extra-statutory payments (0 cases)	-	-

Details of cases over £250,000 are as follows:

Special Purchase of Evacuated Dwellings stock sold during the year resulted in a loss on sale of £2,026,933 for the Northern Ireland housing Executive. This is included above under RfR B.

### **38 Related-party transactions**

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

In addition, the Department has had a small number of transactions with other Government Departments and other 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 of Social Development during the year.

## 39 Payment Accuracy

This note provides detail on the area of Payment Accuracy (benefit fraud and error), and the relevant estimated amounts of overpayments and underpayments across all Social Security Agency Benefits and Housing Benefit.

### Social Security Agency ('the Agency')

The Agency aims to pay the right money to the right person at the right time. Social security legislation lays out the basis on which the Agency calculates and pays benefits. However, the complexity of the benefit systems and inherent risk associated with the award and payment of benefits result in inaccurate payments being made in a proportion of the awards we make. The Agency does have a robust security strategy in place to tackle incorrectness and measure results. The focus is on:-

- Getting it right - by preventing fraud and error entering the benefit system at the point of application;
- Keeping it right - by reviewing cases regularly and systematically in order to detect and eliminate fraud and error that has entered the system;
- Putting it right - by identifying claims that have become erroneous and taking prompt action to correct them; by detecting and preventing fraud through the provision of a proactive and reactive investigative service; taking appropriate action to apply sanctions on deliberate offenders; and
- Making sure the strategy works - by monitoring progress and regularly evaluating the strengths and weaknesses within the strategy and adjusting practices as appropriate.

The Agency currently administers 33 benefits including over 957,000 claims at any one time. Processing volumes related to this are approximately 30 million benefit payments per year, with 621,357 fresh claims and 885,566 changes in customer circumstances. Any benefit system that pays out money in response to given circumstances will always be vulnerable to fraud, and a system that relies on human input will be more susceptible to both customer and official error. Despite these challenges the majority of the Agency's benefit expenditure is paid correctly.

During the calendar year 2010 the Agency has continued its regular monitoring and measurement of the levels of fraud and error. Essentially this involves two main activities.

#### (i) Financial Accuracy Monitoring

#### (ii) Benefit Reviews

An estimate of total fraud and error is derived by combining the results from Financial Accuracy monitoring, which provides a measure of Official Error, with results from the Benefit Reviews which provide a measure of Customer Fraud and Customer Error.

For clarity additional tables have also been included within the 2010 Payment Accuracy note to show the totals of estimated overpayments and underpayments for the last calendar year.

## **Notes to the Tables for Official Error, Customer Error and Customer Fraud**

### **Confidence Intervals**

The Department reviews a sample of claims and this sampling approach introduces statistical uncertainty into the figures. This uncertainty is quantified with a 95% confidence interval. These give the range in which we can be 95% sure that the true value lies for each of the estimates presented. They allow for the additional uncertainty that comes from the use of older measurements.

### **Benefits Administered by the Social Security Agency**

**Official Error:** The official error estimates in the following table are based on the results of the Agency's Financial Accuracy Exercises completed in 2010. Employment and Support Allowance (ESA) was introduced in October 2008 to replace Incapacity Benefit (IB) and Income Support (IS) that is paid because of an illness or disability for new claimants and is included in the formal financial accuracy exercise for the first time in 2010.

**Customer Error and Customer Fraud:** Customer error and customer fraud estimates for Income Support, State Pension Credit and Carer's Allowance are based on results from the Benefit Reviews completed in 2010. Customer error and customer fraud estimates for Jobseeker's Allowance, Incapacity Benefit and State Pension are based on the results of Benefit Reviews completed in 2009 updated. Customer error and customer fraud estimates for Disability Living Allowance are based on the results of the Benefit Review in 2008 updated. ESA was not included in the formal benefit review exercises for 2009 and 2010. As ESA replaced IB and IS, the levels of customer fraud and customer error in these benefits have been used to calculate proxy estimates for ESA in 2010.

**Benefit Expenditure:** In summary the total expenditure stated for 2010 includes expenditure on the 11 benefits reviewed as part of the Financial Accuracy and Benefit Review exercises, a total of £4,169 million, plus an amount of £183 million on other benefit expenditure in year, total annual expenditure £4,352 million.

Within the overall benefit expenditure totals in the tables below other benefit expenditure for the calendar year 2010 includes, Industrial Injuries Benefit £28.5 million, Severe Disablement Allowance £41.5 million, Christmas Bonus £4.8 million, Maternity Allowance £10 million, Cold Weather payments £25.7 million, Winter Fuel payments £68.8 million and sundry expenditure of £3.7 million. Other benefit expenditure for the calendar year 2009 includes, Industrial Injuries Benefit £28.6 million, Severe Disablement Allowance £42.1 million, Christmas Bonus £32.4 million, Maternity Allowance £10.1million, Employment and Support Allowance £39.4 million, Cold Weather payments £6.2 million, Winter Fuel payments £69.2 million and sundry expenditure of £3.4 million.

**Jobseeker's Allowance Training Allowances:** The figures quoted in the tables below for the annual benefit expenditure amounts for Jobseeker's Allowance include the associated expenditure for Jobseeker's Training allowances as provided by the Agency. The respective annual amounts for these training allowances are not included within the Agency's programme operating costs in the accounts but are instead netted off from the respective debtor or creditor balance held with the Department for Employment and Learning (DEL) at the financial year-end.

**Instrument of Payment (IOP) Fraud:** The IOP figures in 2010 and 2009 relate to duplicate encashment of cheques. Up to 31 October 2009 all cases received in IOP Support Unit were registered on the Benefit Investigation Services Management Information System (BISMIS) and the monetary value was recorded at this stage. That meant that once duplicate encashment had been established, the monetary value was available irrespective of whether an outcome of the investigation had been reached. From 1 November 2009 only cases where duplicate encashment has been established are registered on Fraud Referral and Intervention Management System (FRAIMS) however no monetary value is recorded until the outcome of the investigation has been reached and the case is prepared for closure. It is not therefore possible to do a year on year comparison for IOP as the figures for IOP in the 2010 table are based on cases closed on FRAIMS for the entire period January to December 2010 and figures in the 2009 table are cases registered on BISMIS up to 31 October 2009, and any cases closed on FRAIMS in November and December 2009.

### **Housing Benefit**

**Housing Benefit – for tenants:** is administered by the Northern Ireland Housing Executive on behalf of the Department. From 2009 Housing Benefit monitoring and review processes are consistent with the measurement approach adopted for all other social security benefits. Financial Accuracy Exercise measures Official error. Benefit Review measures Customer Fraud and Customer Error. The results provide estimates of fraud and error in Housing Benefit for tenants. The 2010 benefit expenditure on Housing Benefit for tenants was £568.3 million.

It is estimated that there was a total amount of approximately £14.8 million overpaid through fraud and error in Housing Benefit for tenants for the year 2010. This represents approximately 2.6% of the related expenditure for the calendar year, of which £0.9 million (0.2%) is Customer Fraud, £4.0 million (0.7%) is Customer Error and £9.8 million (1.7%) is Official Error.

2010 Official Error estimates for Housing Benefit for tenants are based on the results of Financial Accuracy Exercise in 2010. Customer Error and Customer Fraud estimates for Housing Benefit for tenants are based on the results of Benefit Review in 2010.

2009 Official Error estimates for Housing Benefit for tenants are based on the results of Financial Accuracy Exercise in 2009. Customer Error and Customer Fraud estimates for Housing Benefit for tenants are based on the results of Benefit Review in 2009.

**Housing Benefit – for owner occupiers:** by legislation this benefit is administered by the Department of Finance and Personnel (DFP). Operationally, this function is carried out by the Land and Property Services an executive Agency within DFP. The 2010 benefit expenditure on Housing Benefit for owner occupiers was £38.5 million.

It is estimated that there was a total amount of approximately £4.0 million overpaid through fraud and error in Housing Benefit for owner occupiers for the year 2010. This represents approximately 10.3% of the related expenditure for the financial year, of which £0.8 million (2.0%) is Customer Fraud, £1.9 million (4.9%) is Customer Error and £1.3 million (3.4%) is Official Error.

Housing Benefit – for owner occupiers has been included in the Resource Accounts of the Department for Social Development from 2006/2007.

2010 Official Error estimates for Housing Benefit for owner occupiers are based on the results of Financial Accuracy Exercise in 2010. Customer Error and Customer Fraud estimates for Housing Benefit for owner occupiers are based on the results of Benefit Review in 2010.

2009 Official Error estimates for Housing Benefit for owner occupiers are based on the results of Financial Accuracy Exercise in 2009. Customer Error and Customer Fraud estimates for Housing Benefit for owner occupiers are based on the results of Benefit Review in 2009.

### **Confidence Intervals – Housing Benefit**

Since the Department reviews a sample of claims, this sampling approach introduces statistical uncertainty into the figures. This uncertainty is quantified with 95% confidence interval. These give the range in which we can be 95% sure that the true value lies for each of the estimates presented. They allow for the additional uncertainty that comes from the use of older measurements.

## A: Overpayments

### Benefit Overpayments

The table below shows the Department's total estimates of benefit overpayments for the last 2 years, 2010 and 2009 (all social security benefits including Housing Benefit).

Comparisons between the 2 years show that there has been a marginal change in the Department's performance for total losses, in percentage terms for fraud and error, from 1.2% to 1.3%.

#### Estimates of benefit overpayments for 2010 and 2009

2010	Expenditure £	Monetary Value of Error £	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval
Official Error	4,958,958,003	32,323,135	25,405,485	40,496,073	0.70%	0.50%	0.80%
Customer Error	4,958,958,003	12,421,441	6,638,393	19,544,486	0.30%	0.10%	0.40%
Customer Fraud	4,958,958,003	22,174,207	12,763,635	34,131,019	0.40%	0.30%	0.70%
<b>Total Overpayments 2010</b>	<b>4,958,958,003</b>	<b>66,918,783</b>	<b>53,885,886</b>	<b>83,058,797</b>	<b>1.30%</b>	<b>1.10%</b>	<b>1.70%</b>

2009	Expenditure £	Monetary Value of Error £	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval
Official Error	4,714,895,771	21,064,146	16,890,518	26,497,870	0.40%	0.40%	0.60%
Customer Error	4,714,895,771	15,222,377	9,116,446	23,131,132	0.30%	0.20%	0.50%
Customer Fraud	4,714,895,771	22,236,054	13,473,937	34,944,328	0.50%	0.30%	0.70%
<b>Total Overpayments 2009</b>	<b>4,714,895,771</b>	<b>58,522,576</b>	<b>47,056,267</b>	<b>74,446,584</b>	<b>1.20%</b>	<b>1.00%</b>	<b>1.60%</b>

<sup>1</sup> The confidence intervals quoted for each error category relate to the individual error category Monetary Value of Error. The table also quotes a total Monetary Value of Error figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Error should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Error. The upper confidence interval quoted for the total Monetary Value of Error should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Error

The 2009 estimates do not include fraud and error results for ESA so are not directly comparable with the 2010 estimates which do include ESA.

The Department estimates that there was approximately £66.9 million overpaid through fraud and error in social security benefits for 2010. This represents approximately 1.3% of the total benefit expenditure for 2010, of which £22.2 million (0.4%) is Customer Fraud, £12.4 million (0.3%) is Customer Error and £32.3 million (0.7%) is Official Error.

The comparative estimate for 2009 is that there was approximately £58.5 million

overpaid through fraud and error in social security benefits for 2009. This represents approximately 1.2% of the total benefit expenditure for 2009, of which £22.2 million (0.5%) is Customer Fraud, £15.2 million (0.3%) is Customer Error and £21.1 million (0.4%) is Official Error. Thus, while total benefit expenditure has increased from £4,715 million in 2009, to £4,959 million in 2010, there has only been a marginal increase in the fraud and error overpayments from 1.2% to 1.3% of expenditure for the year.

A detailed breakdown of the total overpayment amount for 2010 of £66.9 million is disclosed in the following tables. The tables are produced to depict the individual totals arising from the three main elements of benefit overpayments, i.e. Official Error, Customer Error and Customer Fraud. Figures for the 2009 year are also included for comparative purposes though these do not include any estimates for ESA. In addition tables are also included that disclose the estimated amount of underpayments that have arisen from both Official and Customer Error in the 2010 and 2009 years.

## Official Error

Official Error occurs where benefit awards are miscalculated as a result of an official not applying the benefit specific rules correctly or not taking into account all the circumstances applicable to an individual. The table below sets out the estimate of Official Error in 2010. Estimates of Official Error in 2009 are also shown for comparative purposes.

### Estimates of benefit overpayments due to Official Error in 2010

Benefit	Expenditure £	Monetary Value of Official Error £	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Financial Accuracy Exercise
Income Support	428,056,340	3,383,463	1,231,052	5,945,774	0.80%	0.30%	1.40%	Jan - Dec 10
State Pension Credit	358,483,702	6,331,605	4,313,548	8,857,147	1.80%	1.20%	2.50%	Jan - Dec 10
Jobseeker's Allowance	191,133,166	1,067,337	320,046	1,986,121	0.60%	0.20%	1.00%	Jan - Dec 10
Disability Living Allowance	750,272,008	1,449,168	223,978	3,118,385	0.20%	0.00%	0.40%	Jan - Dec 10
Incapacity Benefit	303,229,889	3,219,716	755,877	6,630,867	1.10%	0.20%	2.20%	Jan - Dec 10
Employment and Support Allowance	84,777,310	2,560,772	1,819,631	3,363,487	3.00%	2.10%	4.00%	Jan - Dec 10
State Pension	1,649,270,638	652,165	156,156	1,320,131	0.00%	0.00%	0.10%	Jan - Dec 10
Widow's Benefit/ Bereavement Benefit	22,041,416	234,423	35,272	610,940	1.10%	0.20%	2.80%	Jan - Dec 10
Attendance Allowance	195,212,759	399,612	0	1,219,894	0.20%	0.00%	0.60%	Jan - Dec 10
Carer's Allowance	102,019,428	903,744	0	2,212,526	0.90%	0.00%	2.20%	Jan - Dec 10
Social Fund	84,536,391	975,942	504,212	1,536,430	1.20%	0.60%	1.80%	Jan - Dec 10
Housing Benefit tenants	568,333,284	9,838,967	4,483,731	15,696,614	1.70%	0.80%	2.80%	Jan - Dec 10
Housing Benefit Owner Occupiers	38,511,580	1,306,221	753,117	1,891,423	3.40%	2.00%	4.90%	Jan - Dec 10
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	183,080,093	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>4,958,958,003</b>	<b>32,323,135</b>	<b>25,405,485</b>	<b>40,496,073</b>	<b>0.70%</b>	<b>0.50%</b>	<b>0.80%</b>	

<sup>1</sup> The confidence intervals quoted for each benefit relate to the individual benefit Monetary Value of Official Error. The table also quotes a total Monetary Value of Official Error figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Official Error should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Official Error. The upper confidence interval quoted for the total Monetary Value of Official Error should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Official Error

## Estimates of benefit overpayments due to Official Error in 2009

Benefit	Expenditure £	Monetary Value of Official Error £	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Financial Accuracy Exercise
Income Support	441,928,003	1,736,769	842,637	2,859,188	0.40%	0.20%	0.60%	Jan - Dec 09
State Pension Credit	340,828,341	6,168,315	4,353,592	8,131,758	1.80%	1.30%	2.40%	Jan - Dec 09
Jobseeker's Allowance	157,414,143	410,901	121,313	814,533	0.30%	0.10%	0.50%	Jan - Dec 09
Disability Living Allowance	717,007,865	994,381	0	2,297,951	0.10%	0.00%	0.30%	Jan - Dec 09
Incapacity Benefit	329,820,776	2,060,264	360,713	4,257,563	0.60%	0.10%	1.30%	Jan - Dec 09
State Pension	1,559,073,426	2,318,917	207,354	5,610,157	0.10%	0.00%	0.40%	Jan - Dec 09
Widow's Benefit / Bereavement Benefit	23,442,308	5,623	1,082	11,462	0.00%	0.00%	0.00%	Jan - Dec 09
Attendance Allowance	195,734,369	0	0	0	0.00%	0.00%	0.00%	Jan - Dec 09
Carers Allowance	95,531,253	513,612	98,260	1,106,931	0.50%	0.10%	1.20%	Jan - Dec 09
Social Fund	84,335,287	2,443,138	1,696,140	3,275,979	2.90%	2.00%	3.90%	Jan - Dec 09
Housing Benefit (for tenants)	503,645,484	3,543,682	1,543,798	5,894,432	0.70%	0.30%	1.20%	Jan - Dec 09
Housing Benefit (for owner occupiers)	34,814,399	868,543	448,346	1,430,784	2.50%	1.30%	4.10%	Jan - Dec 09
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	231,320,117	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>4,714,895,771</b>	<b>21,064,146</b>	<b>16,890,518</b>	<b>26,497,870</b>	<b>0.40%</b>	<b>0.40%</b>	<b>0.60%</b>	

<sup>1</sup> The confidence intervals quoted for each benefit relate to the individual benefit Monetary Value of Official Error. The table also quotes a total Monetary Value of Official Error figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Official Error should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Official Error. The upper confidence interval quoted for the total Monetary Value of Official Error should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Official Error

## Customer Error

Customer error occurs where there has been a failure by the customer to notify a reportable change that affects the benefit in payment but there is no suspicion of fraud/fraudulent intent. The table below sets out the estimate of Customer Error in 2010. Estimates of Customer Error in 2009 are also shown for comparative purposes.

### Estimates of benefit overpayments due to Customer Error in 2010

Benefit	Expenditure £	Monetary Value of Customer- Error £	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Customer Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	428,056,340	675,715	52,939	1,587,656	0.20%	0.00%	0.40%	Jan - Dec 10
State Pension Credit	358,483,702	2,083,438	879,408	3,450,918	0.60%	0.20%	1.00%	Jan - Dec 10
Jobseeker's Allowance	191,133,166	230,158	0	894,833	0.10%	0.00%	0.50%	Jan - Dec 09 updated
Disability Living Allowance	750,272,008	0	0	0	0.00%	0.00%	0.00%	Jan - Dec 08 updated
Incapacity Benefit	303,229,889	3,020,324	0	8,912,452	1.00%	0.00%	2.90%	Jan - Dec 09 updated
Employment and Support Allowance	84,777,310	471,539	0	1,205,111	0.60%	0.00%	1.40%	IS Jan - Dec 10 & IB Jan - Dec 09
State Pension	1,649,270,638	0	0	0	0.00%	0.00%	0.00%	Jan - Dec 09 updated
Widow's Benefit/ Bereavement Benefit	22,041,416	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance Allowance	195,212,759	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	102,019,428	55,987	0	170,907	0.10%	0.00%	0.20%	Jan - Dec 10
Social Fund	84,536,391	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit tenants	568,333,284	4,014,616	1,178,995	7,460,369	0.70%	0.20%	1.30%	Jan - Dec 10
Housing Benefit Owner Occupiers	38,511,580	1,869,663	1,237,211	2,542,432	4.90%	3.20%	6.60%	Jan - Dec 10
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	183,080,093	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>4,958,958,003</b>	<b>12,421,441</b>	<b>6,638,393</b>	<b>19,544,486</b>	<b>0.30%</b>	<b>0.10%</b>	<b>0.40%</b>	

<sup>1</sup> The confidence intervals quoted for each benefit relate to the individual benefit Monetary Value of Customer Error. The table also quotes a total Monetary Value of Customer Error figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Customer Error should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Customer Error. The upper confidence interval quoted for the total Monetary Value of Customer Error should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Customer Error.

## Estimates of benefit overpayments due to Customer Error in 2009

Benefit	Expenditure £	Monetary Value of Customer- Error £	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Customer Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	441,928,003	2,348,468	0	6,528,463	0.50%	0.00%	1.50%	Jan- Dec 08 Updated
State Pension Credit	340,828,341	5,572,971	1,530,648	10,897,026	1.60%	0.40%	3.20%	Jan- Dec 08 Updated
Jobseeker's Allowance	157,414,143	189,555	4,111	463,262	0.10%	0.00%	0.30%	Jan – Dec 09
Disability Living Allowance	717,007,865	0	0	0	0.00%	0.00%	0.00%	Jan- Dec 08 Updated
Incapacity Benefit	329,820,776	3,285,182	710,009	6,489,593	1.00%	0.20%	2.00%	Jan – Dec 09
State Pension	1,559,073,426	0	0	0	0.00%	0.00%	0.00%	Jan – Dec 09
Widow's Benefit / Bereavement Benefit	23,442,308	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance Allowance	195,734,369	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carers Allowance	95,531,253	1,529,588	0	3,740,251	1.60%	0.00%	3.90%	Jan – Dec 07 Updated
Social Fund	84,335,287	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit (for tenants)	503,645,484	1,240,623	423,560	2,288,594	0.20%	0.10%	0.50%	Jan – Dec 09
Housing Benefit (for owner occupiers)	34,814,399	1,055,989	535,990	1,690,062	3.00%	1.50%	4.90%	Jan – Dec 09
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	231,320,117	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>4,714,895,771</b>	<b>15,222,377</b>	<b>9,116,446</b>	<b>23,131,132</b>	<b>0.30%</b>	<b>0.20%</b>	<b>0.50%</b>	

<sup>1</sup> The confidence intervals quoted for each benefit relate to the individual benefit Monetary Value of Customer Error. The table also quotes a total Monetary Value of Customer Error figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Customer Error should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Customer Error. The upper confidence interval quoted for the total Monetary Value of Customer Error should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Customer Error.

## Customer Fraud

Customer Fraud occurs where the basic conditions of entitlement have not been met, where the customer could reasonably be expected to be aware of the effect on entitlement to benefit and the customer has deliberately not reported relevant information. The table below sets out the estimate of Customer Fraud in 2010. Estimates of Customer Fraud in 2009 are also shown for comparative purposes.

### Estimates of benefit overpayments due to Customer Fraud in 2010

Benefit	Expenditure £	Monetary Value of Customer Fraud £	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Customer Fraud as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	428,056,340	4,933,302	1,538,314	9,458,526	1.20%	0.40%	2.20%	Jan - Dec 10
State Pension Credit	358,483,702	3,055,356	1,474,823	5,144,876	0.90%	0.40%	1.40%	Jan - Dec 10
Jobseeker's Allowance	191,133,166	2,971,771	0	6,935,021	1.60%	0.00%	3.60%	Jan - Dec 09 updated
Disability Living Allowance	750,272,008	0	0	0	0.00%	0.00%	0.00%	Jan - Dec 08 updated
Incapacity Benefit	303,229,889	6,565,983	0	16,330,362	2.20%	0.00%	5.40%	Jan - Dec 09 updated
Employment and Support Allowance	84,777,310	1,385,135	127,861	2,642,408	1.60%	0.20%	3.10%	IS Jan - Dec 10 & IB Jan - Dec 09
State Pension	1,649,270,638	0	0	0	0.00%	0.00%	0.00%	Jan - Dec 09 updated
Widow's Benefit/ Bereavement Benefit	22,041,416	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance Allowance	195,212,759	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	102,019,428	1,228,407	228,763	2,498,046	1.20%	0.20%	2.40%	Jan - Dec 10
Social Fund	84,536,391	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit tenants	568,333,284	936,170	0	2,838,494	0.20%	0.00%	0.50%	Jan - Dec 10
Housing Benefit Owner Occupiers	38,511,580	782,816	400,523	1,292,339	2.00%	1.00%	3.40%	Jan - Dec 10
Instrument of Payment	N/A	315,267	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	183,080,093	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>4,958,958,003</b>	<b>22,174,207</b>	<b>12,763,635</b>	<b>34,131,019</b>	<b>0.40%</b>	<b>0.30%</b>	<b>0.70%</b>	

<sup>1</sup> The confidence intervals quoted for each benefit relate to the individual benefit Monetary Value of Customer Fraud. The table also quotes a total Monetary Value of Customer Fraud figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Customer Fraud should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Customer Fraud. The upper confidence interval quoted for the total Monetary Value of Customer Fraud should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Customer Fraud.

## Estimates of benefit overpayments due to Customer Fraud in 2009

Benefit	Expenditure £	Monetary Value of Customer Fraud £	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Customer Fraud as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	441,928,003	4,971,741	0	12,183,255	1.10%	0.00%	2.80%	Jan- Dec 08 Updated
State Pension Credit	340,828,341	1,165,024	0	3,114,276	0.30%	0.00%	0.90%	Jan- Dec 08 Updated
Jobseeker's Allowance	157,414,143	2,447,502	1,149,092	4,079,536	1.60%	0.70%	2.60%	Jan – Dec 09
Disability Living Allowance	717,007,865	0	0	0	0.00%	0.00%	0.00%	Jan- Dec 08 Updated
Incapacity Benefit	329,820,776	7,141,768	2,894,529	12,452,087	2.20%	0.90%	3.80%	Jan – Dec 09
State Pension	1,559,073,426	0	0	0	0.00%	0.00%	0.00%	Jan – Dec 09
Widow's Benefit / Bereavement Benefit	23,442,308	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance Allowance	195,734,369	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carers Allowance	95,531,253	1,347,817	0	3,680,630	1.40%	0.00%	3.90%	Jan – Dec 07 Updated
Social Fund	84,335,287	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit (for tenants)	503,645,484	4,512,338	0	12,833,088	0.90%	0.00%	2.50%	Jan – Dec 09
Housing Benefit (for owner occupiers)	34,814,399	486,585	163,420	880,021	1.40%	0.50%	2.50%	Jan – Dec 09
Instrument of Payment	N/A	163,279	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	231,320,117	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>4,714,895,771</b>	<b>22,236,054</b>	<b>13,473,937</b>	<b>34,944,328</b>	<b>0.50%</b>	<b>0.30%</b>	<b>0.70%</b>	

<sup>1</sup> The confidence intervals quoted for each benefit relate to the individual benefit Monetary Value of Customer Fraud. The table also quotes a total Monetary Value of Customer Fraud figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Customer Fraud should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Customer Fraud. The upper confidence interval quoted for the total Monetary Value of Customer Fraud should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Customer Fraud.

## **B: Social Security Agency Strategies to Reduce Fraud and Error**

Reducing fraud and error is one of the Agency's top 5 key priorities, with a robust and evolving strategy in place to identify incorrect benefit awards. Activities include specific checks and case reviews in each of the main benefits to identify and correct error, and the investigation of suspected fraud with prosecution of offenders if appropriate. This complements a wide range of checks and controls in place right across the Agency as part of the normal governance procedures.

The Agency ensures that these activities and any future measures are proportionate and represent value for money having regard to the cost of control, the impact on customers in terms of the accessibility and timeliness of benefit payments and the resulting impact on fraud and error.

Overall the Agency's benefit security strategy is working, with the combined levels of fraud and error now at their lowest recorded levels ever. Over the last 7 years estimated overpayments have reduced by 32% from £70.7 million in 2003-04 <sup>1</sup> (2.2% of benefit expenditure) to £48.2 million in 2010 (1.1% of benefit expenditure).

During the 2007-08 financial year the Agency's counter fraud and error activities were subject to review by the Northern Ireland Audit Office and NI Public Accounts Committee. A total of 40 recommendations for improvement were made all of which have now been taken forward and cleared.

### **Fraud Strategy**

The approach to tackling benefit fraud has been successful with benefit fraud sustained at a low level, at 0.5% of benefit expenditure. This has been achieved through a combination of risk assessment and targeting high risk cases, making full use of powers to obtain information, matching data and reducing delays and raising awareness of benefit fraud among staff and the public. The Agency will continue to target its efforts using the present risk-based targeted approach.

The positive impact of the Agency's counter fraud strategy is again reflected in 2010-11 outcomes. The number of customers sanctioned for benefit fraud this year at 1,128 represents the highest outcome ever achieved and is a 15% increase on the 982 cases recorded in 2009-10. In addition, the Agency's Financial Investigation Unit brought about the recovery of £506,131 of criminally obtained assets during 2010-11 by way of confiscation orders obtained through the Courts and voluntary payments.

During 2010-11 the Agency continued to work in conjunction with the Northern Ireland Housing Executive on cases generated through the National Fraud Initiative (NFI). Of the 1,238 cases referred for investigation 652 have now been finalised, and overpayments totalling £148,780 have been raised in respect of these cases. Overpayments amounting to £1,017,326 have also been raised on a further 90 cases that are at various stages in the investigative process.

<sup>1</sup> A new methodology for calculating the annual estimates of fraud and error was implemented in 2008. Accordingly caution should be taken when comparing the estimates with previous years.

There have been 8 sanctions to date on NFI cases. A further estimated 8,000 cases have now been identified arising from the recent NFI 2 exercise, and plans are being developed for the Agency to again deliver an appropriate and robust response. An NFI culture is now positively embedded within the Agency.

The Agency continues to pursue its counter fraud activity with other external government bodies such as the Department for Work and Pensions in Great Britain and the Department of Social Protection<sup>1</sup> in the Republic of Ireland (ROI) and strives to make further improvements to reduce customer fraud where possible.

It is the Agency's opinion that there is now minimal scope for significant reductions in the levels of fraud partly as a result of the Agency's success to date and also due to the nature of the complex benefit environment in which the Agency currently operates. The Agency will however continue to do all that it can to maintain and improve on the present position. The Agency will consider the impacts on the measurement of benefit fraud and error arising from the Welfare Reform programme, and will monitor the joint Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) strategy to tackle fraud and error in the benefit and tax credits system.

### **Error Strategy**

During 2010 -11 the Agency's Fraud and Error Reduction Board (FERB), previously known as the Error Reduction Board (ERB), continued to direct and monitor the use of dedicated resources within benefit offices for the purpose of identifying and removing error. These resources are allocated to each benefit based on level of risk and within each benefit all cases are targeted further by use of risk based selection models. This approach is designed to ensure maximum impact from targeted error reduction activity.

During 2010-11, the error reduction activity carried out by benefit areas led to the adjustment of benefit in just over 14,000 cases, with a total monetary value of around £39.3 million. Within this total just over £22.1 million represented adjustments to payments where customers were entitled to additional benefits. Targeting cases, whether at risk of official or customer error, whether benefit overpayments or underpayments, is crucial in continuing to maximise the outcomes from the Agency's counter error activity and, similar to the counter fraud approach, data matching and risk modelling approaches are used to target the highest risk cases.

Throughout 2010-2011 the Agency's Error Reduction Division has worked closely with information technology staff and colleagues from both Operations central branches and the Operations district network to enhance the current Error Reporting and Recording System. This development will for the first time allow accuracy checks completed throughout the Agency to be recorded on a single database. This will enable enhanced analysis on both official and customer error thereby helping inform future policy on tackling error.

<sup>1</sup> This Department was formerly known as Department of Social and Family Affairs until it was renamed on 23 March 2010.

During 2010-11 the Agency's FERB also published its counter error strategy setting out the range of activity planned over the next three years to tackle both staff and customer error. The strategy and its application will be monitored by FERB. Agency staff continue to work closely with colleagues from the DWP in GB, and the Department of Social Protection in ROI, to share best practice and in particular to test new initiatives. To achieve this the Agency is represented at key groups such as the DWP Fraud and Error Stakeholder Engagement Group and DWP Data Matching Steering Group.

### **Official Error**

The latest figures show an overall reduction in losses through official error - down from £24.5 million (0.8% of total expenditure) in 2003-04<sup>1</sup> to £21.2 million in 2010, a decrease of £3.3 million. Current levels of official error overpayments now represent 0.5% of total benefit expenditure a reduction therefore in real terms of 0.3 percentage points. This is despite the ongoing issues facing the Agency in administering social security benefits within a complex legislative and regulatory framework and with outmoded IT systems, as recognised by both the Northern Ireland Audit Office and NI Public Accounts Committee. In order to address these difficulties, significant benefit simplification and major investment in the benefit IT systems is required and these are not matters solely within the Agency's remit to progress.

Despite these difficulties, the Agency remains committed to doing all it can to reduce staff error and has a wide range of control mechanisms built into its system of benefit administration to ensure high levels of financial accuracy. These include extensive training and consolidation of training; the application of benchmark standards for staff; and a programme of regular checks and controls to prevent potential incorrectness and measure and report on Agency performance within this area.

### **Customer Error**

Customer error reduced in 2010 with the estimated amount of overpayments amounting to £6.5 million, 0.2% of total expenditure down from the 2009 estimated overpayments of £12.9 million, 0.3% of total expenditure.

Again the Agency recognises that benefit complexity is a problem for customers as well as its staff. In helping to prevent error, customers need to understand what changes in their circumstances they must report to the Agency and when. The Agency has various initiatives in place to tackle customer error. These include better explanation of benefit rules in Agency literature, and striving to ensure customers receive clear explanations and answers to any queries they may raise. Improved ways for customers to access benefit guidance or report their change of circumstances

<sup>1</sup> A new methodology for calculating the annual estimates of Fraud and Error was implemented in 2008. Accordingly caution should be taken when comparing the estimates with previous years.

through the internet, are being rolled out and benefit information can also be viewed through the NI Direct website. However in order to deliver major reductions in the levels of both staff and customer error significant effort will be required to drive forward the necessary benefit simplification and address the existing complexities, and to enhance the IT systems that deliver the service.

In addition, major exercises targeting Customer Error are carried out across the benefit system. Those exercises include a programme of case cleansing within State Pension Credit and reviewing those Disability Living Allowance cases with a higher likelihood of a change in the customers' circumstances.

A new programme of customer compliance intervention undertaken by eight Compliance Officers, which was introduced in 2010 following the Benefit Security Review has provided additional means to identify and correct claims where a benefit entitlement is in doubt. This activity identified just over £2 million of benefit adjustments in 2010-11. The introduction of this activity will also ensure that investigative specialists can focus on high risk fraud cases thereby helping to maximise outputs from their criminal investigations.

Overall the Agency has successfully delivered reductions in fraud and error in recent years and it is committed to maintaining its focus on this activity while further improving its service to customers.

## C: Underpayments

### Benefit Underpayments

The table below shows the Department's total estimates of benefit underpayments for the last two years, 2010 and 2009 (all social security benefits including Housing Benefit).

Overall the figure for estimated amounts of underpayments has remained at 0.5% of expenditure, a total of £23.8 million (2009: £25.8 million).

#### Estimates of benefit underpayments for 2010 and 2009

2010	Expenditure	Monetary Value of Error	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Monetary Value of Error as % of	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval
Official Error	4,958,958,003	17,754,002	14,291,638	22,196,959	0.40%	0.30%	0.40%
Customer Error	4,958,958,003	6,023,318	129,596	15,168,579	0.10%	0.00%	0.30%
<b>Total Underpayments 2010</b>	<b>4,958,958,003</b>	<b>23,777,320</b>	<b>16,941,830</b>	<b>33,944,702</b>	<b>0.50%</b>	<b>0.30%</b>	<b>0.70%</b>

2009	Expenditure	Monetary Value of Error	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Monetary Value of Error as % of	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval
Official Error	4,714,895,771	19,756,180	15,429,426	25,339,631	0.40%	0.30%	0.50%
Customer Error	4,714,895,771	6,028,413	2,385,642	11,295,361	0.10%	0.10%	0.20%
<b>Total Underpayments 2009</b>	<b>4,714,895,771</b>	<b>25,784,592</b>	<b>20,128,571</b>	<b>33,460,247</b>	<b>0.50%</b>	<b>0.40%</b>	<b>0.70%</b>

<sup>1</sup> The confidence intervals quoted for each error category relate to the individual error category Monetary Value of Error. The table also quotes a total Monetary Value of Error figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Error should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Error. The upper confidence interval quoted for the total Monetary Value of Error should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Error

The Agency monitors and estimates the level of underpayments arising from Official and Customer Error. Identifying those cases not receiving their full entitlement and correcting benefit payments is an integral part of the Agency's strategy which gives equal priority to identifying and correcting underpayments and overpayments.

The table below sets out the estimate of benefit underpayments due to Official Error in 2010. Estimates for 2009 are also shown for comparative purposes.

### Estimates of benefit underpayments due to Official Error in 2010

Benefit+	Expenditure £	Monetary Value of Official Error £	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Financial Accuracy Exercise
Income Support	428,056,340	1,677,244	462,955	3,057,767	0.40%	0.10%	0.70%	Jan - Dec 10
State Pension Credit	358,483,702	4,887,735	2,918,351	7,178,220	1.40%	0.80%	2.00%	Jan - Dec 10
Jobseeker's Allowance	191,133,166	917,112	100,075	2,103,222	0.50%	0.10%	1.10%	Jan - Dec 10
Disability Living Allowance	750,272,008	1,413,313	280,502	2,729,182	0.20%	0.00%	0.40%	Jan - Dec 10
Incapacity Benefit	303,229,889	1,610,184	255,150	3,901,189	0.50%	0.10%	1.30%	Jan - Dec 10
Employment and Support Allowance	84,777,310	2,024,106	1,430,639	2,718,065	2.40%	1.70%	3.20%	Jan - Dec 10
State Pension	1,649,270,638	1,433,723	529,935	2,438,730	0.10%	0.00%	0.10%	Jan - Dec 10
Widow's Benefit/ Bereavement Benefit	22,041,416	30,954	8,567	60,227	0.10%	0.00%	0.30%	Jan - Dec 10
Attendance Allowance	195,212,759	134,056	0	410,876	0.10%	0.00%	0.20%	Jan - Dec 10
Carer's Allowance	102,019,428	200,074	0	608,037	0.20%	0.00%	0.60%	Jan - Dec 10
Social Fund	84,536,391	766,795	237,948	1,389,949	0.90%	0.30%	1.60%	Jan - Dec 10
Housing Benefit tenants	568,333,284	2,433,208	1,287,543	3,856,622	0.40%	0.20%	0.70%	Jan - Dec 10
Housing Benefit Owner Occupiers	38,511,580	225,498	57,275	450,575	0.60%	0.10%	1.20%	Jan - Dec 10
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	183,080,093	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>4,958,958,003</b>	<b>17,754,002</b>	<b>14,291,638</b>	<b>22,196,959</b>	<b>0.40%</b>	<b>0.30%</b>	<b>0.40%</b>	

<sup>1</sup> The confidence intervals quoted for each benefit relate to the individual benefit Monetary Value of Official Error. The table also quotes a total Monetary Value of Official Error figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Official Error should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Official Error. The upper confidence interval quoted for the total Monetary Value of Official Error should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Official Error

## Estimates of benefit underpayments due to Official Error in 2009

Benefit	Expenditure £	Monetary Value of Official Error £	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Financial Accuracy Exercise
Income Support	441,928,003	1,585,201	692,451	2,808,626	0.40%	0.20%	0.60%	Jan - Dec 09
State Pension Credit	340,828,341	5,507,013	3,790,024	7,235,429	1.60%	1.10%	2.10%	Jan - Dec 09
Jobseeker's Allowance	157,414,143	191,933	26,680	418,110	0.10%	0.00%	0.30%	Jan - Dec 09
Disability Living Allowance	717,007,865	1,211,677	218,829	2,553,403	0.20%	0.00%	0.40%	Jan - Dec 09
Incapacity Benefit	329,820,776	2,689,890	527,948	5,680,128	0.80%	0.20%	1.70%	Jan - Dec 09
State Pension	1,559,073,426	3,398,912	1,240,378	5,912,653	0.20%	0.10%	0.40%	Jan - Dec 09
Widow's Benefit / Bereavement Benefit	23,442,308	83,445	22,802	163,615	0.40%	0.10%	0.70%	Jan - Dec 09
Attendance Allowance	195,734,369	97,881	0	298,357	0.10%	0.00%	0.20%	Jan - Dec 09
Carers Allowance	95,531,253	212,454	0	548,391	0.20%	0.00%	0.60%	Jan - Dec 09
Social Fund	84,335,287	1,126,759	337,461	2,016,456	1.30%	0.40%	2.40%	Jan - Dec 09
Housing Benefit (for tenants)	503,645,484	3,402,393	1,423,410	6,333,392	0.70%	0.30%	1.30%	Jan - Dec 09
Housing Benefit (for owner occupiers)	34,814,399	248,621	70,684	441,385	0.70%	0.20%	1.30%	Jan - Dec 09
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	231,320,117	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>4,714,895,771</b>	<b>19,756,180</b>	<b>15,429,426</b>	<b>25,339,631</b>	<b>0.40%</b>	<b>0.30%</b>	<b>0.50%</b>	

<sup>1</sup> The confidence intervals quoted for each benefit relate to the individual benefit Monetary Value of Official Error. The table also quotes a total Monetary Value of Official Error figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Official Error should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Official Error. The upper confidence interval quoted for the total Monetary Value of Official Error should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Official Error.

The table below sets out the estimate of benefit underpayments due to Customer Error in 2010. Estimates of underpayments for Customer Error in 2009 are also shown for comparative purposes.

### Estimates of benefit underpayments due to Customer Error in 2010

Benefit	Expenditure £	Monetary Value of Customer- Error £	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Customer Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	428,056,340	1,092,949	187,072	2,363,011	0.30%	0.00%	0.60%	Jan - Dec 10
State Pension Credit	358,483,702	1,207,869	286,895	2,458,647	0.30%	0.10%	0.70%	Jan - Dec 10
Jobseeker's Allowance	191,133,166	155,270	0	702,270	0.10%	0.00%	0.40%	Jan - Dec 09 updated
Disability Living Allowance	750,272,008	0	0	0	0.00%	0.00%	0.00%	Jan - Dec 08 updated
Incapacity Benefit	303,229,889	0	0	0	0.00%	0.00%	0.00%	Jan - Dec 09 updated
Employment and Support Allowance	84,777,310	113,588	24,535	202,640	0.10%	0.00%	0.20%	IS Jan - Dec 10 & IB Jan - Dec 09
State Pension	1,649,270,638	3,059,597	0	12,002,930	0.20%	0.00%	0.70%	Jan - Dec 09 updated
Widow's Benefit/ Bereavement Benefit	22,041,416	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance Allowance	195,212,759	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	102,019,428	0	0	0	0.00%	0.00%	0.00%	Jan - Dec 10
Social Fund	84,536,391	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit tenants	568,333,284	202,831	0	528,804	0.00%	0.00%	0.10%	Jan - Dec 10
Housing Benefit Owner Occupiers	38,511,580	191,215	17,371	439,592	0.50%	0.00%	1.10%	Jan - Dec 10
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	183,080,093	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>4,958,958,003</b>	<b>6,023,318</b>	<b>129,596</b>	<b>15,168,579</b>	<b>0.10%</b>	<b>0.00%</b>	<b>0.30%</b>	

<sup>1</sup> The confidence intervals quoted for each benefit relate to the individual benefit Monetary Value of Customer Error. The table also quotes a total Monetary Value of Customer Error figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Customer Error should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Customer Error. The upper confidence interval quoted for the total Monetary Value of Customer Error should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Customer Error.

## Estimates of benefit underpayments due to Customer Error in 2009

Benefit	Expenditure £	Monetary Value of Customer- Error £	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Customer Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	441,928,003	713,500	0	2,503,727	0.20%	0.00%	0.60%	Jan- Dec 08 Updated
State Pension Credit	340,828,341	1,619,541	0	4,073,111	0.50%	0.00%	1.20%	Jan- Dec 08 Updated
Jobseeker's Allowance	157,414,143	127,878	0	353,128	0.10%	0.00%	0.20%	Jan – Dec 09
Disability Living Allowance	717,007,865	0	0	0	0.00%	0.00%	0.00%	Jan- Dec 08 Updated
Incapacity Benefit	329,820,776	0	0	0	0.00%	0.00%	0.00%	Jan – Dec 09
State Pension	1,559,073,426	2,892,270	181,542	7,119,385	0.20%	0.00%	0.50%	Jan – Dec 09
Widow's Benefit / Bereavement Benefit	23,442,308	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance Allowance	195,734,369	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carers Allowance	95,531,253	0	0	0	0.00%	0.00%	0.00%	Jan – Dec 07 Updated
Social Fund	84,335,287	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit (for tenants)	503,645,484	432,311	0	1,174,109	0.10%	0.00%	0.20%	Jan – Dec 09
Housing Benefit (for owner occupiers)	34,814,399	242,913	62,809	458,140	0.70%	0.20%	1.30%	Jan – Dec 09
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	231,320,117	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>4,714,895,771</b>	<b>6,028,413</b>	<b>2,385,642</b>	<b>11,295,361</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.20%</b>	

<sup>1</sup> The confidence intervals quoted for each benefit relate to the individual benefit Monetary Value of Customer Error. The table also quotes a total Monetary Value of Customer Error figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Customer Error should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Customer Error. The upper confidence interval quoted for the total Monetary Value of Customer Error should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Customer Error.

The Department's policy is to make good cases of underpayments where and when these are identified.

The Agency gives equal attention and priority to identifying and correcting both overpayments and underpayments. Indeed identifying those cases not receiving their full entitlement and correcting the benefit payment is an integral part of the Agency's Error Reduction activities. Of the 14,000 plus cases identified and corrected during 2010-11 over 7,700 represented an increase in benefit award to a total value of over £22.1 million, helping in particular the elderly and disabled.

## **D: Disability Living Allowance (DLA) - 'Change in Customers' Circumstances' cases**

The 2006 DLA Benefit Review identified cases where the change in customers' needs had been so gradual that it would have been unreasonable to expect the customer to know at which point their entitlement to DLA might have changed. These cases do not result in a recoverable overpayment as the Agency cannot quantify or define when the customer's change occurred. Under the specific terms of benefit legislation (to establish a recoverable overpayment) it is necessary for the Agency to prove that entitlement to DLA is incorrect. Cases in this sub-category are therefore technically and legally correct but are reassessed after review activity. (For further clarification on this issue see regulation 7(2)(c)(ii) of the Social Security and Child Support Agency (Decision and Appeals) Regulations (Northern Ireland) 1992 (S.R. 1992 No. 162); regulation 7(2)(c)(ii) was substituted by regulation 2(5) of S.R. 1999 No. 267).

The difference between what claimants in these 'change in customers' circumstances' cases are receiving in excess of DLA entitlement and what they would potentially receive if their benefit was reassessed was estimated to be around £38.0 million, 5.7% of DLA expenditure in 2008. Since there was no DLA Benefit Review in 2010, the 2010 estimate for DLA 'change in customer circumstances' overpayments is estimated by applying the 2008 percentage. In comparison the 2010 estimate is £42.5 million, 5.7% of expenditure. The 2009 estimate was £40.7 million, 5.7% of expenditure. These figures are not included in the total figures in the respective tables above.

The difference between what claimants in the DLA 'change in customers' circumstances' cases are receiving below their DLA entitlement and what they would potentially have been due to receive if their benefit was reassessed was estimated to be £19.4 million, 2.9% of expenditure in 2008. Since there was no DLA Benefit Review in 2010, the 2010 estimate for DLA 'change in customers' circumstances' underpayments is estimated by applying the 2008 percentage. In comparison the 2010 estimate is £21.7 million, 2.9% of expenditure. The 2009 estimate is £20.8 million, 2.9% of expenditure. These figures are not included in the total figures in the respective tables above.

## **40 Events After the Statement of Financial Position Date**

There were no events that occurred after the Statement of Financial Position date which could have had material effect on the state of affairs of the Department as at 31 March 2011 or the results for the year ended on that date, which have not been adequately provided for or disclosed.

## **41 Prompt Payment Performance**

Regular reviews conducted to measure how promptly the Department pays its bills found that approximately 94.83% were paid within 30 days.

Number of invoices received during year	18,267
Number paid on time	17,322
Percentage paid on time	94.83%

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. The Department did not make any payments in relation to this during the year.

## 42 **Bodies for which the Minister has lead policy responsibility**

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

### **Executive Groups**

*Resources, Housing and Social Security Group (RHSSG)*  
*Urban Regeneration and Community Development Group (URCDG)*  
*Child Maintenance and Enforcement Division (CMED)*

### **Executive Agency**

*Northern Ireland Social Security Agency\**

### **Public Corporations**

Northern Ireland Housing Executive\*

### **Executive Non-Departmental Public Bodies**

ILEX Urban Regeneration Company\*  
Charity Commission for Northern Ireland\*

### **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. The resources allocated to those activities come mainly from outside the Department. The Belfast Benefits Centre and the Eastern Area process social security benefit claims, 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.

\* The accounts relating to these bodies are available on the individual websites.

### **43. Authorisation of Financial Statements**

The Accounting Officer authorised these financial statements for issue on 30th June 2011.

**Department  
for Social  
Development**

**Resource  
Accounts**

**2010-11**

## **Part 1: Introduction**

- 1.1 This report reviews the results of my audit of the Department for Social Development (the Department) and sets out the reasons for my qualified audit opinions. There are four qualifications of my regularity audit opinion in respect of:
- Fraud and error in benefit expenditure (Part 2);
  - Excess vote caused by the net resource outturn being exceeded (Part 3);
  - Expenditure without proper approval (Part 4); and
  - Insufficient evidence for the regularity of expenditure to one housing association where the Department's own review has identified potentially serious issues (Part 5).
- 1.2 This report also highlights additional problems in the Housing Association sector generally (Part 6).

## **Part 2: Fraud and error in benefit expenditure**

### **Introduction**

- 2.1 The Department was responsible for the payment of £5 billion in benefits in 2010-11 of which £4.3 billion was paid by the Social Security Agency (SSA), £568 million was paid by the Northern Ireland Housing Executive (NIHE) and £38m was paid by Land and Property Services.
- 2.2 It is important to note that my audit opinions on the Departmental Resource Account, SSA and NIHE have been qualified for a considerable number of years because of significant levels of fraud and error in benefit expenditure, other than State Pension. This section of my report summarises the results of my audit of benefit expenditure in the Department, SSA and NIHE and sets out my qualified audit opinions from those audits.
- 2.3 My audit of the SSA 2010-11 accounts has now been completed and I considered the estimated levels of fraud and error in benefit expenditure to be material. Consequently, I qualified my audit opinion of SSA's accounts on the regularity of benefit expenditure (other than in relation to state pension benefits).
- 2.4 My audit of the NIHE 2010-11 accounts has also been completed and I considered the estimated levels of fraud and error in housing benefit expenditure to be material. Therefore, I also qualified my audit opinion of NIHE's accounts on the regularity of Housing Benefit expenditure.
- 2.5 Further details of both these qualifications are included in my reports attached to the 2010-11 accounts for SSA and NIHE. Each report details:
- SSA's and NIHE's response to the levels of benefit fraud and error;
  - SSA's and NIHE's response to the increasing levels of benefit overpayments in recent years; and
  - the number of ongoing programmes in place aimed at counteracting the levels of benefit fraud and error.
- 2.6 In addition, my audit opinion of NIHE 2010-11 accounts was also qualified in relation to the regularity of response maintenance expenditure because of control weaknesses and the regularity of payments made to a housing association. I also reported on significant concerns over contract management and land and property management.

### **Departmental arrangements for monitoring and reporting**

- 2.7 The Department's Standards Assurance Unit (SAU) regularly monitors and measures the estimated levels of fraud and error within the benefit system. In order to do this, statisticians from the DSD Analytical Services Unit randomly select samples of ongoing benefit claims and SAU subject them to detailed examination for evidence of official error or customer error or customer fraud. The results of this testing are then used to estimate the total level of fraud and error in all of the main benefits, which is presented in Note 39 (entitled 'Payment Accuracy') to the annual accounts. This note explains that the estimates of fraud and error are by their nature subject to uncertainty

because they are based on sample testing. These estimates do, however, represent the best measure of fraud and error available. In order to facilitate the timetable for the production of the financial statements, the Department's testing on payment accuracy is reported on a calendar year basis, not on a financial year basis. I am satisfied that this is reasonable.

- 2.8 I examined the work undertaken by the Department to assess the levels of fraud and error within the benefit system. My staff examined and re-performed a sample of the Department's case work during the year and also reviewed the methodologies applied by the Department in carrying out these exercises. I am content that results produced by the SAU are a reliable estimate of the total fraud and error in the benefit system.

### **Qualified opinion due to irregular benefit payments**

- 2.9 I am required under the Government Resources & Accounts Act (Northern Ireland), 2001 to report my opinion as to whether the financial statements give a true and fair view. I am also required to report my opinion on regularity, that is, whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them.
- 2.10 I consider the estimated levels of fraud and error in benefit expenditure to be material and I have therefore qualified my audit opinion on the regularity of benefit expenditure (other than state pension benefits which has a low incidence of error and no reported customer fraud).
- 2.11 Table 1 below shows the total benefit payments that were made during the calendar year of 2010 and the estimated amounts of error in relation to each benefit based on the work done by SAU. The table shows that total benefits (other than state pension) amounted to £3.3 billion and of this amount fraud and error gave rise to:
- overpayments of £66.2 million (2 per cent of related expenditure); and
  - underpayments due to official error of £16.3 million (0.49 per cent of related expenditure).

All of the overpayments are irregular, whereas only underpayments made as a result of official error (£16.3 million or 0.49 per cent of related expenditure) are deemed irregular. Underpayments due to customer error are not deemed irregular.

**Table 1: Estimated Overpayments and Underpayments due to fraud and error in benefit expenditure (2010) <sup>1</sup> (Note 39 to the Accounts)**

	<b>Benefits (other than State Pension)</b>	<b>State Pension</b>	<b>Total</b>
	£million	£million	£million
<b>Expenditure</b>	3,309.7	1,649.3	4,959.0
<b>Overpayments due to:</b>			
Official error	31.7	0.7	32.4
Customer error	12.4	0	12.4
Customer fraud	22.1	0	22.1
Sub-total	66.2	0.7	66.9
<b>Underpayments due to:</b>			
Official error	16.3	1.4	17.7
Customer error	2.9	3.1	6.0
Sub-total	19.2	4.5	23.7

2.12 My regularity opinion is not qualified in respect of State Pension payments because the testing carried out by SAU found no fraud within State Pension payments and the estimated level of error (as shown in Table 1) within State Pension is not significant.

#### **Estimated levels of fraud and error**

2.13 Fraud and error in benefit awards can arise because of internal Departmental error (official error), customer error or customer fraud. Table 2 shows the trends since 2006 in estimated levels of overpayments and underpayments due to each of these.

<sup>1</sup> Estimates in this and the other tables are quoted to the nearest £0.1million and presented with 95 per cent confidence intervals, which include adjustments to incorporate some non-sampling sources of uncertainty.

**Table 2: Trends in total estimated overpayments and underpayments due to fraud and error in benefit expenditure**

	2010	2009	2008	2007	2006
	£million	£million	£million	£million	£million
<b>Total benefit expenditure</b>	<b>4,959.0</b>	<b>4,714.9</b>	<b>4,256.7</b>	<b>4,071.8</b>	<b>3,939.9</b>
<b>(1) Overpayments</b>					
Official error	32.4	21.1	19.8	25.4	29.2
Customer error	12.4	15.2	21.7	19.1	18.8
Customer fraud	22.1	22.2	15.7	15.2	21.4
<b>TOTAL</b>	<b>66.9</b>	<b>58.5</b>	<b>57.2</b>	<b>59.7</b>	<b>69.4</b>
<b>% of benefit expenditure</b>	<b>1.35%</b>	<b>1.24%</b>	<b>1.34%</b>	<b>1.47%</b>	<b>1.76%</b>
<b>(2) Underpayments</b>					
Official error	17.7	19.8	17.6	23.9	19.8
Customer error	6.0	6.0	3.2	3.2	2.7
<b>TOTAL</b>	<b>23.7</b>	<b>25.8</b>	<b>20.8</b>	<b>27.1</b>	<b>22.5</b>
<b>% of benefit expenditure</b>	<b>0.48%</b>	<b>0.55%</b>	<b>0.49%</b>	<b>0.67%</b>	<b>0.57%</b>

Source: Department for Social Development Accounts 2006-07 to 2010-11

- 2.14 The Department estimates that in 2010 losses of £66.9 million have arisen through overpayment of benefits to claimants due to fraud and error, representing 1.35 per cent of total benefit expenditure. This compares with losses of £58.5 million in 2009 which equated to 1.24 per cent of total benefit expenditure. Total benefit expenditure increased by £244.1 million (or 5.2 per cent) in 2010 compared to 2009.
- 2.15 I note the increase in overpayments due to official error, from £21.1 million in 2009 to £32.4 million in 2010 and I am disappointed in this increase as it is my view that this is the area where the Department continues to have the most control. The increase is mainly due to an increase in official error in Housing Benefit (administered by NIHE) of £6.3 million, and also because error levels have been estimated in Employment and Support Allowance (ESA) for the first time in 2010, (There is no comparative figure in 2009). Official error for ESA in 2010 was £2.6 million. I asked the Department to comment on the increases in both benefits.

- 2.16 The Department told me with regard to Housing Benefit, it shares the concerns of the NIHE with the increase in the fraud and error figure which is mainly as a result of official error cases. There is a resolve to take appropriate action to drive forward improvements. As a first step the Department will be meeting with colleagues in NIHE, SAU and Analytical Services to ensure that there is a full understanding of the causes and what needs to be done to bring about improvement.
- 2.17 The Department told me that in relation to ESA, this is a relatively new benefit and the delivery of high accuracy levels within new benefits creates a particular challenge. The Department has measures in place such as error analysis, accuracy improvement plans and targeted error reduction activity to build upon performance. The ESA Financial Accuracy target of 95% was achieved within statistical tolerance in 2010
- 2.18 The estimated levels of fraud and error across different benefits vary significantly. The benefits system is complex and some benefits are easier to administer than others. Note 39 of the Department's annual accounts shows that levels of fraud and error continue to be lowest for those non-means tested benefits, such as State Pension, which are easier to claim, relatively easy to determine and largely unaffected by changes in circumstances. Fraud and error is more frequent in means tested benefits, where a claimant's financial circumstances are required to be taken into account.
- 2.19 I welcome the overall reduction in underpayments from £25.8 million in 2009 to £23.7 million in 2010. However I note that underpayments due to customer error have more than doubled from £2.7 million in 2006 to £6.0 million in 2010. I asked the Department to comment on this increase and the Department told me a Benefit Review was carried out on State Pension (SP) for the first time in 2009. The customer fraud and error estimates previously used for State Pension came from the results of the 2005 DWP National Benefit Review Pilot and there were no Customer Error (CE) underpayments recorded. Using the results of the 2009 SP Benefit Review, the SP CE underpayments estimate for 2010 was £3.1m and this makes up the majority of the increase in customer error underpayments from 2006. (The £3.1m estimate is made up of only four errors equating to 0.2% of the 2010 SP expenditure).

## Summary

- 2.20 I consider that the estimated levels of fraud and error reported are material and I have therefore qualified my opinion on the Department's Resource Accounts on the regularity of benefit expenditure (other than state pension benefits).
- 2.21 The Department has continued to address the matters which give rise to the longstanding qualification of the regularity audit opinion and I acknowledge the efforts being made to further improve the accuracy of benefit payments. I welcome that the Department's anti fraud initiatives, including the work of the customer compliance unit and its work associated with the National Fraud Initiative are identifying fraud. The Department has had to overcome continued challenges this year including efficiencies required as a result of the 2008-11 budget settlement, early preparations for welfare reform, the ongoing delivery of its modernisation programme and the impact of the economic downturn.

2.22 I recognise the difficulties faced by the Department with regard to the complexity of many of the benefits at a time of significant demand and resourcing pressures. I welcome that the Accounting Officer's Statement on Internal Control highlights the significant ongoing problems relating to benefit fraud and error and summarises the robust and evolving error reduction steps the Department has in place. I continue to support the various initiatives that aim to reduce the levels of fraud and error in benefit expenditure and I will continue to monitor the impact on performance.

## **Part 3: Excess Vote**

### **Introduction**

- 3.1 The Assembly authorises and sets limits on Department's expenditure on two bases – "resources" and "cash." Such amounts are set out in the Supply Estimates for which the Assembly approval and authority is given in the annual Budget Acts.

### **Qualified opinion due to excess vote**

- 3.2 The Department's Statement of Parliamentary Supply for 2010-11 shows a Net Resource Outturn for Request for Resources B (RfRB) of £458.0 million. However, the limit on resource expenditure for RfRB set out in the main Supply Estimates as amended by the Spring Supplementary Estimates for 2010-11 was £447.8 million. As such, the Department has incurred an excess vote of £10.2 million.
- 3.3 This excess has meant that the Department breached the resource based limit the Assembly had authorised for RfRB. I have therefore qualified my regularity opinion on the Department's 2010-11 Resource Account in this respect. There was no breach of the cash based limit authorised by the Assembly.

### **How the Excess vote occurred**

- 3.4 After the Spring Supplementary Estimates were approved, the Executive identified additional funding through easements declared during its February monitoring round which would have been lost to Northern Ireland if it had not been spent before the end of the financial year. DFP therefore sought the Departments' co-operation in spending these additional resources.
- 3.5 The Department was one of those that obtained additional resources and the Executive gave its approval to an increase in expenditure of up to £11.15 million for the Housing Programme (RfRB). However as the Spring Supplementary Estimate had already been approved it was not possible to change the Department's estimate. This has meant that even though the additional spending had been approved by the Executive through its budget procedures, the total spend on RfRB is greater than what was allowed in the Department's estimate and the Department has therefore incurred an excess vote.
- 3.6 The Department told me that they fully recognise the important responsibility to live within the limits and restrictions set by the Assembly through the Supply Estimates process. The circumstances in which the Department incurred the 'excess' were exceptional and arose from a request from DFP after the Spring Supplementary Estimate had been approved, to identify any opportunities for further spend during the year. This request was due to the removal of End Year Flexibility for the NI Block and the inability to carry forward under spends. The Department was able to recognise three opportunities for additional spend but were aware that their late bid, if successful, would result in an excess vote. The Department when making their bid highlighted the vital nature of ensuring that the Executive and Assembly were given full transparency on the situation to ensure that the Department was not deemed as deliberately flouting 'the intentions that the Assembly has set in statute'.

## Summary

- 3.7 In forming my opinion on the Department's 2010-11 resource accounts, I am required to confirm whether, in all material aspects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial statements conform to the authorities which govern them. On the basis of my findings above, I conclude that the net resource outturn for Request for Resources B of £458.0 million was in excess of the £447.8 million authorised by the Assembly. The resource excess of £10.2 million is therefore irregular and the Department will make a request to the Assembly to approve an 'Excess Vote' at the time of the next Budget Act. My audit opinion has been qualified in respect of this excess vote.

## Part 4: Expenditure without proper approval

### Introduction

- 4.1 In accordance with the requirements of Managing Public Money Northern Ireland (MPMNI), the Department of Finance and Personnel (DFP) has delegated to Departments authority to enter into commitments and to spend within defined limits, subject to certain restrictions. For the Department, this limit was set at £1.5 million by DFP. DFP approval is therefore required for any projects budgeted at over £1.5 million.
- 4.2 In addition, if a Department wishes to make any significant change to a project or to its proposal for procurement, after approval has been granted, DFP agreement must be obtained before any expenditure is committed and before procurement is commenced.

### Waterloo Place Public Realm Scheme

- 4.3 In this case, the Department wanted to undertake a city centre regeneration project. The Department submitted an economic appraisal to DFP in December 2006 for the project and obtained approval to spend £7.2 million. In the course of pre-construction site investigations, unforeseen ground conditions requiring attention were identified and a revised cost of £10.5 million was estimated to complete the project, an increase of £3.3 million on the amount originally approved by DFP.
- 4.4 As part of the approved planning permission for the project, the Department was required to deliver the project in two phases and a contractor was appointed in January 2009 at an agreed price of £7.6 million, which did not include the additional ground conditions work. The contractor commenced work on the project in March 2009.
- 4.5 In March 2009, the Department sought advice from DFP regarding the phasing of this project and DFP indicated that as the original business case was not presented as a phased project, they suggested that the Department give further consideration on how best to take the project forward. The Department decided not to submit a formal request for approval to re-phase the project to DFP. I asked the Department why approval for the second phase was not obtained before proceeding with phase one and the Department told me they believed that the project could be scaled back to within 10% of the original approved amount whilst still delivering against the original business case objectives and that this position was discussed with DFP. However this was not possible and the approval amount was exceeded by £1.7 million, when the project was finally completed. Consideration was also given to stopping the project but following consultation with CPD it was determined that to stop work after the contractor was appointed would expose the Department to significant compensatory costs together with costs incurred for all preparatory works completed.
- 4.6 The scheme was completed in November 2010 at a total cost of £8.9 million, exceeding the approved DFP expenditure of £7.2 million by £1.7 million. On 7 June 2011 the Department informed DFP that an overspend of £1.7 million had arisen and they were not seeking retrospective approval for this amount.

- 4.7 On 27 June 2011, DFP wrote to the Department outlining that because of the extent of the overspend, project approval was rescinded and therefore the total project spend of £8.9 million should be recorded as irregular expenditure. As only £0.3 million of the total spend was incurred in 2010-11, this is the amount on which I have qualified my opinion on this years accounts.
- 4.8 I asked the Department what lessons have been learned to avoid such difficulties in the future and the Department told me that it had completed a detailed review of the circumstances which led to the overspend on the project, identified lessons learned and has taken steps to prevent any recurrence. The lessons learnt will be disseminated across the Department and to other areas of the Northern Ireland public sector as appropriate.

### **Summary**

- 4.9 The Department recognises that the failure to obtain the necessary approvals is a significant breakdown in project management and resulted in the original DFP approval being exceeded. Of this exceeded amount, £0.3 million was incurred during 2010-11 and as this expenditure has been incurred without conforming to the authorities which govern it, I have qualified my audit opinion on regularity.

## **Part 5: Insufficient evidence for the regularity of expenditure to one housing association**

### **Introduction**

- 5.1 The Department provides funding via the Northern Ireland Housing Executive (NIHE) to the Housing Association sector each year and this amounted to £165 million during 2010-11. In order to satisfy itself that this money is being properly spent, the Department's Regulatory and Inspection Unit (the Unit) conducts regular reviews of all housing associations in Northern Ireland examining governance, finance, property management and property development.
- 5.2 The Unit has identified a number of housing associations that have failed to achieve a satisfactory assurance level and the concerns surrounding these associations are discussed in Part 6. However, the issues identified in relation to Helm Housing Association are potentially so significant that this has led me to qualify my audit opinion as discussed below.

### **Helm Housing Association**

- 5.2 In the latter half of 2010, the Department became aware of a breakdown of governance and concerns regarding specific building schemes within Helm Housing Association, the largest housing association in Northern Ireland. The Department became aware of these issues through its inspection programme and also because of whistleblower disclosures to both the Department and to my office.
- 5.3 Helm has therefore been the subject of a detailed examination by the Unit and I have seen a draft copy of their interim report which raises some potentially very serious issues. The report is expected to be finalised over the next few months and I may report further in due course.

### **Summary**

- 5.4 As a result, I have been unable to obtain all the information and explanations necessary for me to satisfy myself as to the regularity of the £12.1 million issued to Helm Housing Association in 2010-11 and I have therefore qualified my opinion in this respect.

## Part 6: Housing Associations

### Introduction

- 6.1 I have reported extensively in previous years on the governance arrangements of housing associations and have made a number of recommendations for improvement.

### Key findings to date from Round 2 of the Unit's inspections

- 6.2 The first round of reviews by the Unit of all housing associations in Northern Ireland was completed in 2009-10 and I noted in my report last year that 14 out of 33 housing associations received an "unacceptable" rating.
- 6.3 The Unit began the second round of inspections in 2010 and to date has completed its review of seven housing associations. I am concerned to note that four of these housing associations received no assurance. In addition, reviews of a further six housing associations (including Helm) are nearly complete and significant concerns have been identified in five of these housing associations. Given the work that the Unit has done in promoting best practice, driving forward improvements, monitoring performance and acting as a deterrent to unacceptable practices, I am disappointed at the continuing number of housing associations which are failing to achieve a satisfactory assurance level. The Department told me that it is also concerned about the level of failure within the Housing Association movement. The Department considers the main cause of the failure is due to a lack of capacity in terms of skills/expertise at Board and/or management level. As a result the Department has supported a number of mergers or Group structure arrangements where failed Associations have been able to avail of the skills and expertise of better established Associations. In addition a number of Associations have changed their senior management and/or Board membership as a result of an adverse Inspection report.
- 6.4 The Department also indicated that where a failed Association can demonstrate that it has the commitment, capacity and ability to effectively address the inspection findings that it will to work with them to ensure the effective implementation of the recommendations. As part of its ongoing review of the Governance and Inspection process, the Department is considering what further actions are required to help drive improvements forward more effectively. Three of the key areas under consideration are:
- increasing the Department's regulatory authority to deal more proactively with failing Associations;
  - utilising the lessons learned from recent Inspections to build upon the current inspection and monitoring processes; and
  - working with the sector to help improve capability and capacity.
- 6.5 I have also noted that the Unit was unable to carry out its full intended inspection programme in 2010-11 because it had to divert resources to its inspection of Helm Housing Association following the significant issues identified there. The Department has told me that the decision to reschedule the Inspection Programme was only made after careful consideration of all the issues. The Department believes that the issues initially identified within Helm were such that it was vital that any potential impact

was assessed as a matter of highest importance. In re-allocating the resources the Department took into account the previous inspection grading and access to Grant. In addition a more significantly strengthened monitoring system was in place (since April 2010) and was further enhanced by the request for all Internal audit reports from the Associations. In view of these factors the Department considered any risks involved with the re-scheduling of the inspection programme to be greatly reduced. Additional resources for the Inspection Team have been put in place and this will enable the Inspection Team to deliver the planned programme during 2011-12.

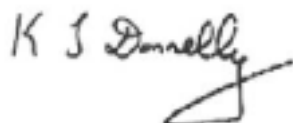
- 6.6 In addition, as a result of the work of the Unit to date that Boards and Management Teams within eight housing associations have been replaced or revised. I remain concerned that the Unit continues to find examples of poor and unacceptable management/governance practices in housing associations, such as:
- the commitment to purchase land in areas where no housing need has been identified;
  - the purchase of properties for which Housing Association Grant has not been received and is unlikely to be received; and
  - where housing associations had purchased or were committed to purchase a large number of properties without the knowledge or approval of either NIHE or the Department.

### Summary

- 6.7 Other than in relation to Helm Housing Association as discussed in Part 5, I have not qualified my audit opinion on this area of expenditure but I am concerned that there continues to be significant problems within the registered housing association sector in Northern Ireland. Of particular concern is the high level of underachievement in obtaining a satisfactory assurance level through the Department's inspection programme and the fact that there are currently seven housing associations which have been suspended from building further houses by the Department.
- 6.8 I will continue to monitor this area and in particular the timely and full implementation of the recommendations arising from the work of the Unit and the implementation of the recommendations from my review of the governance arrangements.

## Part 7: Conclusion

- 7.1 A number of issues have arisen during the year which has led me to qualify the Department's Resource account. I have also highlighted significant issues surrounding Housing Associations and the Northern Ireland Housing Executive.
- 7.2 I welcome the fact that the Accounting Officer's Statement on Internal Control highlights the significant ongoing problems relating to benefit fraud and error and the other issues referred to above. I welcome the continuing efforts by the Department that aim to reduce the levels of fraud and error in benefit expenditure and I will continue to monitor the impact on performance in future years.
- 7.3 I note the circumstances surrounding the occurrence of the excess vote and the steps taken by the Department to prevent a recurrence. I also note the Department has completed a review of the circumstances which led to the overspend of the city centre regeneration project and has identified the key lessons learnt and steps taken prevent any recurrence.
- 7.4 I am concerned about the potentially serious issues identified by the Department's review of Helm Housing Association and the generally poor performance achieved by several other housing associations in the Department's inspection programme. I will keep this area under review and may report further on this issue in due course.



KJ Donnelly  
Comptroller and Auditor General  
Northern Ireland Audit Office  
106 University Street  
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30th June 2011

**CHILD MAINTENANCE AND  
ENFORCEMENT DIVISION  
(CMED)  
CLIENT FUNDS ACCOUNT**

**2010-11**

## Statement of the Department's and Head of Child Maintenance and Enforcement Division's Responsibilities

Under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001 the Department of Finance and Personnel has directed the Department for Social Development to prepare a statement of client funds accounts for the financial year ended 31 March 2011 in the form and on the basis set out in the Accounts Direction. The Client Funds Account must comprise a Receipts and Payments Account and a Statement of Cash Balances, and must properly present the receipts and payments for the financial year, and the balances held at the year end.

The notes to the Client Funds Account must include a summary of the maintenance assessment balances at the beginning and the end of the year and movements thereon during the year. The summary must also disclose the extent to which any outstanding maintenance arrears are likely to be collected. In addition the amount of arrears must be categorized as to its collectability.

In preparing the accounts, the Accounting Officer is required to:

- observe the Accounts Direction issued by the Department of Finance and Personnel, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis; and
- make judgements and estimates on a reasonable basis.

The Accounting Officer for the Department for Social Development has designated the Head of the Child Maintenance & Enforcement Division as Accounting Officer for the Department's client funds. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of all funds for which the Accounting Officer is answerable and for keeping proper records are set out in Chapter 3 of Managing Public Money Northern Ireland issued by the Department of Finance and Personnel.



Catherine McCallum  
Accounting Officer  
30<sup>th</sup> June 2011

## CHILD MAINTENANCE AND ENFORCEMENT DIVISION CLIENT FUNDS ACCOUNT

### Statement on Internal Control

#### 1. Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Divisional policies, aims and objectives, whilst safeguarding the public and client funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

I discuss the key risks to the delivery of the Division's objectives with the Permanent Secretary of the Department for Social Development on a regular basis.

In addition to quarterly briefings sent to the Minister showing progress against targets and updates on the Child Maintenance Redesign Implementation Project, other updates are provided and meetings take place as and when required.

The Permanent Secretary of the Department for Social Development has designated me as Accounting Officer for the Client Funds Account. As Accounting Officer I am responsible to the Northern Ireland Assembly for signing the Statement on Internal Control which sets out the control challenges facing the Division in respect of Client Funds.

The Client Funds Account summarises all of the cash received and payments made between non-resident parents, persons with care, the Department and the Child Maintenance and Enforcement Commission in Great Britain for the year ending 31 March 2011.

#### 2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. 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 Divisional 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 throughout 2010/11 and up to the date of approval of the Client Funds Account and accords with guidance issued by the Department of Finance and Personnel.

### **3. Capacity to Handle Risk**

The Division has a Risk Management Framework, which outlines all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress. This has been reinforced across the Division with senior managers fully trained in this methodology. Risk identification is a fundamental part of the Division's planning process.

The Department for Social Development's Internal Audit, which operates to Government Internal Audit Standards, uses the Division's risk register to formulate its audit plan. This involves examining the risk management process in place to ensure it is effective and it includes all of the key risks facing the Division in achieving its objectives. The Divisional Management Team reviews the risk register every quarter and also identifies risks that need to be escalated to the Departmental Risk Register.

The Divisional Audit Committee meets four times a year to discuss the risk register and to review outstanding audit recommendations. The Division has appointed three Independent Members to the Audit Committee, one of whom chairs the Committee. The Audit Committee considers progress against the audit plan, audit findings and the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control.

### **4. The Risk and Control Framework**

The Division's Corporate Governance Framework provides the system of direction and control for the organisation. It confirms the scope of the corporate governance arrangements and explains the importance placed on organisational structures, policies, plans and review arrangements which have been established to properly manage the Division's affairs.

The Division operates within a structured risk and control framework, which enables the identification, prioritisation and escalation of key strategic risks. The Division has clear risk processes and structures across all levels of the organisation through a comprehensive set of risk registers and risk discussions at all key governance and management forums.

The Division is responsible for the fair processing and storage of a significant amount of personal and sensitive information. This information is entrusted to the Division by its clients to enable it to provide a service to them. When dealing with this information Data Protection legislation is considered at all times. In addition, regular assurance statements are provided by Directors confirming that information is handled appropriately. There is also a comprehensive system of security checks and audits in operation across the Division to minimise the risk of loss or unauthorised disclosure of sensitive information.

## 5. 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 Division 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 by the Divisional Management Team and the Divisional Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Audit Committee met four times during the year to discuss outstanding audit recommendations regarding internal controls. The Audit Committee considers progress against the audit plan, audit findings and the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control.

Internal Audit carried out six reviews during the year which related to Client Funds. In three of the reviews, Internal Audit provided substantial or satisfactory assurance. In two reviews a limited opinion has been provided by Internal Audit as a result of long standing system issues. In one review (the review of the Division's File Store) Internal Audit provided a limited assurance due to the ineffectiveness of the monitoring controls over the security of information in the management and retrieval of case papers. All recommendations in respect of the file store audit have now been implemented. The Division continues to monitor long standing system issues and take action where appropriate.

The long standing system issues affecting the accuracy and completeness of audit trail and management information has resulted in a "limited" assurance on the adequacy and effectiveness of the overall system of internal control. Internal Audit has however acknowledged the continuing efforts made by the Division to improve the adequacy and effectiveness of the system of internal control.

## 6. Significant Internal Control Issues

From the various assurances available, significant control challenges were identified as follows:

***Accuracy of Maintenance Assessments:*** The Comptroller and Auditor General (C&AG) of the Northern Ireland Audit Office continues to qualify his opinion on the Client Funds Account on the basis of regularity due to errors in underlying maintenance assessments. The Division does not have the resources to correct all errors on previous cases. Additionally, as the Division is wholly reliant on the Child Maintenance and Enforcement Commission for the provision of IT systems, it is not in a position to correct the underlying deficiencies which have led to the errors in the first place. The Division continues to focus on accuracy and will continue to bring cases up to date when they are actioned during normal work activity.

**Accounting Information:** Client Funds accounting records are maintained on the Child Support Computer System (CSCS) and Child Support 2 (CS2) systems. Both systems have a long history of problems and are unable to directly generate the information needed to prepare the accounts. This is reflected in the Department for Work and Pensions Risk and Assurance Division's 2010/11 Annual Assurance report which records a limited assurance rating against both systems. Outstanding maintenance arrears at 31 March 2011, disclosed in the Client Funds Account is derived from the total outstanding maintenance arrears balances recorded on the two systems, in conjunction with a series of complex manual workarounds. However, these outstanding maintenance arrears cannot be broken down on a case by case basis. The Division is currently exploring the potential use of a case by case listing to support the closing maintenance arrears balance in future accounts. In the absence of a satisfactory audit trail, the Comptroller and Auditor General's examination of outstanding maintenance arrears balances was severely limited and the outstanding arrears note continues to receive a "Limitation in Scope" qualification.

**Delays in Processing Cases:** A major historical problem with the CS2 system is that due to severe software defects cases can become "unprogressable" or "stuck" on the system. When a case becomes "stuck", it can lead to delays which prevent the case from being processed quickly. Where cases are subject to significant delay, the Division can incur costs in the form of special payments for maladministration, where appropriate such costs are reflected in notes 16 and 37 of the DSD Resource Account. Where cases cannot be progressed on the system they are managed clerically. There are currently around 2,500 cases managed separately from the main IT systems.

**Independent monitoring:** Internal Audit have previously highlighted concerns in relation to the system functionality to independently identify and select decisions for checking purposes from both computer systems. During 2010/11, the Division introduced a revised approach which will facilitate the identification of all decisions on both systems. This will address this issue allowing the Division to independently select decisions for checking.

**Bank Reconciliation:** The Division operates separate general ledgers for the two operational systems, CSCS and CS2, and a single bank account, which is reconciled to the ledgers on a daily basis. A number of outstanding items have built up on the bank reconciliation since CSCS and CS2 were introduced in 1993 and 2003 respectively. Initiatives to address the underlying issues in this process include use of a separate database to record reconciling items, which has facilitated the development of an improved audit trail. In addition, the Division is working closely with colleagues in Great Britain to introduce small systems which will improve efficiency and prevent un-reconciled items from building up in the future.

**Statement of Balances:** Due to insufficient information being available in underlying IT systems, the Client Funds Receipts and Payments Account and Statement of Balances have historically been prepared using bank statements. The Statement of Balances discloses the balance on the bank account at the year end. The year end bank balance is then broken down between funds received into the bank which are awaiting clearance and cleared funds which are awaiting distribution.

The analysis of cleared funds is heavily reliant on system generated reports. While the Division can provide a full and detailed breakdown of cash transactions for the current

year and historic banking transactions will have been subject to full management and audit scrutiny, there is an amount of £333k within cleared funds which has resulted from the limited analysis available from prior years and deficiencies with the IT systems. The Division will be undertaking a further investigation of this issue in 2011/12. Once this work is complete the Division will consider whether the remaining balance should be transferred to the consolidated fund.

## 7. Conclusion

The Division continues to operate in an inherently challenging environment. Whilst there have been significant improvements in performance and control in recent years, the underlying problems with the systems used to administer child support remain.

The Division will continue to work with the Child Maintenance and Enforcement Commission in Great Britain on the design and development of a new child maintenance scheme. While there is no expectation that existing systems will be completely fixed, improvements will continue to be progressed in the meantime.

The Division will continue to take all possible action to work around the system issues and mitigate the associated risks. The Division will also continue with its programme of corrective action which includes the implementation of Public Accounts Committee, Internal and External Audit recommendations. Implementation of these recommendations will be monitored by the Divisional Audit Committee and I shall continue to monitor actions and audit recommendations to ensure that weaknesses identified are addressed.



Catherine McCallum  
Accounting Officer  
30<sup>th</sup> June 2011

## **DEPARTMENT FOR SOCIAL DEVELOPMENT**

### **Child Maintenance and Enforcement Division Client Funds Account**

#### **THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

I certify that I have audited the Department for Social Development's Child Maintenance and Enforcement Division Client Funds Account for the year ended 31 March 2011 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Receipts and Payments Account, the Statement of Balances and the related notes. This account has been prepared under the accounting policies set out within it.

#### **Respective responsibilities of the Head of the Child Maintenance and Enforcement Division as Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the account and for being satisfied that it properly presents the receipts and payments during the year. My responsibility is to audit the account in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the account**

An audit involves obtaining evidence about the amounts and disclosures in the account sufficient to give reasonable assurance that the account is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department for Social Development's Child Maintenance and Enforcement Division's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department for Social Development's Child Maintenance and Enforcement Division; and the overall presentation of the account.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the account have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

#### **Basis for Qualified Opinion on Regularity**

The Department is required to calculate maintenance assessments in accordance with the relevant legislation. My examination of maintenance assessments identified cases that have been calculated incorrectly.

### **Qualified opinion on Regularity**

In my opinion, except for the maintenance assessments calculated in error, in all material respects the receipts and payments have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

### **Basis for Qualified Opinion on Maintenance Arrears balances**

My audit examination of maintenance arrears balances was limited because of insufficient evidence to substantiate the level of maintenance arrears included within Note 6.1 to the account and I was unable to confirm the accuracy of the maintenance assessments which form the basis of the maintenance arrears balances. Whilst I am not able to provide a precise estimate of the level of error, I consider the level of gross error to be material. As the Client Funds account is not prepared on an accruals basis the maintenance arrears figures in Note 6.1 do not impact on other disclosures within the account. Consequently the limitation of my audit opinion extends to Note 6.1 only.

### **Qualified Opinion on the account**

In my opinion:

- the account properly presents the receipts and payments and the Statement of Balances of the Department for Social Development's Child Maintenance and Enforcement Division for the year then ended;
- except for any adjustments that might have been found to be necessary had I been able to obtain sufficient evidence concerning the maintenance arrears balances, Note 6.1 to the account gives a true and fair view of the gross and net maintenance arrears at 31 March 2011; and
- the account has been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

### **Matters on which I report by exception**

I have not received all of the information and explanations that I considered necessary to substantiate the level of maintenance arrears referred to above.

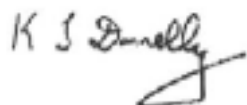
In respect solely of the limitation on my work relating to the maintenance arrears balances:

- I was unable to determine whether the Department maintained adequate accounting records to support the level of outstanding maintenance arrears totalling £81.7 million;
- As a result, I was unable to determine if Note 6.1 is in agreement with the accounting records; and
- I have not therefore received all the information and explanations I require for my audit.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Statement on Internal Control does not reflect compliance with the Department of Finance and Personnel's guidance.

My detailed observations are included in my report attached to the account.



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

30th June 2011

**CHILD MAINTENANCE AND ENFORCEMENT DIVISION (CMED) CLIENT FUNDS ACCOUNT**

**Receipts and Payments Account for the year ended 31 March 2011**

	Notes	2010-11 £'000	2009-10 £'000
Receipts	2	17,187	17,149
Bank Interest	3	0	0
<b>Total Receipts</b>		<b>17,187</b>	<b>17,149</b>
Less Payments to :			
Persons With Care		15,848	15,212
The Department (including fees)		774	1,065
Great Britain Child Maintenance and Enforcement Commission (CMEC)		177	299
Non Resident Parents		365	318
<b>Total payments</b>		<b>17,164</b>	<b>16,894</b>
<b>Net (Payments)/Receipts</b>		<b>23</b>	<b>255</b>
Balance as at 1 April		831	576
<b>Balance as at 31 March 2011</b>	<b>4</b>	<b>854</b>	<b>831</b>
<b>Statement of Balances as at 31 March 2011</b>			
	Notes	2010-11 £'000	2009-10 £'000
Funds awaiting clearance	4	176	195
Cleared funds awaiting distribution	4	678	636
<b>Balance on bank account</b>		<b>854</b>	<b>831</b>

The notes on pages 187 to 190 form part of these accounts.



Catherine McCallum  
Accounting Officer  
30<sup>th</sup> June 2011

## NOTES TO THE ACCOUNT

### 1. Accounting Basis

- 1.1 This Account has been prepared on a cash basis and in the form directed by the Department of Finance and Personnel.

### In Relation to the Receipts and Payments Account

### 2. Receipts from Clients

- 2.1 Receipts from clients relate to child maintenance collected by the Division for payment, respectively, to Persons With Care of the children, to the Department or to the Great Britain Child Maintenance and Enforcement Commission (CMEC).
- 2.2 Money is also received from the Department to refund Non-Resident Parents in cases where an overpayment has been made, and the amount is irrecoverable. This totalled £197,250 (2009-10: £189,815) and is included within Special Payment Costs in note 16 to the Resource Accounts and Losses and Special Payments in note 37 of the Resource Account.

### 3. Interest Received and Paid

- 3.1 The Division receives interest on balances deposited in the Client Funds bank account, at the Bank of England base rate minus 0.5%. Persons With Care or Non-Resident Parents may, in specific circumstances, be entitled to receive interest payments when the Division, through its own fault, has delayed paying over maintenance received/refunds. No interest was received or paid in 2010/11 (2009/10 £nil) as a consequence of the low Bank of England base rate.

### 4. Statement of Balances

- 4.1 The balances relate to sums collected from Non-Resident Parents and interest received which had not been paid over to Persons With Care, the Department, the Great Britain Child Maintenance and Enforcement Commission or Non-Resident Parents at year end.
- 4.2 The balances relating to funds awaiting clearance are amounts that the Division has received into its bank account but have not yet cleared through the bank's clearance processes.
- 4.3 The balances relating to cleared funds awaiting distribution are amounts that the Division has received into the Client Funds bank account but have not yet been paid out to Persons With Care, the Department, the Great Britain Child Maintenance and Enforcement Commission or Non-Resident Parents

## **In Relation to the Outstanding Maintenance Arrears Position**

### **5. Amounts Outstanding as at 31 March 2011**

- 5.1 Under the Accounts Direction, issued by the Department of Finance and Personnel, the Division is required to disclose a summary of the maintenance assessment balances at the beginning and end of the year and the movements thereon during the year both for the current year and the previous year. The Division is also required to disclose the extent to which any outstanding maintenance arrears are likely to be collected. In addition, the amount of outstanding maintenance arrears is categorised as to its collectability.

#### **Collectability of Outstanding Maintenance Arrears**

- 5.2 The Division undertook an “Outstanding Maintenance Arrears Analysis Exercise” to estimate the collectability of outstanding maintenance arrears as at the 31 March 2010. The results have also been used as the basis to estimate the collectability of outstanding maintenance arrears as at 31 March 2011. This Exercise established three categories for the total outstanding maintenance arrears i.e. collectable, possibly uncollectable and probably uncollectable.

##### **Collectable**

This relates to amounts outstanding where the Exercise suggested are likely to be collected. This takes in to account factors such as regular contact with the Non-Resident Parent, where regular payments are being made or an arrears agreement has been set up.

##### **Possibly uncollectable**

This relates to amounts outstanding where the Exercise suggested some uncertainty over whether they will be collected. The amounts are considered possibly uncollectable where, for example, payments have been infrequent or it has not been possible to establish an arrears agreement or impose a Deduction of Earnings Order. An estimate has been calculated, assessing the difficulty of collecting each element of the outstanding maintenance arrears. Where it is likely to be difficult to collect, due to, for example, unsuccessful attempts to trace a client for over two years, a proportion of these amounts has been estimated as possibly uncollectable.

##### **Probably uncollectable**

This relates to amounts outstanding where the Exercise suggested there is significant uncertainty over whether they will be collected due to, for example, the lack of contact with, or the personal circumstances of, the Non-Resident Parent. In many of these cases the Division has suspended recovery action until such time as the individuals' circumstances change. The full amount of outstanding maintenance arrears in this category has been estimated as probably uncollectable.

- 5.3 The amounts outstanding on individual cases remain and continue to be due in full. The Division will continue to consider any new facts brought to its attention regarding collectability and has not waived its discretion to take action in the future to collect any amount outstanding which becomes collectable.

### Note 6.1 Outstanding Maintenance Arrears as at 31 March 2011

	Old System CSCS £'000	New System CS2 £'000	Total £'000
<b>Opening balances as at 1 April 2010</b>	<b>36,153</b>	<b>44,582</b>	<b>80,735</b>
Maintenance Charged in Year	2,128	15,264	17,392
Maintenance Received in Year	(4,210)	(12,233)	(16,443)
	<b>(2,082)</b>	<b>3,031</b>	<b>949</b>
<b>Closing balances as at 31 March 2011</b>	<b>34,071</b>	<b>47,613</b>	<b>81,684</b>
Less: Estimate of amounts probably uncollectable from launch including in year movements	18,373	19,977	38,350
Less: Estimate of amounts possibly uncollectable from launch including in year movements	3,071	4,409	7,480
<b>Outstanding Maintenance Arrears likely to be collectable as at 31 March 2011</b>	<b>12,627</b>	<b>23,227</b>	<b>35,854</b>

## Note 6.2 Outstanding Maintenance Arrears as at 31 March 2010

	Old System CSCS £'000	New System CS2 £'000	Total £'000
<b>Opening balances as at 1 April 2009</b>	<b>38,315</b>	<b>42,630</b>	<b>80,945</b>
Maintenance Charged in Year	2,643	13,263	15,906
Maintenance Received in Year	(4,805)	(11,311)	(16,116)
	<b>(2,162)</b>	<b>1,952</b>	<b>(210)</b>
<b>Closing balances as at 31 March 2010</b>	<b>36,153</b>	<b>44,582</b>	<b>80,735</b>
Less: Estimate of amounts probably uncollectable from launch including in year movements	19,588	19,458	39,046
Less: Estimate of amounts possibly uncollectable from launch including in year movements	2,996	3,664	6,660
<b>Outstanding Maintenance Arrears likely to be collectable as at 31 March 2010</b>	<b>13,569</b>	<b>21,460</b>	<b>35,029</b>

**Department  
for Social  
Development**

**Child  
Maintenance  
and  
Enforcement  
Division**

**Client Funds  
Account**

**2010-11**

## **Introduction**

1. The Child Maintenance and Enforcement Division (CMED) is a division within the Department for Social Development (the Department). The division was established on 1st April 2008 to replace the former Child Support Agency and its main purpose is to promote and secure effective child maintenance arrangements for children who live apart from one or both parents.
2. The Department is required under an accounts direction from the Department of Finance and Personnel (DFP) to prepare a client funds account. This is a receipts and payments account showing mainly amounts received from non-resident parents and payments made to persons with care together with a statement of cash balances held. The Direction also requires the Department to provide a summary of the amounts due in respect of unpaid maintenance assessments together with its assessment of the extent to which any outstanding maintenance arrears are likely to be collected.
3. I am required to examine and certify the CMED Client Funds Account and report the results to the Northern Ireland Assembly. In every year since the inception of child support in April 1993, my audit opinion has been qualified. My work this year has again concluded that a qualified audit opinion is still required and this report provides a summary of the issues giving rise to the qualification.

## **Qualified Audit Opinions**

4. I have qualified my opinion on the following areas:
  - on regularity because my examination of maintenance assessments identified cases that have been calculated incorrectly; and
  - on the accuracy of the outstanding maintenance arrears at 31 March 2011 as shown in note 6.1. In this case because of an inadequate audit trail, my examination of the arrears balance was severely limited and therefore I was unable to obtain enough evidence to satisfy myself as to the accuracy and completeness of the outstanding maintenance arrears of £81.7 million.
5. Further details of the basis for my opinions are provided below.

## **Regularity of maintenance assessments**

6. The accuracy of the calculation of maintenance assessments for child support is very important as it forms the basis of the payments made by the non-resident parent to persons with care and also the calculation of amounts due where maintenance arrears build up. In each of the audits by my staff since 1993 of the outstanding maintenance arrears balances and maintenance assessments a significant number of errors have been identified. This year my staff examined 30 cases and of these 13 cases (43 per cent) were found to have errors (2009-10: 70 per cent) due to errors in maintenance calculations, errors in records caused by IT issues and missing case papers. The number of cases my staff examined were not large enough to apply the same level of error to the whole population, but I am satisfied that these errors, in combination with the errors identified in prior years, force me to conclude that the level of error within

maintenance assessments is still material.

7. Examples from the 13 cases found to have errors include:
  - In one case which commenced in 1994, we noted that maintenance arrears were overstated by £25,000 as CMED had not implemented an assessment to close a case when the Qualifying Child left the household in 2003; and
  - In eight cases which commenced between 1995 and 2003, documentation to support the level of the maintenance assessments was not available. Arrears on these cases ranged from £78 to £58,859 over the period 1994 to 2009.
8. Of the 13 errors found in the 30 cases examined by my staff, 10 related to the last, i.e. most recent, assessment. In table 1 below I have noted the financial year in which those assessments were carried out.

**Table 1: Errors found in testing**

Financial year of most recent assessment	Number of errors
96-97	2
98-99	2
01-02	1
03-04	1
04-05	1
07-08	1
09-10	2
10-11	0

It is therefore my opinion that the level of error within the assessments continues to be unacceptable. I asked the Department to comment on these levels of error and the Department told me that it was notable that no errors had been found in respect of assessments relating to the current year 2010-11. The Department said that it was also notable that the majority of errors found related to Old Scheme cases. The Old Scheme was replaced in 2003 primarily because of its complexity and the well recognised fact that this complexity increased the likelihood of error.

9. CMED carry out their own testing which focuses on the most recent assessment where that occurs in the current year in order to provide an estimate of cash value accuracy in the current year. Their testing carried out in 2010-11 indicated a cash value accuracy level in relation to assessments made in 2010-11 of 96 per cent against a target of 97 per cent (97 per cent in 2009-10). The Department told me that it continues to focus on the accuracy of current work in order to provide management with timely, relevant and independent feedback so that learning and improvement can be progressed. The Department also explained that at key stages of a case, for example prior to referral for enforcement action, a full review of the maintenance assessment and arrears balance is undertaken. The Department also told me that changes to assessments are driven, in the main, by client contact and without notification of a change in circumstances, an

assessment may remain at its current level for as long as the case remains open. Where client contact is made, relevant elements of the assessment are brought fully up to date.

### **Accuracy of maintenance arrears**

10. The Department maintains the accounting records for CMED Client Funds on two systems - the Child Support Computer System (CSCS) and the Child Support 2 (CS2) system. Both of these systems have a long history of problems and are unable to directly generate the information needed to prepare the Account. The outstanding maintenance arrears at 31 March, disclosed in Note 6.1 of the Account, is therefore derived from the total outstanding maintenance arrears balances recorded on these two systems, in conjunction with a series of complex manual workarounds.
11. These problems mean that the Department is unable to break down the outstanding maintenance arrears balance on an individual case by case basis. In the absence of this information my examination of the outstanding maintenance arrears balances was severely limited and I therefore concluded that there is significant uncertainty over the accuracy and completeness of the outstanding maintenance arrears balance of £81.7m reported in the Account. Consequently I have qualified my audit opinion on the basis that the scope of my audit was limited in this regard. The Department told me that it is currently exploring the potential use of a case by case listing to support the closing maintenance arrears balance in future accounts and will liaise with my staff on progression of this during 2011-12.

### **Other issues**

#### **Statement of Balances**

12. The Statement of Balances shows the balance in CMED's bank account and represents mainly amounts that have been received from non-resident parents and are awaiting clearance or distribution. The total balance at 31 March 2011 was £854,000. Included within this balance is an amount of £333,000 relating to receipts and payments over a number of years, which, because of inherent system weaknesses, the Department is currently unable to determine who it has been received from or is due to be paid to. It is therefore possible that non-resident parents may have made payments in the past for maintenance which has not yet been paid over to the person with care.
13. The Department has assured me that there is work ongoing to investigate the issues surrounding the Statement of Balances with the aim of resolving the issue before the end of the current financial year. Whilst I acknowledge that the Department has already made some progress towards providing a full breakdown of the amounts in the Statement of Balances, I am concerned that this issue has still not been resolved. I asked the Department how it intends to ensure that this issue will be satisfactorily resolved and the Department told me that it would be undertaking a further investigation of the issues surrounding the Statement of Balances during 2011-12. Once this work is complete the Department told me that it would then consider whether the remaining balance should be transferred to the consolidated fund.

## The level of maintenance arrears and its collectability

14. The Department is required to disclose the balances outstanding from non-resident parents in respect of maintenance assessments. Where a non-resident parent does not make payments in accordance with the maintenance assessment and the Department is responsible for collecting those payments, any missed, or shortfall in, payments will be recorded as maintenance arrears. As is the case in Great Britain, legislation prevents the Department writing off outstanding maintenance arrears.
15. Maintenance arrears outstanding have been accumulating since the inception of child support in 1993 and I note from table 2 below that the level of gross and net maintenance arrears outstanding have continued to increase over the last 4 years. A key recommendation made by the Public Accounts Committee when it examined this area in 2007-08 was for the Department to make more extensive use of the enforcement powers it holds to reduce the levels of outstanding maintenance arrears. I asked the Department what action it has taken in making more use of its enforcement powers and the Department told me that it actively utilises all enforcement powers available to it. During 2010-11 the controlled implementation of Lump Sum Deduction Orders and Regular Deduction Orders continued. The Department also secured improvements in the provision and timing of information available from HMRC leading to an increased number of Deduction from Earnings Orders being issued to employers. The Department told me that it had also progressed improvements in the services provided through Experian for case surveillance and tracewatch and would continue to work closely with the Great Britain Commission to secure additional enforcement powers and improve existing powers in practice.

**Table 2: Levels of outstanding maintenance arrears**

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Gross Outstanding maintenance arrears	81.7	80.7	80.9	77.2	71.0
Amounts probably and possibly uncollectable	45.8	45.7	47.6	42.3	41.0
Net Outstanding maintenance arrears likely to be collectable	35.9	35.0	33.3	34.9	30.0

16. The outstanding maintenance arrears balance comprises 30,700 individual cases, some dating back to 1993. The Department has estimated that in 2010-11 £45.8 million (2009-10 £45.7 million) is deemed probably and possibly uncollectable. I have asked the Department for their comments on this and they told me that while it continues to attempt to secure all maintenance arrears due, the current reality is that for a large number of cases the Non Resident Parent's financial situation has changed significantly as a result of the current economic environment. In these cases, while the current maintenance assessment reflects the present financial position the options available to the Department for collection of past periods of unpaid maintenance are extremely limited. These limitations have a direct impact on the collectability of maintenance arrears.

17. In my report last year I expressed disappointment at the low collection target (£2.8 million) stating that the target level continues to fall well short of that which I would consider to be challenging. For 2010-11, the target was also set at £2.8 million, however, this target was not met, with the amount of maintenance arrears collected totalling £2.64 million. With this target it will take the Department over 12 years to recover the current level of outstanding net maintenance arrears. I asked the Department why a more challenging target has not been set and also what action is being taken to improve the level of maintenance arrears collected. The Department has told me that the arrears target for 2010-11 was both realistic and challenging and took into account the removal of compulsion for benefit recipients to use the statutory scheme and the reality of the current economic situation, particularly the impact of short-time working, job losses and lower average salaries. The Department also highlighted the fact that the outstanding maintenance arrears balance represents payments that non resident parents have failed to make for their children and stressed the importance of getting the message across that non payment of Child Maintenance is not acceptable.

### **Cost of Collection**

18. I have continued to monitor the cost of collection for every £1 collected for Northern Ireland Client Funds because of concerns raised by the Public Accounts Committee in 2007-08. The Department has told me that although the cost of collection has increased from 60 pence in 2009-10 to 65 pence in 2010-11, it was still within its target of 70 pence for 2010-11. I asked the Department why the cost of collection had increased in the year; why a target of 70 pence was set in 2010-11 which had already been achieved in 2009-10; and to benchmark cost of collection performance against other similar organisations. The Department told me that in setting the cost of collection target for 2010-11 it had taken into account the impact of the economic downturn, the increase in the number of non resident parents in receipt of benefit and increased salary costs across the Northern Ireland Civil Service. The Department was therefore pleased that in spite of these conditions a cost of collection of 65 pence against the target of 70 pence had been achieved. The Department also referred to its enhanced remit of promoting financial responsibility and providing information and support which sat outside the statutory maintenance service. The Department also stressed the fact that value for money and efficiency would continue to be a key consideration for the Statutory Service and the potential for benchmarking would be reviewed in this context.

### **IT Systems**

19. The IT system used by the Department is part of a larger IT system used by the Great Britain child maintenance body and therefore the Department is wholly dependent on improvements initiated there. I note that the child maintenance body in Great Britain has recorded a limited assurance rating against these IT systems in its annual assurance report. The CMED Accounting Officer has drawn attention to this report and assurance rating in her Statement on Internal Control.

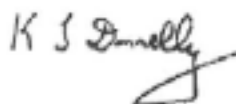
## Future Developments

20. The Child Maintenance Act (Northern Ireland) 2008 provides for the introduction of simplified rules for the calculation of maintenance. The new rules will require the development of a new IT system to support them and I note that the Department is working closely with its GB counterparts in developing the new IT system. It is likely that this new system will not be in place until 2012 at the earliest.
21. The Department for Work and Pensions has recently published a green paper “Strengthening families, promoting personal responsibility: the future of child maintenance”. This paper outlines a radical re-shaping of the statutory child maintenance system to better support families going through separation.

## Conclusion

22. I have qualified my audit opinion in respect of my work relating to the outstanding maintenance arrears balance of £81.7 million. I was unable to obtain sufficient evidence to satisfy myself as to the accuracy and completeness of this figure because of an inadequate audit trail. I have also qualified my opinion on the regularity of receipts and payments because my examination of maintenance assessments has identified cases that have been calculated incorrectly and therefore do not conform to the authorities which govern them.
23. The area of Child Support was last examined by the Public Accounts Committee (PAC) in 2007-08 and a number of recommendations were made. The Department has told me that all recommendations have now been implemented. I intend to further examine the Department’s success in achieving these recommendations during my audit in 2011-12.
24. In conclusion it is clear that fundamental challenges remain both in terms of:
  - The level of error within outstanding maintenance arrears balances; and
  - The level of accuracy in the maintenance assessment calculations where errors have been noted for many years.

I welcome the continuing efforts by the Department to address the long-standing problems and I will continue to monitor the impact on performance in future years.



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30th June 2011











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