Department for Work and Pensions Annual Report & Accounts 2010-11

(For the year ended 31 March 2011)

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Annual Report

for the year ended 31 March 2011

Foreword by the Secretary of State

We are going through a period of immense change in the Department for Work and Pensions.

We are currently working to deliver some of the most fundamental reforms to the welfare and pension systems seen since the Second World War, at the same time as meeting challenging efficiency targets as we look to bring Government budgets back under control.

This will not always be easy, and it will require the whole Department to pull together behind reform. But I am certain that it will be worth it.

We will know it has been worth it when we see the jobseeker who takes his first steps into work because – for the first time – he is certain it will pay to do so.

We will know it has been worth it when we see the ex-offender who is used to revolving in and out of the prison system being taken under the wing of a local, innovative charity and given the skills and confidence he needs to find and keep a job.

We will know it has been worth it when we see more children supported through child maintenance because their parents have been helped to work together to come to their own family arrangements.

We will know it has been worth it when we see disabled people all over the UK getting the support they need to live independently, enabling them to make their own choices.

And we will know it has been worth it when we see hosts of young people saving into a pension for the first time, feeling positive about their future and confident that they will be able to look forward to a decent income in retirement.

This report shows the work that we have completed so far on our ambitious programme of reform.

At the same time as implementing these reforms, the Department has continued to deliver critical services to millions of people every day. This is a considerable challenge, but I am confident that we have the skills and capability to make a real difference to society.

I am grateful to the many people, both staff in the Department and our partner organisations, who worked so hard over the past year. I look forward to working with them to build on the successes of the past year as we continue to make a real difference to society.

Rt Hon Iain Duncan Smith

Secretary of State

Executive summary

During 2010-11 the Department for Work and Pensions led Government efforts to create a new welfare system for the 21st century. It has been working with other government departments and the private and voluntary sectors to transform the opportunities for people without jobs to find work and support themselves and their families, and to enable the most vulnerable people in society to change their lives by tackling the root causes of poverty. It has focused its efforts on helping to break the cycle of welfare dependency by making work the primary route out of poverty and reforming UK Pensions systems.

The Department's four-year Business Plan, published in November 2010, sets out the agreed plans up to 2015 for a radical reform of the welfare state. The plan includes 122 actions, 71 of which were due to be completed in 2010-11; 94 per cent of these actions were met on time.

The programme of reform to which the Department is committed will:

- introduce Universal Credit and other reforms to simplify the welfare system and to ensure that the system always incentivises work and that work always pays;
- get Britain working by introducing a single Work Programme - an integrated package of personalised support to get people into work;
- help tackle the causes of poverty by developing a welfare system that recognises work as the primary route out of poverty and reduces the number of children in workless households;
- reform the Social Fund to ensure assistance is better targeted and fits with wider welfare reform;
- provide a decent State Pension, encourage employers to provide high quality pensions and make automatic enrolment and higher pension saving a reality;
- reform the Child Maintenance system so that more children benefit from the payment of maintenance and families are encouraged and empowered to collaborate in the best interests of children;
- achieve disability equality and improve equality by promoting work for disabled people; and
- improve services to the public by improving the speed, ease and efficiency of delivery.

During 2010-11 the actions the Department took to transform the welfare system included: publication of a White Paper on Universal Credit; introduction of the Welfare Reform and Pensions Bills; and reforms to the Housing Benefit system. The Department has also conducted trials to migrate Incapacity Benefit recipients to Employment and Support Allowance.

To get Britain working the Department has developed a Work Programme to help unemployed people move back into work and established a network of Work Clubs, created work placements and encouraged volunteering opportunities to support people looking for employment. The Department also introduced a New Enterprise Allowance to help people to start their own business.

The Department has taken steps in 2010-11 to help tackle the causes of poverty, by supporting lone parents into work and developing a new child poverty strategy. It has also taken steps during the course of the year to improve disability equality by launching the Work Choice programme to enhance the work opportunities of disabled people, and launched a pre-employment eligibility letter for Access to Work to support disabled people applying for jobs.

The Department continued to deliver its priorities successfully while providing increased value for money. The Department has continued to improve its efficiency and has delivered a real-term annual baseline reduction in its administrative costs of 5.6 per cent per annum since 2007. During 2010-11 the Department has taken further steps to reduce its cost base, for example:

- headcount reduced by nearly 11,000 (a 10 per cent reduction compared to 2009-10);
- discretionary expenditure, for example on management consultancy, travel and professional fees, reduced by around 47 per cent ;
- debt recovery increased by £18 million;
- the cost of the Department's estate reduced by around £9 million; and

- progress on sustainability is also helping to reduce operating costs.

During the year, the Department announced a major review of its corporate centre functions. The structural changes which will be implemented as a result of the review will reduce corporate centre costs by 40 per cent, in line with the Department's Spending Review settlement.

The Departments achievements during 2010-11 have been recognised through a number of awards, including:

- the Financial Management award at the Civil Service awards for exceptional collaborative work, which went to the Department's Business Intelligence Team for building a new information system that allows groundbreaking analysis in the area of efficiency;
- the Excellence in Service Delivery award, part of the Civil Service Diversity and Equality Awards; and
- the Number 10 Greener Government award for reducing energy in departmental headquarter buildings.

Management commentary - introduction

Vision and objectives

The Department for Work and Pensions aims to: create a new welfare system for the 21st century; transform the opportunity for people without jobs to find work and support themselves and their families; and enable the most vulnerable in society to transform their lives by tackling the root causes of poverty.

In realising this vision, the Department will work towards the following objectives over the course of the 2010 Spending Review period:

- tackling poverty and welfare dependency through a simplified welfare system that encourages and incentivises people to find work, rewards responsible behaviour and protects the most vulnerable;
- promoting high levels of employment by helping people who are out of work, including people in disadvantaged groups, to move into work;
- helping people meet the challenges of an ageing society and maintaining standards of living in retirement;
- providing opportunity, choice and independence to enable disabled people to take an equal role in society; and
- working towards a more socially just society in which the most vulnerable in society are better enabled to fulfil their potential, and transform their lives.

Key elements of the overall strategy will be the introduction of a Universal Credit, which will make work pay and help to break the cycle of welfare dependency by making work the primary route out of poverty; a single Work Programme to support people into sustainable work; and major reform of the private pension and State Pension systems to ensure dignity in later life and make increased pension saving a reality.

The Department has introduced Work Choice and Right to Control to improve the opportunities of disabled people in terms of both employment and choice. The Department aims to support more disabled people than ever to move into sustainable work that is in line with their employment aspirations.

Since the publication of last year's annual accounts the Department has revised its priorities in line with the new Government's objectives and its 2010 Spending Review settlement. The Department's new priorities and the financial implications of these changes have been reported in the Department's Business Plan 2011-15[1] and the Department's Delivery Plan 2011-12[2].

[1] www.dwp.gov.uk/docs/dwp-business-plan-may-2011.pdf
[2] www.dwp.gov.uk/docs/dwp-delivery-plan-2011-2012.pdf

Performance report

Key achievements in 2010-11

The Department's Structural Reform Plan, part of the four-year Business Plan set out the agreed plans up to 2015 for a radical restructuring of the welfare state. In developing and implementing reform, the Department aims to focus on the Government's values of freedom, fairness and responsibility and the ambition to put welfare spending on a sustainable footing.

The Business Plan also set out details of how the Department would demonstrate efficient use of its resources through a series of input indicators, and how it would demonstrate the key outcomes delivered through a number of impact indicators.

Structural Reform Plan

Actions taken during 2010-11 to reform the welfare system include:

- consulting on the introduction of the Universal Credit, and analysing the responses;
- publishing the *Universal Credit: welfare that works*[1] White Paper in November 2010;
- conducting trials in Burnley and Aberdeen to migrate Incapacity Benefit recipients to Employment and Support Allowance; and
- introducing the Welfare Reform Bill[2] in February 2011 which will, subject to the approval of Parliament:
    - allow the implementation of Universal Credit;
    - implement Housing Benefit reforms; and
    - help reduce fraud and error by implementing a new benefit sanctions regime.

Actions taken during 2010-11 to get Britain working include:

- developing a single, integrated Work Programme to help unemployed people, including those in disadvantaged groups, get back into work;
- working with the Department for Business, Innovation and Skills to promote self-employment to unemployed people and, through the New Enterprise Allowance, giving up to 10,000 unemployed people per year access to the advice and support they need to start their own business;
- establishing a network of locally led Work Clubs in community settings where people can meet, exchange skills, share experiences and receive support in finding local job opportunities;
- offering work experience placements to young unemployed people, including those from disadvantaged groups who lack experience or basic skills or face other barriers to work; and
- helping connect unemployed people with volunteering opportunities in their area through a new volunteering initiative called Work Together.

Actions taken during 2010-11 to help tackle the causes of poverty include:

- supporting more lone parents into work by:
    - moving lone parents who are capable of work and whose youngest child is aged 7 or over onto Jobseeker's Allowance; and
    - introducing legislation to extend Jobseeker's Allowance to those lone parents whose youngest child is aged 5 or over;
- contributing to the cross-government work on tackling child poverty by developing a new child poverty strategy[3];

[1] http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf
[2] http://services.parliament.uk/bills/2010-11/welfarereform.html
[3] www.education.gov.uk/publications/eOrderingDownload/CM-8061.pdf

- publishing proposals for consultation on reforming child maintenance arrangements[1]; and
- developing proposals for improving both assessment of the social impact of policy and social mobility.

Actions taken during 2010-11 to reform the pensions system include:

- restoring the earnings link for the basic State Pension, with a 'triple guarantee' that pensions are raised by the highest of either earnings, prices or 2.5 per cent;
- increasing the standard minimum guarantee so that most Pension Credit recipients see the full cash rise in basic State Pension from April 2011, as announced in the June 2010 Budget;
- completion of the Making Automatic Enrolment Work review in October 2010, and subsequent inclusion of the deregulatory measures recommended by that review in the Pensions Bill 2011, in preparation for the introduction of automatic enrolment into a pension scheme;
- reviewing the regulatory framework for pensions, encouraging employers to offer high quality pensions to all employees and removing unnecessary rules and regulations;
- introducing legislation to increase the State Pension age; increasing women's State Pension age to 65 more quickly between April 2016 and November 2018, then from December 2018 increasing State Pension age to reach 66 by April 2020;
- developing proposals for consultation on further pension reform[2]; and
- working with the Department for Business, Innovation and Skills and the Advisory, Conciliation and Arbitration Service to phase out the default retirement age.

Actions taken during 2010-11 to achieve disability equality include:

- improving the work opportunities of disabled people with the greatest barriers to employment by launching the Work Choice programme;
- introducing the pre-employment eligibility letter for Access to Work, so disabled people can apply for jobs with more certainty about eligibility for financial support towards any adaptations and equipment they will need;
- introducing the Right to Control pilots in seven areas, giving disabled people the right to have more choice and control;
- the commission of an independent report by Liz Sayce to review specialist disability support and maximise the number of people supported into sustainable employment;
- ensuring carers receive the right employment support, working with the Department for Business, Innovation and Skills to extend flexible working opportunities and support into work those who wish to seek paid employment; and
- developing proposals to reform Disability Living Allowance.

Actions taken during 2010-11 to improve efficiency and the service to the public include:

- moving Jobseeker's Allowance and State Pension applications online;
- improving the quality of contact the public have with the Department and its agencies by introducing a telephony self-service system that will provide automated answers to queries;
- reducing follow-on queries from the 80 million automated letters issued each year;
- launching a Bereavement Service that will take information once only from next of kin in the case of over 600,000 deaths per year; and
- simplifying the process for the 330,000 Employment and Support Allowance and Income Support customers who are found to be well enough to work each year.

The Department's Structural Reform Plan includes 122 actions, that the Department will be taking by 2015, 71 of these actions were due to be completed in 2010-11. Of these 71 actions, 67 were completed on time, two were missed by less than one month, one was missed by less than two months and one missed by more than

[1] www.dwp.gov.uk/docs/strengthening-families.pdf
[2] www.dwp.gov.uk/docs/state-pension-21st-century.pdf

three months. A table showing the number of actions taken under each of the six Departmental Priorities, and an explanation of why four deadlines were missed can be found at Annex A.

The Department publishes monthly progress reports on delivering its structural reform actions which can be found on the Department's website[1], and the Number 10 website[2].

Input indicators

The table below sets out the key input indicators published in the Department's Business Plan. The indicators have been designed to enable the Department to demonstrate how it is spending taxpayers' money and to enable the public to make an assessment about the Department's efficiency and productivity.

Further technical information on input indicators can be found in Annex A to this Annual Report.

	2009-10	2010-11 Provisional[3]
Unit cost of Jobcentre Plus labour market support per customer:		
• Jobseeker's Allowance Interview (New Claim, 13-week, 6-month)	£70	£59
• Jobseeker's Allowance Job Search Review	£9	£8
• Lone Parent Interview	£82	£77
• Employment and Support Allowance and Incapacity Benefit Interview	£109	£107
Processing cost per new claim for Jobseeker's Allowance	£114	£92
Cost of maintaining each existing claim for Jobseeker's Allowance per annum	£307	£306
Cost of processing each new claim for Employment and Support Allowance	£311	£233
Cost of processing each new claim for Income Support	£220	£181
Cost of maintaining each claim for Income Support per annum	£137	£116
Cost of maintaining each existing claim for Basic State Pension per annum	£15	£14
Cost of maintaining each existing claim for Pension Credit per annum	£59	£47
Cost of processing each new claim for Disability Living Allowance	£263	£251
Overall Department for Work and Pensions productivity measure. The Department's productivity change from the previous year.	+5%	+10%

Impact indicators summary table

The impact indicators have been designed to demonstrate the effectiveness of Departmental policies and reforms in delivering positive outcomes against a number of key social areas in return for Departmental resources.

The following summary table sets out progress made against the impact indicators published in the Department's Business Plan between 2009-10 and 2010-11. Full details of performance against these indicators in 2010-11 and 2009-10 with supporting technical information relating to how each indicator is measured can be found in Annex A to this report.

[1] http://www.dwp.gov.uk/publications/corporate-publications/structural-reform-plan.shtml
[2] http://www.number10.gov.uk/
[3] Final figures for 2010-11 are expected by Autumn 2011

Impact indicator	Summary of performance
Rates of people moving from out of work benefits into employment	This is a new measure for which data are not yet available.
Numbers on key out of work benefits	A total of 4.78 million people aged 16 to State Pension age claimed a key out of work benefit in November 2010, a decrease from November 2009.
Proportion of children living in workless households	There has been no statistically significant change in the estimated proportion of children living in workless households in the UK in April-June 2010 or October-December 2010 compared to the same periods in 2009.
Young people not in employment or full time education	The number of 18-24 year olds not in employment or full-time education was 30.3 per cent January-March 2011, a fall of 1.7 percentage points from 32.0 per cent in the previous quarter (October-December 2010), and a fall of 1.9 percentage points from 32.2 per cent January-March 2010.
Gap between the employment rates for disabled people and the overall population	Data are released quarterly for this indicator. There was a statistically significant improvement of 2.1 percentage points between October-December 2009 and October-December 2010, when the employment gap between disabled people and the overall population fell from 26.0 per cent to 23.9 per cent. There were year on year falls in each other quarter, but these were not statistically significant.
Rate of disability poverty	The latest data (published in May 2011) are for 2009-10 when 21 per cent of individuals living in families with a disabled person live on low income, compared to 23 per cent in 2008-09. This is a decrease of 2 percentage points and represents a statistically significant improvement for this indicator.
Total cost to the taxpayer of Fraud and Error for benefit claims	The 2010-11 estimated overpayments due to Fraud and Error in the benefit system is £3.3 billion, which is 2.1 per cent of 2010-11 total benefit expenditure. This compares with £3.1 billion and 2.1 per cent in 2009-10.
Rate of pensioner poverty	There has been no statistically significant change in the rate of pensioner poverty. The rate of pensioner poverty in 2009-10 (published in May 2011) was estimated to be 16 per cent. This is the same as the level of pensioner poverty in 2008-09.
Number of employees in a pension scheme sponsored by their employer	The number of employees who are in an employer sponsored pension scheme decreased to 11.4 million in 2010 from 11.5 million in 2009.
Average age people stop working	There has been no statistically significant change in the age at which men and women stop work between 2009 and 2010.
Public opinion of DWP service levels	This is a new indicator for which data will be available from August 2011.
Social mobility in adulthood	This is a new indicator which is still in development.

The Department publishes quarterly online progress reports on performance relating to input and impact indicators. These can be found on the Department's website[1]. The Department also publishes diversity and equality information on the Impact Indicators, where available, in line with the Equality Act 2010 Public Sector Equality Duty[2].

[1] http://www.dwp.gov.uk/publications/corporate-publications/structural-reform-plan.shtml
[2] http://www.dwp.gov.uk/about-dwp/diversity-and-equality/

Managing the Department

Organisation

The Department is structured around three key functions:

- **Policy Groups:** identify effective strategies, policies, resource allocation and approaches to service delivery that best meet the needs of particular client groups which the Department serves;
- **Delivery Businesses:** deliver services to meet specified outcomes for particular customers; and
- **Corporate functions:** develop and lead corporate strategies for finance, human resources, IT, communications and governance; support the Department in delivery of objectives in a cost effective way and provide functional leadership and centres of expertise. The Department's Shared Services operation provides finance and human resources services both to the Department and, increasingly, to other government departments.

The Department's Executive Team supports the Head of Department by providing corporate leadership and working collaboratively to manage the Department in delivering its key objectives, ensuring that risks and opportunities are identified and managed.

The strategic and operational leadership of the Department is provided by the Departmental Board. It is chaired by the Secretary of State and has five main areas of responsibility:

- performance;
- strategy and learning;
- resources and change;
- capability; and
- risk.

Services to the public are mainly provided by, or through, the Department's Executive Agencies. In 2010-11 these were:

- **Jobcentre Plus:** helps people to find work and receive the benefits they are entitled to, and offers a service to employers to fill their job vacancies; and
- **The Pension, Disability and Carers Service:** delivers frontline services to today's and future pensioners and delivers a range of benefits to disabled people and carers.

The Department is also accountable for a number of Non-Departmental Public Bodies (NDPBs) which deliver services for the Government. The largest of these are the Child Maintenance and Enforcement Commission, which administers the child maintenance system in Great Britain, and the Health and Safety Executive which regulates health and safety in respect of work activities. Further details can be found in Annex C.

The Department also collaborates and works jointly with other government departments and their agencies, local authorities and the private and voluntary sectors in the development and delivery of services to the public.

Senior Civil Service (SCS) staff by pay band as at 31 March

Pay Band	Full-time equivalents	
	31 March 2010	31 March 2011
Permanent Secretary £141,800 - £277,300	1	2
SCS 3 £101,500 - £208,100	9	8
SCS 2 £82,900 - £162,500	62	54
SCS 1 £58,200 - £117, 800	209	190
Total	**281**	**254**

Professional support and infrastructure

Recruitment practice

In May 2010 the Government announced a freeze on external recruitment into the Civil Service. As a result there has been very little external recruitment to the Department this year.

The Department has contributed to the development of "Civil Service Jobs", an e-enabled recruitment system that will provide a single system for internal employee redeployment and, where appropriate, external recruitment across Government.

Managing attendance

Building on the progress of recent years, the Department reduced sickness absence to the lowest level ever recording an average of 8.1 days per staff year in 2010-11, compared to 8.5 days per staff year in 2009-10. The Department will continue to seek to improve its performance through an ongoing programme of activity, including helping employees maintain good health, improving the capability of managers to manage health-related problems and taking appropriate action including, where necessary, retirement or dismissal when employees cannot maintain good attendance records.

Monitoring spending on consultancy and temporary staff

The Department's management consultancy and interim personnel spend has reduced significantly during the year due to robust demand management measures which were supported by Cabinet Office spending controls.

	Consultancy (£millions)		
	2009-10	**2010-11**	**Reduction**
DWP	24.4	10.6	56.6%
Agencies	7.4	1.2	83.8%
NDPBs*	16.7	9.7	41.9%
Total	**48.5**	**21.5**	**55.7%**

	Temporary Staff (£millions)		
	2009-10	**2010-11**	**Reduction**
DWP	48.3	25.9	46.4%
Agencies	2.8	0.6	78.6%
NDPBs*	20.1	15.0	25.4%
Total	**71.2**	**41.5**	**41.7%**

*Following advice from the Cabinet Office, spend by the Pensions Protection Fund, a Public Corporation, has not been included in the figures above.

Sponsorship

Due largely to the cross-Government marketing and advertising freeze, the Department did not undertake any significant sponsorship activity in 2010-11.

Publicity and advertising

The Department's external communications in 2010-11 focused on ensuring that the public, stakeholders and the media understood changes to its services and policies, and on encouraging desired behavioural changes. They were focused on three major policy priorities:

- supporting welfare reform;
- helping to get Britain working; and
- building the case for pensions reform.

Specific activities included:

- arranging publicity and information on the roll-out of Incapacity Benefit reassessment for 1.5 million customers and their advisers;
- online marketing campaigns aimed at promoting self-employment and better job search among young people;
- communicating to the public changes to State Pension and working longer; and
- helping pensioners understand their entitlements.

In line with the cross-Government marketing and advertising freeze, the Department focused on low-cost and no-cost activity, making the maximum use of its own channels and online marketing. Paid-for communications were used only when absolutely necessary, and were evaluated for return on investment and value for money. Research was used to target the right audience with the right message at the right time.

The Department continued to find ways to cut expenditure on public information. The number of core information leaflets was reduced from 47 to 39, print methods were streamlined and 22 per cent fewer leaflets were issued. This resulted in a reduction in expenditure of 27 per cent (£0.46 million).

Departmental health and safety policy and procedures

In 2010-11 the Department continued to develop proportionate and sensible health and safety policies and procedures, to support business delivery and change.

The Department received a Gold achievement award from the Royal Society for the Prevention of Accidents, for the second successive year. The awards are presented to organisations for the successful management of occupational health and safety.

Following a collaborative procurement exercise involving 17 other government departments and public sector bodies, the Department launched a new Employee Assistance Programme in September 2010 which provides valuable welfare advice and support to over 240,000 Civil Servants.

Correspondence from the public

When a member of the public writes to one of the Department's Ministers, the letter may be dealt with by an official on their behalf. Between January and December 2010, 19,020 replies were sent on behalf of Ministers, of which 85 per cent were sent within the target of 20 working days.

Complaint resolution in the Department

The Department's Agencies have well-developed processes for dealing with complaints and over the past year they have continued to improve their effectiveness and accessibility. Details of how to complain and the types of redress which may be appropriate in responding to a customer complaint are included on Agency websites and in leaflets which are available from Jobcentre Plus, the Pension, Disability and Carers Service and local Citizens Advice Bureaux. Customers can also access this information via the Directgov website. Agency websites explain how customer feedback is being used to improve service delivery.

The Department encourages staff to record as much information as possible about customer dissatisfaction, including capturing minor issues, to help identify areas where improvements to service delivery can be made. In 2010-11, the Department recorded 91,130 complaints (2009-10 - 105,726), the vast majority of which were quickly resolved at a local level without the need for the customer to escalate their concerns.

The most common categories of complaint were:

The Pension, Disability and Carers Service	
• You take too long	56%
• You have got it wrong	28%
• You have not given me the information that suits my needs	9%
Jobcentre Plus	
• You have got it wrong	47%
• You have not given me the information that suits my needs	20%
• Treatment by staff	13%
Debt Management	
• You have got it wrong	37%
• You have not given me the information that suits my needs	24%
• You take too long	15%

Customers who remain dissatisfied after receiving a final response to their complaint can ask the Department's independent complaints reviewer, the Independent Case Examiner, to investigate their concerns. Further detail can be found in the Independent Case Examiner's Annual Report for 2009-10.[1] The 2010-11 report is due to be published in autumn 2011.

Each Agency compensates customers for additional costs, losses or other effects of maladministration. In 2010-11, 16,280 ex-gratia payments totalling £5.05 million[2] were made.

Where people are not happy with how the Department responds to their complaint, they can ask an MP to raise the issue with the Parliamentary and Health Service Ombudsman. In 2009-10, the Ombudsman accepted 31 new complaints for investigation and issued 68 investigation reports about the Department (the majority of which were accepted for investigation in the 2008-09 reporting year). Further details on the Ombudsman's findings can be found in Annex B.

Public Accounts Committee

Between July 2008 and December 2010 the Public Accounts Committee published eleven reports which involved the Department for Work and Pensions. In total the Committee made 59 recommendations, all of which required the Department to take action. Further details can be found in Annex D.

Personal data incidents

Departments are required to disclose information concerning certain personal data related incidents. The tables below set out details of protected personal data incidents during 2010-11. The information covers the entire departmental family, including Executive Agencies and Crown Non-Departmental Public Bodies.

[1] http://www.ind-case-exam.org.uk/en/pdf/reports/2009-2010/DWP-Annual-Report-July-2010.pdf

[2] This figure excludes financial redress paid in respect of loss of statutory entitlement and any payments made as part of a Special Exercise.

<table>
<tr><th colspan="5">SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2010-11</th></tr>
<tr><td>Security of Information</td><td colspan="4">During 2010-11 the Department has continued to focus on security of information and we have implemented a range of improvements. However, the Department's risk appetite for data loss remains low and given the size and complexity of the Department and the major change in delivery through on-line services, this continues to presents a significant control challenge for the Department. Despite the efficiency challenge, the Department therefore needs to continue to address current and emerging information security issues, whilst striving for continuous improvement. As part of this control challenge, there is a remaining issue around the secure physical transfer of paper records.

Within the scope of Information Security, the Department has a challenge for the effective management of customer files and the physical transfer of all customer data. Work has continued throughout 2010-11 to minimise risks around mismanagement of customer files and actions have been taken to further improve the efficiency and effectiveness of file management and handling.</td></tr>
<tr><td>Date of incident (month)</td><td>Nature of incident</td><td>Nature of data involved</td><td>Number of people potentially affected</td><td>Notification steps</td></tr>
<tr><td>April 2010</td><td>Loss of inadequately protected laptop from outside secured Government premises</td><td>Name, address, National Insurance numbers</td><td>741</td><td>None – no risk of harm to individuals*</td></tr>
<tr><td>December 2010</td><td>Loss of paper documents from outside secured Government premises</td><td>Names, addresses and National Insurance numbers</td><td>1,627</td><td>None – no risk of harm to individuals*</td></tr>
<tr><td>Further action on information risk</td><td colspan="4">The Department will continue to monitor and assess its information risks, in the light of the events noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems.</td></tr>
</table>

*Incident was fully investigated and because risk to individuals was assessed as low, no further notification was required.

SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2010-11		
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.		
Category	**Nature of incident**	**Total**
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	3
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other	0

Promoting equality of opportunity

Employee engagement

The Department is leading an ambitious programme of welfare reform and undertaking significant restructuring whilst continuing to deliver high quality frontline services to the public.

In this context leadership and the management of change continue to be the key drivers of engagement for the Department and across government, and one of the biggest challenges. Against this background, data from the 2010 people survey shows that the Department has lost ground in visibility of senior leaders, leadership vision and confidence in decisions of senior managers. As a result the Permanent Secretary and Executive team are playing a key role in communicating changes in the Department and staff have been asked to contribute their views in a series of face to face meetings across the Department.

The annual people survey shows that staff still enjoy their work (81 per cent) and want to do a good job, whilst 70 per cent feel their part of the business remains committed to delivering a quality customer service. Given the choice, most staff (over 80 per cent) would like to continue working for the Department.

Line management is a key enabler of employee engagement and this is a particular strength in the Department. Despite the challenging context, line manager skills have continued to improve over several years, notably in giving recognition, openness to ideas and motivating people to be effective in their job. This picture is confirmed by Investors in People results in 2010 which show that, compared with 2009, people feel increased confidence in their immediate line managers, who are seen to be more approachable, flexible and open.

Staff have access to welfare services which support staff and managers and promote well-being in the workplace. The Department's 'live well work well' programme enables managers and staff to focus on the drivers of good health and employee engagement for maximum effect and sustained improvement.

Staff have access to trade union membership. The Department recognises three trade unions which it will negotiate with, consult and inform at national level. Regular and comprehensive dialogue is taking place with the trade unions.

Employment of disabled people

Disabled people, as defined in the Disability Discrimination Act 1995 (as amended by the Disability Discrimination Act 2005), are employed across all grades within the Department. The Department aims to improve the level of knowledge and understanding of disability throughout its business in order to enhance services for disabled staff and customers.

The abilities of disabled people are recognised and valued throughout the Department by focusing on what people can do rather than what they cannot and by making reasonable adjustments to the workplace to allow people with disabilities to achieve their full potential.

Diversity and equality

The Department is committed to providing services which embrace diversity and which promote equality of opportunity. As an employer, the Department is committed to equality and valuing diversity within its workforce and to ensuring that these commitments, reinforced by the Department's Values, are embedded in the day to day working practices with our customers, colleagues and partners.

The Department already has standards and guidance in place to make it absolutely clear that behaviours such as bullying or harassment are unacceptable and that its aim is to provide an excellent service to the public. These standards and practices will remain and the Department will continue to:

- treat members of the public fairly and with respect;
- put in place reasonable adjustments for people with disabilities; and
- provide an accessible service for people who want to use its services.

Further changes under the Equality Act 2010 came into force from 6 April 2011. The Department is currently preparing to implement the new public sector equality duty, which requires the Department in the exercise of its functions to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and those who do not; and
- foster good relations between people who share a protected characteristic and those who do not.

The Department also publishes diversity and equality information on the Impact Indicators, where available, in line with the Equality Act 2010 Public Sector Equality Duty.

Strategies to reduce fraud and error

The joint Department for Work and Pensions / HM Revenue and Customs fraud and error strategy (the strategy) was published in October 2010 setting out a radical new approach to tackling fraud and error across the welfare system. The strategy is focussed on preventing fraud and error from entering the system, detecting it where it cannot be stopped, correcting the stock of fraud and error, punishing fraudsters and those who fail to take reasonable care of their claims, and deterring potential fraud and error by publicising this tough new regime. In addition to this, the introduction of Universal Credit from 2013 will radically simplify the benefit system making it much easier for customers and staff to keep claims correct, supported by a modern IT infrastructure. The strategy published a Government commitment to reduce annual welfare fraud and error overpayments by over 25 per cent (or £1.4b, to which the Department will contribute £800m) by 2015[1], backed by an investment of £425m. The Department estimates an additional £400m in annual savings to be possible if HM Revenue and Customs' Real Time Earnings Information system is implemented successfully.

The strategy commits the Department to taking more preventative action to stop fraud and error from entering the welfare system in the first place. The Department is creating an Integrated Risk and Intelligence Service (IRIS) to exploit the latest technologies and intelligence sources to target fraudsters and tackle customer error. The Department will also make use of real time earnings data from HMRC which, in parallel with the introduction of Universal Credit, will significantly reduce its reliance on customers to provide information in support of their claims. A new contract will be put in place with credit reference agencies in the autumn to provide key financial information on those suspected of committing fraud, enabling the Department to target its response more accurately and achieve higher rates of success in investigations.

The Department is working with HM Revenue and Customs and local authorities on a radical re-organisation of the resource deployed on fraud detection work across the whole welfare system into an integrated single fraud investigation service. This will create a more coherent service taking a more holistic approach to benefit fraud investigations which is able to take into account the totality of offences committed. To complement this, the Department is creating a Mobile Regional Taskforce that will carry out a focused audit of claims in local areas from October 2011. Taskforce activity will be supported by an intensive media campaign to raise awareness of its work and increase the belief amongst fraudsters and those failing to take sufficient care of their claims that fraud and error will be detected.

Once fraud and error is detected it is vital to correct claims and recover overpayments as quickly and effectively as possible. To this end the Department is stepping up its activity on case correction and is seeking to increase its powers in relation to debt recovery. In 2010 the Department augmented its case cleanse activity by setting up error reduction centres focussing primarily on reviewing the circumstances of customers and referring suspicious cases for fraud investigation. In 2010-11 these centres delivered annually managed expenditure savings of around £1.5m. Once fully rolled out, these Centres will involve around 1,200 dedicated staff cleansing nearly one million cases each year. Powers will be taken in the Welfare Reform Bill to widen the range of debts that can be recovered as well as introducing a fast track system of "Direct Earnings Attachment" which will allow the Department and local authorities to require money to be deducted direct from an employee's earnings where the employee has refused to come to a voluntary agreement to repay their debt. Secondary legislation will be brought forward to increase the amount of debt due to fraud that can be recovered by deduction from benefit. In addition to this, credit reference agency data is being used to identify people who are likely to have the funds to repay their debts and court orders will be sought to seize assets from those who persistently refuse to pay.

Subject to the progress of the necessary legislation and Royal Assent a more robust regime of sanctions and penalties will be employed by the Department from 2012, increasing the deterrent effect and punishment facing fraudsters; and for the first time a penalty for customers who are negligent and not taking reasonable steps to keep their claims correct. A minimum financial penalty for fraud cases will be introduced ensuring that all benefit fraud receives an appropriate level of financial punishment as an alternative to prosecution. There will be a new civil penalty of £50 for those who fail to provide us with information or allow a change of circumstance to run on. Tougher loss of benefit sanctions and a three-year loss of benefit sanction for cases of repeated offending and serious organised or identity fraud will be introduced. The Department will make use of the enhanced data provided by IRIS to identify customers attempting to abuse the system as they make a claim and establish punishments for this attempted fraud.

Local targeted communications will be used to support the deterrent effect of the new regime and reinforce understanding amongst customers and potential customers of the consequences of committing fraud or failing to report changes of circumstance.

Whilst the strategy represents a step change in the Department's approach to tackling fraud and error across the benefit system it is not a one-off drive for improvement. The Department will continue to develop internal

[1] More details on how the strategy will be implemented can be found at http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/writev/668-i/fesdv6.pdf

business processes and structures to support a continuous improvement approach to the problem. The Department has been developing an analytical framework which will enable it to assess how effective and robust its control of fraud and error is in a consistent way across all benefits on an ongoing basis. The framework links the Department's fraud and error reduction activity through analysis of root cause to information on the nature of the problem as set out in the National Statistics. During 2011 the Department will further develop this approach by producing diagnostic analysis, including root cause, which will show the impact its approach is having on fraud and error for each of the major benefits. These diagnostics will highlight any gaps or areas of concern such as activity that offers a poor return, which will enable the Fraud and Error Council[1] to make effective decisions over adjusting the Department's programme of fraud and error reduction activity.

Better regulation

The Department is not a major regulatory department, and the majority of its regulation relates to social security benefits. Nevertheless, the Department is fully committed to the Government's regulatory agenda. The Department will regulate to achieve its policy objectives only:

- having demonstrated that satisfactory outcomes cannot be achieved by alternative, self-regulatory, or non-regulatory approaches;
- where analysis of the costs and benefits demonstrates that the regulatory approach is superior by a clear margin to alternative, self-regulatory or non-regulatory approaches; and
- where the regulation and the enforcement framework can be implemented in a fashion which is demonstrably proportionate, accountable, consistent, transparent and targeted.

The Department's better regulation activity is focused on:

One-in, one-out: a system introduced in autumn 2010 which requires each Department to:

- assess the net cost to business ('IN') of complying with any proposed regulation;
- ensure that the net cost to business is validated by the independent Regulatory Policy Committee; and
- find a deregulatory measure (an 'OUT'), which relieves business of the same net cost as any 'IN'.

The Department is complying fully with the one-in, one-out system. The Government is reporting on departmental performance in its biannual Statement of New Regulation[2].

Regulatory Policy Committee: the Department is fully engaged with the Regulatory Policy Committee. All impact assessments for appropriate regulation have been submitted to the Committee for an opinion. The Regulatory Policy Committee publishes its findings in its "Challenging Regulation" reports[3].

Stock reviews: the Department is in the process of completing an independently led five-year review of private pensions regulation. In addition, the Department is engaged with the Department for Business Innovation and Skills on the Employment and Workplace Law Review, the Red Tape Challenge website and will engage with the Health and Safety Executive on the Lofstedt Health and Safety review.

Micro business exemptions: the Government introduced a moratorium exempting micro and start-up businesses from new domestic regulation for three years from 1 April 2011. The Department is fully complying with this requirement.

[1] The Fraud and Error Council was set up in 2009 to provide a strategic lead on all areas of fraud and error that relate to the benefits system. It is made up of Directors from right across the Department, including the operational Directors responsible for fraud and error across Jobcentre Plus and the Pension, Disability and Carers Service

[2] http://www.bis.gov.uk/assets/biscore/better-regulation/docs/o/11-p96a-one-in-one-out-new-regulation.pdf

[3] http://regulatorypolicycommittee.independent.gov.uk/

EU regulations: the Department ensures that policy-makers are involved in the development of European directives at the earliest stage and work with European partners to encourage smarter regulation by applying more rigorous use of evidence in the European Union.

Sustainability

The Department has been working with its key suppliers and the Carbon Trust to develop the Department's Carbon Management Plan[1]. The Plan sets out the emissions improvements the Department is seeking, and details how it will work with the Carbon Trust to deliver emissions savings in the future.

With its estates partner, Telereal Trillium, the Department has been working during 2010-11 to reduce its emissions, meet Government targets and reduce expenditure. Savings have been delivered through the development and implementation of the Department's AWaRE (Avoid Waste and Reduce Energy) programme, which is a joint initiative with our partners, suppliers and members of staff.

The Department has achieved all of the Sustainable Operations on the Government Estate Targets (SOGE)[2]. The most difficult to achieve was the carbon emissions from offices target, requiring a reduction of 12.5 per cent from a 1999-00 baseline. Based on initial data and excellent performance in the intervening years and despite the introduction of modern IT systems, contact centres and longer public opening hours, the Department's emissions and energy consumption has reduced by more than 30 per cent over the past four years. The reductions have been attained through a combination of awareness campaigns and technical investment.

The target to reduce carbon dioxide emissions from road vehicles has been exceeded, achieving a 35 per cent reduction from the 2005-06 levels. This reduction has been achieved by a combination of measures, including increased use of public transport and the use of low emissions vehicles. Increased use of video and audio conferencing has contributed towards the target, and has also helped reduce expenditure and improve work-life balance for staff.

The target to reduce waste by 5 per cent by 2010-11 against 2004-05 was achieved some years before the target date, this year attaining a 48 per cent reduction against the baseline year. Of the 15,784 tonnes of waste generated, 10,050 tonnes have been recycled, which equates to 64 per cent of the total waste and surpasses the target to achieve 40 per cent recycling by 2010.

Water consumption has reduced again in year through careful facilities management, providing a 39 per cent reduction against the SOGE target of 25 per cent relative to 2004-05 levels.

Full data can be found in Annex E

Corporate governance

Overview

The Department's high level governance arrangements are described in the Departmental Framework. The Departmental Framework sets out how the Department is organised and managed to deliver Welfare Reform and its objectives. The Framework will be revised during 2011 to reflect significant changes in how the Department is organised and the resulting changes to the specific accountabilities of the Executive Team members.

[1] The full Carbon Management Plan is available at http://www.dwp.gov.uk/docs/dwp-carbon-plan.pdf

[2] Full SOGE targets are accessible at ARCHIVE: UK Govt Sustainable Development - Sustainable operations on the Government estate

Departmental decision-making

The Department's decision-making arrangements are fully compliant with the intent of HM Treasury's Code of Good Practice in Central Government Departments.

Departmental Board

The Departmental Board (DB) provides collective strategic and operational leadership of the Department. In accordance with the Ministerial Code, the Board has been strengthened and its membership refreshed. It is now chaired by the Secretary of State and its membership now comprises four ministers, five non-Executive members, and five Executive members. It has five main areas of responsibility:

- Performance;
- Strategy and Learning;
- Resources and Change;
- Capability; and
- Risk

Its remit is performance and delivery, including appropriate oversight of sponsored bodies. Policy will be decided by Ministers with advice from officials, not by the Board. However, the board gives advice on the operational implications and effectiveness of policy proposals.

Departmental Audit Committee

The Departmental Audit Committee (DAC) is a permanent sub-committee of the Departmental Board and was chaired by a non-Executive Departmental Board member up until 31 December 2010. The membership of the Departmental Audit Committee consists of non-Executives only in line with Treasury guidance in the Audit Committee Handbook.

DAC provides an independent view on the appropriateness, adequacy and value for money of the Department's governance, risk management and assurance processes. It provides constructive challenge, opinion and advice, taking account of risks and reports to the Principal Accounting Officer, at least annually, on the effectiveness of the Department's control environment.

The Department has an integrated Audit Committee structure. The DAC has a sub-committee; the Shared Services Audit Committee. This and the Agency Audit Committees (AACs) have clearly defined arrangements for the escalation of strategic and cross cutting issues to the DAC. This framework provides a cohesive approach to assurance across the Department.

Non-Executive Directors

The Secretary of State appoints non–Executive Members to the Departmental Board and to the Departmental Audit Committee. Their role is primarily to:

- Provide an independent advisory, support and constructive challenge role to the Head of Department and Executive Team;
- Support and monitor the performance and progress of management in meeting targets and objectives, and in the overall management of strategic risks;
- Seek assurance and evidence that financial information is available and reliable, and that financial controls are robust; and
- Seek assurance and evidence that there are sound and robust governance and risk management arrangements in place.

Further details on Departmental Board members can be found on page 31.

Executive Team

The Executive Team (ET) supports the Head of Department in managing the Department and its business in line with Ministers' aims and draws on advice and challenge from the Departmental Board. The Executive

Team is the Department's senior decision-making body, having a strategic, cross-cutting corporate focus in providing Departmental corporate leadership. Corporate decision-making rights are set out in the Executive Team terms of reference. The Executive Team also acts as the programme board in managing the delivery of the Departmental Change Programme.

Further details of Executive Team members can be found on page 30.

The Executive Team is supported by five sub-committees, each chaired by an Executive Team member; the sub-committees take defined delegated decisions and provide scrutiny and direction to recommendations and initiatives prior to submission for Executive Team decision.

The Executive Team sub-committees are:

Planning Performance and Risk Sub-Committee[1]

The purpose of the committee is to take decisions and make recommendations to the Executive Team, on:

- Formulation of corporate level plans;
- Securing resources under the Spending Review process;
- Management of the Department's short, medium and long-term resources;
- Monitoring and steering of performance against agreed corporate objectives and managing planning and performance risks.

Investment Sub-Committee

The purpose of the committee is to:

- Provide senior management challenge to proposed investments by reviewing value for money at inception and where tolerances are breached and as appropriate at the Critical Design Review; and
- Confirm or otherwise the continued existence of projects and make recommendations.

Change Delivery Sub-Committee

The purpose of the committee is to support successful delivery of the portfolio of mission critical projects and programmes by:

- Approving progression of projects at the Critical Design Review stage and referring to the Investment Committee for business case sign off;
- Agreeing significant changes to plans and scope;
- Resolving cross-cutting issues and conflicting dependencies; and
- Reviewing programmes on a 6-12 month basis.

Information and Security Sub-Committee

The purpose of the committee is to:

- Provide leadership and decision-making covering all aspects of information security strategy and policy including IT, physical security, document security and personnel security where they impact on Information Security;
- Provide a focal point and ownership within the Department for information security issues, including supplier security performance.

[1] This Committee was suspended by the Group Finance Director General in March 2011 to streamline governance arrangements, in the light of the strengthening of the role and membership of the Financial and Commercial Executive Team.

IS/IT Strategy Sub-Committee

The purpose of the committee is to:

- Own, develop and update the Department's IS/IT strategy;
- Facilitate and manage its mobilisation;
- Ensure ongoing monitoring of the strategy's effectiveness, maintaining alignment with the Department's Change Programme; and
- Ensure that risks to the delivery of the strategy are effectively managed.

The committee also set the priorities for IT investment and technology, supporting leadership and excellence in IT management both within the Department and across government.

Non-Departmental Public Bodies

The Department sponsors (through Client Directorate sponsor teams) a wide range of Non-Departmental Public Bodies (NDPBs) to help it achieve its objectives. A list of these bodies can be found on the Department's Internet site.
http://www.dwp.gov.uk/about-dwp/public-bodies/dwp-sponsored-public-bodies/

Where legislation provides, the Secretary of State appoints the chair, members, commissioners or trustees to the Board of these bodies as appropriate. Certain appointments come within the remit of the Commissioner for Public Appointments. These appointments are made in line with the Commissioner's Code of Practice.

For each of the NDPBs the Secretary of State designates a lead official within the Department who has responsibility for the stewardship of that body. This involves an annual review of the overall strategies, priorities, performance targets and budgets of the NDPBs on the basis of their Business and Corporate plans.

Each Executive NDPB has a framework document or management statement and financial memorandum drafted by the sponsor team in close consultation with the NDPB. These documents set out the framework within which the NDPB operates, including aims, objectives and targets; the respective roles and responsibilities of the Department and the NDPB; the planning, budgeting and control arrangements; and how the NDPB will be accountable for its performance.

The remit of each of the Department's NDPBs can be found at, or accessed via links from Annex A of the Department's Annual Appointments Report[1].

[1] http://www.dwp.gov.uk/docs/dwp-annual-appointments-report-2010.pdf

Remuneration report

Remuneration policy

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

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

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

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

The Review Body[1] takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners'[2] Recruitment Principles. The Principles require appointment to be on merit on the basis of fair and open competition, but also include the circumstances when appointments may be made otherwise.

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.

Details of the service contract for each member of the Department's Executive Team are shown on page 30.

Methods used to assess performance

There are four stages involved in the assessment of performance:

i) Self assessment;
ii) Performance Review Discussion with Line Manager;
iii) Relative Assessment Peer Group; and
iv) Pay Committee.

How these operate in practice is explained below.

i) Although there is no requirement to formally record a self assessment, Senior Civil Service (SCS) members are encouraged to consider their own assessment in preparation for their performance review discussion. They would reflect on and collect a reasonable amount of examples or evidence

[1] www.ome.uk.com.
[2] Further information about the work of the Civil Service Commissioners can be found at http://civilservicecommission.independent.gov.uk/

that would be helpful in assessing their contribution in relation to the measures and required outcomes they signed up to, either at the beginning of the year or as their role developed during the year.

ii) The performance review discussion is an opportunity for the SCS member and their line manager to address performance in relation to:

- the achievement of objectives;
- contribution to organisational objectives;
- growth in competences; and
- the application of skills, knowledge and leadership behaviours.

They will also discuss issues for the forthcoming year, which would include:

- the objectives for the forthcoming year;
- the range of sources to be used in assessing their performance in the forthcoming year; and
- the potential and development needs of the SCS member.

This discussion, once documented, is reviewed by a countersigning officer and returned to the SCS member before referral to a relative assessment peer group. Countersigning officers have an important role in performance review in helping to ensure consistency in relative assessment. The SCS member will not have had the performance group recommendation disclosed to them at this stage.

To ensure consistency within each business area of the Department, countersigning officers or business heads will hold discussions with their reporting teams at the outset to ensure consistent interpretation of relative assessment and non-consolidated performance pay criteria for SCS staff within their command.

In order to maximise consistency in standards across Businesses, and to better inform the Pay Committee, Business Heads or senior Directors may confer with other similar Businesses to provide a wider benchmark for staff.

iii) The performance of individual SCS staff will be relatively assessed against peers within the same pay band within the following performance profile:

Performance Group	**Percentage of Staff**	**Award**
Group 1	25	receive awards
Group 2	40	do not receive an award
Group 3	25-30	do not receive an award
Group 4	5-10	do not receive an award

iv) The role of Departmental moderation, especially in the form of senior pay committees (see below) is to:

- determine and publish the Department's SCS pay strategy;
- assess the relative contribution of its SCS members;
- authorise decisions on individual base pay awards and non-consolidated, performance payments made on the criteria outlined in this guidance and the HR Practitioners Guide;
- ensure the average increase to the SCS pay bill is within the centrally determined budget;
- monitor pay outcomes to ensure that any differences are justifiable;
- monitor the identification of those SCS members needing extra help and support to improve their performance;
- ensure that line managers receive feedback on final pay decisions so that they can explain to individuals how these have been reached;
- comment on the quality of managers' evidence and recommendations so that improvements are made for the next year, if necessary; and
- report to Management Boards and the Cabinet Office on the operation of the pay round and any lessons for the future.

The Pay Committees are comprised of:

Pay Strategy Committee
- Leigh Lewis (Chair) (to 31 December 2010)
- Robert Devereux (Chair) (from 1 January 2011)
- John Cross (non-Executive Director) (to 31 December 2010)
- Mike Sommers (non-Executive Director) (to 31 December 2010)
- Chris Last (HRDG)
- Ian Cheshire (non-Executive Director) (from 1 February 2011)
- Adrian Fawcett (non-Executive Director)
- Helen Stevenson (non-Executive Director)

Pay Band 1 and Pay Band 2 Pay Committees
- Leigh Lewis (Chair) (to 31 December 2010)
- Robert Devereux (Chair) (from 1 January 2011)
- Darra Singh
- Adam Sharples
- Richard Heaton
- Joe Harley
- Chris Last
- Gill Aitken
- Terry Moran
- Hunada Nouss
- Sue Owen
- John Cross (non-Executive Director) (to 31 December 2010)
- Mike Sommers (non-Executive Director) (to 31 December 2010)
- Vivien Hopkins (from 1 December 2010)
- Ian Cheshire (non-Executive Director) (from 1 February 2011)
- Adrian Fawcett (non-Executive Director)
- Helen Stevenson (non-Executive Director)

Pay Band 3 Pay Committee
- Leigh Lewis (Chair) (to 31 December 2010)
- Robert Devereux (Chair) (from 1 January 2011)
- John Cross (non-Executive Director) (to 31 December 2010)
- Mike Sommers (non-Executive Director) (to 31 December 2010)
- Ian Cheshire (non-Executive Director) (from 1 February 2011)
- Adrian Fawcett (non-Executive Director)
- Helen Stevenson (non-Executive Director)

After the end of year performance review, the Pay Committees will consider line managers' pay recommendations, assess the relative contribution of those in the pay band and make final base pay and non-consolidated performance pay award decisions. (In the 2010-11 reporting year, there was no increase in SCS base pay).

Relative importance of relevant proportions of remuneration which are subject to performance conditions

There are two financial elements to the remuneration paid to SCS members:

i) Base Pay; and
ii) Non-consolidated performance pay award (including a corporate leadership element).

Both elements are linked to performance but are considered and awarded separately.

The following criteria must be used in the round to recommend individual performance groups and non-consolidated performance pay awards:

- whether objectives in the corporate, business and capacity parts of the common framework have been met or not, and to what degree;
- judgements about how the objectives were achieved and in particular whether the leadership behaviours and professional skills part of the common framework have been demonstrated or not, and to what degree; and
- the degree of difficulty or ease of meeting the objectives in the light of actual events.

There was no increase in SCS base pay in 2010-11 and therefore base pay criteria were not required to be considered.

All awards must fall within the range determined by the Government based on the recommendations made by the Senior Salaries Review Body (SSRB) and within an overall cost envelope.

Non-consolidated performance pay awards are intended to reward and provide incentives for in-year delivery of key results. The size of the available pot is set by the Government, based on the recommendations made by the SSRB, as a percentage of the Department's SCS pay bill. Non-consolidated performance pay awards will be awarded to 25 per cent of SCS staff.

Policy on notice periods and termination payments

Standard SCS notice period

Notice

a. Because of the power of the Crown to dismiss at will, an SCS member is not entitled to a period of notice terminating their employment. However, unless employment is terminated by agreement, in practice they will normally be given the following periods of notice in writing terminating employment:

    (i) if dismissed on grounds of inefficiency, or if dismissal is the result of disciplinary proceedings in circumstances where summary dismissal is not justified:

    - Continuous service up to 4 years, a notice period of 5 weeks;

    - Continuous service of 4 years and over, a notice period of 1 week plus 1 week for every year of continuous service, up to a maximum of 13 weeks.

    (ii) if retired on medical grounds, a period of notice as above or, if longer, 9 weeks, unless a shorter period is agreed.

    (iii) if employment is terminated compulsorily on any other grounds, unless such grounds justify summary dismissal at common law or summary dismissal is the result of disciplinary proceedings, a notice period of 6 months applies.

    On the expiration of such notice, employment will terminate.

    There will be no notice if an individual agrees to voluntary exit or voluntary redundancy.

b. If employment is terminated without the notice which it is stated in (a) would normally be given, having regard to the reason for such termination, compensation will be paid in accordance with the relevant provisions of the Civil Service Compensation Scheme.

c. Unless otherwise agreed, an individual is required to give 3 months written notice to the Group HR Director if they wish to terminate their employment.

Compensation for early termination is based upon the standard SCS terms and conditions as set out in the SCS Contracts.

Details of the service contract for each Executive Team member who has served during the year *

The main details of service contracts are included in the table shown below.

Officials	Date of appointment	End date of term	Unexpired Term Years
Leigh Lewis Permanent Secretary	14/11/2005	10/02/2011	N/A
Robert Devereux Permanent Secretary	01/01/2011	N/A	N/A
Richard Heaton	02/01/2007	N/A	N/A
Gill Aitken	01/03/2010	N/A	N/A
Darra Singh	30/11/2009	N/A	N/A
Terry Moran	14/06/2004	N/A	N/A
Adam Sharples	06/09/2004	N/A	N/A
Sue Owen	30/03/2009	N/A	N/A
Hunada Nouss	08/03/2010	N/A	N/A
Chris Last	02/01/2008	N/A	N/A
Joe Harley	28/07/2004	N/A	N/A
Sue Garrard	05/02/2007	31/12/2010	N/A
Vivien Hopkins	01/12/2010	N/A	N/A

Note: Where the end date of term is shown as N/A, this denotes that their appointment is on a permanent basis.

Details of any element of the remuneration package which is not cash*

Elements of the remuneration package which are not cash are classified as benefits-in-kind.

Ministers and Executive Team *

Rt Hon Yvette Cooper MP	Secretary of State for Work and Pensions to 11 May 2010
Rt Hon Iain Duncan Smith MP	Secretary of State for Work and Pensions from 12 May 2010
Angela Eagle MP	Minister of State for Pensions and the Ageing Society to 11 May 2010
Steven Webb MP	Minister of State for Pensions from 13 May 2010
Rt Hon Jim Knight MP	Minister of State for Employment and Welfare Reform (and Minister for London) to 11 May 2010
Rt Hon Chris Grayling MP	Minister of State for Employment from 13 May 2010
Lord Freud	Parliamentary Under-Secretary (Lords) and Minister for Welfare Reform from 14 May 2010
Lord McKenzie of Luton	Parliamentary Under-Secretary (Lords) to 11 May 2010
Helen Goodman MP	Parliamentary Under-Secretary (Commons) to 11 May 2010

* This information is audited by the Comptroller and Auditor General

Jonathan Shaw MP	Parliamentary Under-Secretary and Minister for Disabled People to 11 May 2010
Maria Miller MP	Parliamentary Under-Secretary and Minister for Disabled People from 14 May 2010

The composition of the Executive Team during the year was as follows:

Leigh Lewis[1]	Permanent Secretary and Head of Department to 3 January 2011
Robert Devereux[1]	Permanent Secretary and Head of Department from 4 January 2011
Richard Heaton	Director General, Strategy, Information and Pensions
Gill Aitken	Director General, Legal Group
Darra Singh[1]	Chief Executive, Jobcentre Plus
Terry Moran[1]	Chief Executive, The Pension, Disability and Carers Service to 30 November 2010 Director General, Universal Credit from 1 December 2010
Adam Sharples	Director General, Employment Group
Sue Owen	Director General, Welfare and Wellbeing Group
Hunada Nouss[1]	Director General, Finance
Chris Last	Director General, Human Resources
Joe Harley[1]	Director General, Corporate Information Technology and Chief Information Officer
Sue Garrard	Director of Communications to 31 December 2010
Vivien Hopkins	Acting Chief Executive, The Pension Disability and Carers Service from 1 December 2010

[1]The above members of the Executive Team are or were also members of the Departmental Board.

Departmental Board

The Departmental Board is chaired by the Secretary of State. In addition to the Executive Team members, the non-Executive Directors of the Departmental Board were as follows:

Ian Cheshire	Lead Non-Executive Director from 1 February 2011
John Cross	Non-Executive Director to 31 December 2010
Adrian Fawcett	Non-Executive Director
Mike Sommers	Non-Executive Director to 31 December 2010
Helen Stevenson	Non-Executive Director

Directorships

Leigh Lewis is a Trustee of the charity Broadway Homelessness and Support.
Hunada Nouss is a Trustee of Breast Cancer Campaign, non-Executive Director of the Department for Business, Innovation and Skills Audit Committee and a Director of 11-13 Randolph Crescent Ltd.
Chris Last is a board member of the Careers Research Advisory Centre (CRAC); The Career Development Organisation.
Sue Garrard is a non-Executive director of the Serious Organised Crime Agency.
Mike Sommers is a non-Executive director of The Ordnance Survey.
Ian Cheshire is the Group Chief Executive Officer of Kingfisher plc and is a member of the Employers' Forum on Disability Presidents' Group
Adrian Fawcett is the Chief Executive of General Healthcare Group.
Helen Stevenson is the Chief marketing officer of Yell Group UK.

Remuneration (including salary) and pension entitlements *

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

Remuneration*

	2010-11		2009-10
	Salary	Full Year Equivalent (FYE)	Salary
Ministers	£	£	£
Rt Hon Yvette Cooper			58,767
Secretary of State (to 11 May 2010)	8,847	78,356	(FYE 78,356)
Rt Hon Iain Duncan Smith			
Secretary of State (from 12 May 2010)	61,056	68,827	-
Angela Eagle			31,110
Minister of State (to 11 May 2010)	4,589	40,646	(FYE 40,646)
Steven Webb MP			
Minister of State (from 13 May 2010)	29,187	33,002	-
Rt Hon Jim Knight			30,485
Minister of State (to 11 May 2010)	4,589	40,646	(FYE 40,646)
Rt Hon Chris Grayling MP			
Minister of State (from 13 May 2010)	29,187	33,002	-
Lord Freud			
Parliamentary Under-Secretary (Lords) and Minister of State (from 14 May 2010)	-	-	-
Lord McKenzie of Luton			
Parliamentary Under-Secretary (Lords) (to 11 May 2010)	12,488	110,606	110,606
Helen Goodman			23,425
Parliamentary Under-Secretary of State (Commons) (to 11 May 2010)	3,483	30,851	(FYE 30,851)
Jonathan Shaw MP			
Parliamentary Under-Secretary of State (to 11 May 2010)	3,483	30,851	30,851
Maria Miller MP			
Parliamentary Under-Secretary and Minister of State (from 14 May 2010)	20,894	23,697	-

Benefits in Kind for Ministers

Ministers’ private use of official cars is exempt under the rules governing the definition of taxable benefits in kind.

This report is based on accrued payments made by the Department and thus recorded in these financial statements. In respect of Ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010, £64,766 from 1 April 2009) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

* This information is audited by the Comptroller and Auditor General

2010-11

Officials *	Salary	Bonus Payments	Benefits in Kind	Total
	£000	£000	(to nearest £100)	£000
Leigh Lewis [1] *Permanent Secretary* (to 3 January 2011)	190-195 (FYE 225-230)	-	-	190-195 (FYE 225-230)
Robert Devereux [2] *Permanent Secretary* (from 4 January 2011)	30-35 (FYE 180-185)	-	-	30-35 (FYE 180-185)
Richard Heaton	130-135	5-10	-	140-145
Gill Aitken	125-130	10-15	-	135-140
Darra Singh	190-195	-	-	190-195
Terry Moran	165-170	5-10	-	175-180
Adam Sharples	135-140	5-10	-	145-150
Sue Owen	130-135	5-10	-	140-145
Hunada Nouss	165-170	5-10	-	170-175
Chris Last	180-185	5-10	-	190-195
Joe Harley	240-245	5-10	-	250-255
Sue Garrard (to 31 December 2010)	105-110 (FYE 145-150)	5-10	-	115-120 (FYE 150-155)
Vivien Hopkins (from 1 December 2010)	35-40 (FYE 110-115)	-	900	35-40 (FYE 105-110)
Isabel Letwin[3] (from 9 November 2009 to 28 February 2010)	-	0-5 (FYE 5-10)	-	0-5 (FYE 5-10)
Richard Paul[3] (from 24 December 2009 to 7 March 2010)	-	0-5 (FYE 5-10)	-	0-5 (FYE 5-10)

[1] Last day of service was 10 February 2011
[2] First day of service was 1 January 2011
[3] Bonus relates to service on the Board for 2009-10

* This information is audited by the Comptroller and Auditor General

2009-10

Officials *

	Salary	Bonus Payments	Benefits in Kind	Total
	£000	£000	(to nearest £100)	£000
Leigh Lewis *Permanent Secretary*	220-225	-	-	220-225
Robert Devereux *Permanent Secretary*	-	-	-	-
Richard Heaton	125-130	10-15	-	140-145
Gill Aitken	10-15 (FYE 125-130)	-	-	10-15 (FYE 125-130)
Darra Singh	60-65 (FYE 190-195)	-	-	60-65 (FYE 190-195)
Terry Moran	170-175	10-15	-	180-185
Adam Sharples	135-140	10-15	-	150-155
Sue Owen	130-135	10-15	-	145-150
Hunada Nouss	10-15 (FYE 165-170)	-	-	10-15 (FYE 165-170)
Chris Last	180-185	10-15	-	195-200
Joe Harley	245-250	10-15	-	260-265
Sue Garrard (to 31 December 2010)	135-140	10-15	-	145-150
Vivien Hopkins (from 1 December 2010)	-	-	-	-
Isabel Letwin (from 9 November 2009 to 28 February 2010)	30-35 (FYE 110-115)	-	-	30-35 (FYE 110-115)
Richard Paul (from 24 December 2009 to 7 March 2010)	30-35 (FYE 145-150)	-	-	30-35 (FYE 145-150)

Salary

Salaries quoted relate solely to the period during the year when the individuals concerned served on the Department's Executive Team.

* This information is audited by the Comptroller and Auditor General

“Salary” includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowances and contracted expenses to the extent that they are subject to UK taxation.

Bonuses

Bonuses are non-consolidated variable performance related payments and are based on performance levels attained and are made as part of the appraisal process. Within the Department, Directors’ performance related payments (bonuses) are normally paid in July following the financial year to which they relate and are in respect of the performance during their period of service as a Director during the preceding financial year (in 2010 payments were made in June) i.e. bonuses included in June 2010 salaries (2010-11) relate to the period served during 2009-10. This ensures that payments made to Directors in relation to their period of service on the Board are disclosed in their totality.

Permanent Secretaries decided not to accept individual non-consolidated performance related pay awards (bonuses) in relation to the 2008-09 and 2009-10 performance years.

Richard Paul retired from the Board during 2009-10 and received a bonus in June 2010 relating to his performance whilst a Board member.

Benefits in Kind

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

The information given relates to the Permanent Secretary and members of the Departmental Executive Team. Equivalent information relating to any Board Members of Supply-financed Agencies consolidated into the Departmental Account is given in the separate Agency accounts.

Pension benefits *

Ministers *	Total accrued pension at age 65 as at 31/03/11	Real increase in pension at age 65	CETV[1] at 31/03/11	CETV[2] at 31/03/10	Real increase in CETV
	£000	£000	£000	£000	£000
Rt Hon Yvette Cooper *Secretary of State* (to 11 May 2010)	10-15	0-2.5	78	77	-
Rt Hon Iain Duncan Smith MP *Secretary of State* (from 12 May 2010)	5-10	0-2.5	87	66	13
Angela Eagle *Minister of State* (to 11 May 2010)	5-10	0-2.5	78	76	2
Steven Webb MP *Minister of State* (from 13 May 2010)	0-5	0-2.5	6	-	3
Rt Hon Jim Knight *Minister of State* (to 11 May 2010)	0-5	0-2.5	38	37	(1)
Rt Hon Chris Grayling MP *Minister of State* (from 13 May 2010)	0-5	0-2.5	9	-	5
Lord Freud *Parliamentary Under-Secretary (Lords) and Minister of State* (from 14 May 2010)	-	-	-	-	-
Lord McKenzie of Luton *Parliamentary Under-Secretary (Lords)* (to 11 May 2010)	5-10	0-2.5	123	120	3
Helen Goodman *Parliamentary Under-Secretary of State (Commons)* (to 11 May 2010)	0-5	0-2.5	14	13	1
Jonathan Shaw MP *Parliamentary Under-Secretary of State* (to 11 May 2010)	0-5	0-2.5	26	25	-
Maria Miller MP *Parliamentary Under-Secretary and Minister of State* (from 14 May 2010)	0-5	0-2.5	7	-	3

[1] Where a minister has left the Department part way through the year, the Cash Equivalent Transfer Value (CETV) column refers to the date of leaving.

[2] The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors. For new ministers the CETV disclosed is that immediately before the individual joined the Department.

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

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As the House of Commons and House of Lords and not the Department meet the Exchequer contribution to the cost of pension provision for all Ministers, the pension details are included on a 'for information' basis only.

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are revalued annually in line with Pensions Increase Legislation. From 1 April 2009, members pay contributions of 5.9 per cent of their Ministerial salary if they have opted for the 1/60th accrual rate, 7.9 per cent of salary if they have opted for the 1/50th accrual rate or 11.9 per cent of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 28.7 per cent of the Ministerial salary.

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)

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

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Officials*	Accrued pension at pension age as at 31/03/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/11 [3]	CETV at 31/03/10[4*]**	Real Increase in CETV
	£000	£000	£000	£000	£000
Leigh Lewis *Permanent Secretary* (to 3 January 2011)	90-95 plus 270-275 lump sum	0-2.5 plus 0-2.5 lump sum	2,077	2,022	-10
Robert Devereux *Permanent Secretary* (from 4 January 2011)	65-70 plus 200-205 lump sum	0-2.5 plus 5-7.5 lump sum	1,288	1,197	38
Richard Heaton	30-35 plus 90-95 lump sum	0-2.5 plus 0-2.5 lump sum	420	379	7
Gill Aitken	30-35 plus 95-100 lump sum	5-7.5 plus 17.5-20 lump sum	563	416	25
Darra Singh	5-10	2.5-5	67	19	41
Terry Moran	55-60 plus 170-175 lump sum	0-2.5 plus 0-2.5 lump sum	941	866	-
Adam Sharples	60-65 plus 180-185 lump sum	0-2.5 plus 2.5-5 lump sum	1,315	1,206	1
Sue Owen	45-50 plus 145-150 lump sum	0-2.5 plus 0-2.5 lump sum	969	896	2
Hunada Nouss	5-10	0-2.5	142	106	23
Chris Last [2]	10-15	2.5-5	158	105	42
Joe Harley [1]	10-15	0-2.5	255	208	27
Sue Garrard [1] (to 31 December 2010)	5-10	0-2.5	112	86	16
Vivien Hopkins (from 1 December 2010)	50-55 plus 160-165 lump sum	0-2.5 plus 0-2.5 lump sum	1,217	1,159	4

None of the above opted to open a Partnership Pension Account.

[1] Opted to join the Premium Scheme.
[2] Opted to join the Nuvos Scheme.
[3] Where an official left the Department part way through the year, the CETV column refers to the date of leaving.
[4] The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors. For new ministers the CETV disclosed is that immediately before the individual joined the Department.
** For new board members the CETV disclosed is that immediately before the individual joined the board.

Civil Service Pensions (CSP)

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase Legislation. Members joining from

* This information is audited by the Comptroller and Auditor General

October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).
Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for **classic** and 3.5 per cent for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial 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. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

Cash Equivalent Transfer Values (CETV)

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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidance and framework prescribed by the Institute and Faculty of Actuaries 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.

Real increase in CETV

This reflects the increase in CETV that is 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.

Compensation for loss of office

No officials received compensation for loss of office during 2010-11.

Non-Executives [*]

Fees amounting to £75,000 (2009-10 £87,000) were payable to the non-Executive Board Directors as follows:

	Total Fees 2010-11 £000	Total Fees 2009-10 £000
Mike Sommers (to 31 December 2010)	24	30
Ian Cheshire[1] (from 1 February 2011)	-	-
John Cross (to 31 December 2010)	21	27
Adrian Fawcett	15	15
Helen Stevenson	15	15
	75	**87**

Robert Devereux
Accounting Officer

12 July 2011

[*] This information is audited by the Comptroller and Auditor General
[1] Ian Cheshire has waived his entitlement to an honorarium of £20,000

Financial overview

Financial position and results for the year

Supply procedure

Supply Estimates are a request to Parliament for funds to meet most expenditure by government departments and certain related bodies. When approved by Parliament, they form the basis of the statutory authority for the appropriation of funds and for the Treasury to make issues from the Consolidated Fund. Statutory authority is provided annually by means of Consolidated Fund Acts and by an Appropriation Act. These arrangements are known as the “Supply Procedure” of the House of Commons.

Certain expenditure may be outside the Supply Procedure and, where Parliament gives statutory authority, will be charged directly to the Consolidated Fund. Alternatively, a statutory fund will be set up to finance the service, as in the case of the National Insurance Fund.

As a government department, the Department for Work and Pensions is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans is sought through Supply Estimates presented to the House of Commons.

The Department is subject to gross expenditure control under the Parliamentary Vote system and has one Vote which is constructed on a resource account basis and is analysed by Request for Resources (RfR). Each RfR includes a formal description (ambit) of the services to be financed by the RfR and Voted money cannot be used to finance services not covered by the ambit.

Results for the year – Consolidated Statement of Comprehensive Net Expenditure

The Statement of Comprehensive Net Expenditure reports the net total administration and programme resources consumed during the year by Request for Resource.

The results for the year included in the Statement of Comprehensive Net Expenditure are as follows:

- Net Operating Cost amounting to £160.3 billion (2009-10 £155.3 billion restated);
- Gross payments of social security benefits administered by the Department amounting to £155.2 billion (2009-10 £149.7 billion restated) (see Note 13); and
- Included within Gross payments are payments made by the Department of £0.6 billion (2009-10 £0.3 billion) on behalf of the European Social Fund.

Reconciliation of resource expenditure between Estimates, accounts and budgets

		Outturn £000	Estimate £000	Variance £000
Net Resource Outturn (Estimates)		**80,947,105**	**83,216,153**	**2,269,048**
Adjustments to remove:				
	Provision voted for earlier years	-	-	-
Adjustments to additionally include:				
	Non-voted expenditure in the Statement of Comprehensive Net Expenditure	85,517,877	86,040,277	522,400
	Consolidated Fund Extra Receipts in the Statement of Comprehensive Net Expenditure	(8,998)	(5,000)	3,998
Other adjustments *		(6,132,150)	(6,517,805)	(385,655)
Net Operating Cost (Accounts)		**160,323,834**	**162,733,625**	**2,409,791**
Adjustments to remove:				
	Capital grants	(11,836)	(15,900)	(4,064)
	Voted Expenditure outside the budget	(864,435)	(858,630)	5,805
	Gains/Losses from sales of capital assets	-	-	-
Adjustments to additionally include:				
	Other Consolidated Fund Extra Receipts	8,998	5,000	(3,998)
	Resource consumption of Non-Departmental Public Bodies	12,658	4,337	(8,321)
	PFI Adjustments	713,855	727,149	13,294
Other adjustments		-	-	-
Resource Budget Outturn (Budget)		**160,183,074**	**162,595,581**	**2,412,507**
Of which				
	Departmental Expenditure Limits (DEL)	8,846,373	9,006,823	160,450
	Annually Managed Expenditure (AME)	151,336,701	153,588,758	2,252,057

***** Other adjustments principally comprise statutory benefits of £2.5 billion (Note 3 line AA in RfR 2) and payments to the Social Fund of £3.7 billion (Note 3 line F in RfR 3).

Statement of Financial Position

The Statement of Financial Position includes trade and other receivables of £3.6 billion (see Note 28) and trade and other payables of £6.5 billion (see Note 31), which consist mainly of amounts due to or from the Department in respect of benefit payments, European Social Fund claims and finance lease obligations. Provisions of £2.8 billion (see Note 32) mainly relates to the Financial Assistance Scheme provision of £2.7 billion.

Property, plant and equipment assets total £2.1 billion (see Note 21). These are comprised mainly of land and buildings of £2.0 billion, £1.9 billion of which are on-Statement of Financial Position Private Finance Initiative (PFI) contracts, and IT related assets of £0.1 billion.

Comparison of outturn against Estimate (Statement of Parliamentary Supply)

The Statement of Parliamentary Supply provides information on how the Department has performed against the Parliamentary and Treasury control totals by which it is monitored. This information is supplemented by Note 3 which reports outturn in the same format as the Supply Estimate.

In 2010-11 the Department met all of its control totals:

- Resource Departmental Expenditure Limit (DEL) – Outturn was £8.8 billion, 1.8 per cent below the Estimate.
- Capital DEL - Outturn was £0.3 billion, 0.3 per cent below the Estimate.
- Administration Cost Limit – Outturn was £5.6 billion, 4.0 per cent below the Estimate.

- Net Cash Requirement – Outturn was £82.6 billion, 2.2 per cent below the Estimate.

- In addition the outturn on each Request for Resources (RfR) was within its control total as follows:

RfR1 (Children)	Outturn was 10.6 per cent below the Estimate;
RfR2 (Working Age)	Outturn was 0.2 per cent below the Estimate;
RfR3 (Pensions)	Outturn was 12.5 per cent below the Estimate;
RfR4 (Disability)	Outturn was 1.9 per cent below the Estimate;
RfR5 (Corporate)	Outturn was 6.1 per cent below the Estimate.

- The total voted resource outturn was £80.9 billion, 2.7 per cent below the Estimate (£2.3 billion underspend). The underspend is made up of £ 0.16 billion DEL, £1.7 billion Annually Managed Expenditure (AME) and £0.4 billion non-budget. The full analysis by Estimate line is provided in Note 3. Explanation of some of the more notable variances are as follows:

Estimate Line	Limit £000	Outturn £000	Variance (Over)/Under £000	Explanation of variance
1A: Child Maintenance and Enforcement Commission	431,401	386,343	45,058	The underspend is a consequence of lower than forecast Estate and IT costs, and a freeze on the use of temporary staff and recruitment. The underspend is also a consequence of a higher than forecast movement of expenditure from RfR1 to RfR5 in relation to DWP corporate contracts.
2A: Administration	2,641,361	2,191,729	449,632	These variances mainly offset each other and were caused by an incorrect split in the funding provision in the Spring Supplementary Estimate. Overall there is not a significant variance between the funding and outturn.
2B: Employment programmes	1,487,806	1,946,154	(458,348)	
2R: Job grant	47,466	60,690	(13,224)	The overspend is due to a higher level of Jobseeker's Allowance-related payments because there was a larger number of qualifying people than originally forecast.
2T: Other expenditure	1,045	12,339	(11,294)	Overspend due to exchange rate losses, bad debt write off and impairment of assets at year-end, which due to the nature could not be included in the funding provision at the time of the Spring Supplementary Estimate as there were no reliable estimates of these.
2W: Return to Work Credit	27,109	61,928	(34,819)	The variance is a consequence of improved outturn information being made available over and above that which was available when the provision was calculated.
2AA: Statutory Benefits (SSP and SMP)	2,052,038	2,460,013	(407,975)	Revised forecasts from the Government Actuary's Department (GAD) in respect of previous years identified an additional funding requirement for SSP/SMP. New expenditure data from HMRC suggested the previous GAD estimate for 2006-07 was too low, and this affected all future years. The data also showed that the extension of entitlement to SMP from 26 to 39 weeks in 2007-08 had a larger impact than was previously assumed. By the time the latest SSP/SMP estimate was received, it was too late for the Department to seek additional funding through the Parliamentary Supply Estimate process.
3A: Administration	117,862	106,075	11,787	The expenditure of the Pensions, Disability and Carers Service is shown as the total of Line 3A and Line 4A. The underspend of Line 3A is offset by
4A: Administration	158,496	176,113	(17,617)	

				the overspend on Line 4A. Overall the outturn variance compared to the Spring Supplementary Estimate provision is £5.830 million (2 per cent)
3E: Financial Assistance Scheme	(766,866)	(1,435,828)	668,962	The variance is a consequence of a movement in 2010-11 to a new Financial Assistance Scheme provision model that uses real up to date scheme data which has resulted in a significant change in the Financial Assistance Scheme provision. The provision at the Spring Supplementary Estimate was reduced significantly compared to the Main Estimate but was not reduced further due to uncertainties in the Pension Protection Fund calculated model at the time.
3F: Payments to the Social Fund	4,465,767	3,672,137	793,630	The underspend relates in part to a reduction in expected expenditure on Cold Weather Payments (Regulated) resulting from a dramatic improvement in the weather following, at the time the estimate was set, exceptionally cold weather coupled with the uncertainty of forecasting a benefit which is entirely weather dependent. The remainder of the underspend (Discretionary) is a consequence of lower than expected applications to both Budgeting and Crisis Loans.
5A: Administration	1,021,246	909,960	111,286	Underspend due to commercial discussions regarding IS/IT contract transitions and a resulting lowering of expenditure compared to forecast. Underspend also caused by re-phasing of expenditure on the Department's investment plans as a result of needing approval from the Major Projects Authority. Reductions in spend due to the Government's additional discretionary spending controls.

Statement of Cash Flows

The Statement of Cash Flows provides information on how the Department finances its activities. The main sources of funding are the Consolidated Fund and the National Insurance Fund.

The Statement of Cash Flows shows a net cash outflow from operating activities of £161.1 billion compared to a cash outflow in 2009-10 of £154.6 billion. The change is mainly due to the increase in net operating costs of the Department from £155.3 billion to £160.3 billion.

Prior year comparatives

Comparative figures within the Account have been restated to take account of the following:

- Transfer of the responsibility for Directgov from the Secretary of State for Work and Pensions to the Minister for the Cabinet Office.

- Accounting policy changes in respect of cost of capital charges, which have been removed from financial statements.
- Under IAS 38, intangible asset revaluation increases should be recognised in the Statement of Comprehensive Net Expenditure to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Comprehensive Net Expenditure. The prior year restatement reflects this requirement.

Further details are provided in Note 45.

Departmental reporting cycle

The Department's Main Estimate for 2010-11 was published in July 2010 as part of the Central Government Supply Estimates 2010-11 Main Supply Estimates (HC 269). The Department also applied for Winter and Spring Supplementary Estimates, details of which are available in the Central Government Supply Estimates 2010-11 Winter Supplementary Estimates (HC 536) published in November 2010 and the Central Government Supply Estimates 2010-11 Spring Supplementary Estimates (HC 790) published in February 2011.

All of the above are in the public domain and can be accessed from the HM Treasury website[1]

Benefit overpayment receivables

Following the work in 2007-08 to lift the long standing qualification in respect of benefit overpayment receivables, the Department has continued to sustain performance levels on overpayment referral and recovery.

During the course of 2010-11, the Department continued to review the end to end processes in place for overpayment referral and recovery, in order to ensure they are as efficient and effective as possible. The Department also considered the processes for overpayment referral assurance reviews in order to take into account the impact of future process improvements such as e-referrals.

The following table records the number of overpayments referred for action and the amount of debt recovered in 2010-11. For comparison purposes, the figures since 2005-06 are also included:

Year	Overpayment Volumes	Recoveries
2005-06	0.8 million	£180 million
2006-07	1.0 million	£233 million
2007-08	1.3 million	£272 million
2008-09	1.6 million	£281 million
2009-10	1.9 million	£294 million
2010 -11	2.1 million	£312 million

The Department made an assessment of the value of unreferred overpayments at 31 March 2011 and has established that the cumulative value of unreferred benefit overpayment debt since 2007-08 has been falling and constitutes less than 0.1 per cent of total benefit expenditure.

Contingent liabilities

Details of contingent liabilities reported under IAS 37 are disclosed in Note 39. In addition, the Department is required to disclose details of remote contingent liabilities, that is, those that are disclosed under Parliamentary reporting requirements and not under IAS 37. Details are reported in Note 38 – Financial Guarantees, Indemnities and Letters of Comfort.

[1] www.hm-treasury.gov.uk/psr_estimates_index.htm

Expenditure tables (core tables)

Table 1 – Public spending

This table sets out a summary of the expenditure on functions which are currently administered by the Department, covering the period 2006-07 to 2014-15. Future year's figures reflect the budgeted figures agreed with HM Treasury. The format is on a basis consistent the 2011-12 Estimate Part II section headings. Data has been provided by HM Treasury from the COINS database. The information held in the following table cannot be directly reconciled to the numbers disclosed in the accounts.

Table 2 – Public spending control

This table shows the outturn figures for the year ended 31 March 2011 against the original and final budgetary control limits based on 2010-11 Spring Supplementary Estimate Part II section headings.

Table 3 – Department for Work and Pensions capital employed

This table shows the capital employed by the Department. It provides a high level analysis of the value of the various categories of fixed assets, debtor and creditor values, and also the extent of provisions made. The net assets of the Non-Departmental Public Bodies and Public Corporations (Remploy Ltd and Pension Protection Fund) are shown separately.

Table 4 – Department for Work and Pensions administration costs

This table presents information concerning the administration costs of running the Department in more detail. These costs form part of the Department's DEL budget. For the past and future years there is an analysis of administration expenditure showing paybill and other costs. Data has been provided by HM Treasury from the COINS database. The information held in the following table cannot be directly reconciled to the numbers disclosed in the accounts.

Table 5 – Staff numbers

This table shows actual staffing (as full time equivalent) in the Department. Figures are based on the Office of National Statistics specification which includes all paid staff.

Table 6 – Total Department for Work and Pensions identifiable expenditure on services, by country and region

This table shows expenditure on services which can be analysed as being for the benefit of individual countries and regions. The expenditure represents the Department's total expenditure, excluding Housing Benefit and Council Tax Benefit, for each region, with country and United Kingdom totals.

The majority of expenditure is identifiable which means that it can be recognised as having been paid to, and for the advantage of, individuals within particular regions. Some non-identifiable expenditure is shown from 2007-08; this is planned spending which is deemed to be on behalf of the United Kingdom as a whole.

The expenditure shown in respect of Northern Ireland and outside of the United Kingdom is explained in the notes to Table 6. More information about the non-identifiable expenditure is also shown in the Table 6 notes. Expenditure plans are mostly allocated to regions on the basis of the most recent outturn information.

Table 7 – Department for Work and Pensions identifiable expenditure on services, by country and region, per head

This table shows expenditure on services which can be analysed as being for the benefit of individual countries and regions per head of population. This is more informative than the total expenditure information presented in Table 6 as the size of the population varies significantly between regions. For example, while the expenditure per head is highest in the North East, because it has a relatively small population, its total expenditure is the smallest of all the regions (excluding Northern Ireland, as only a small proportion of benefit spending in Northern Ireland falls to the Department's budget).

The figures also demonstrate that expenditure per head in Wales and Scotland is consistently higher than in England and that spending is lowest in London and the South East. The reasons for the variation in the figures are many and complex, and will depend on variations in the structure of the population and the socio-economic environment. For example, areas such as the South West with a higher proportion of pensioners will tend to show higher spend, other things being equal.

Table 8 – Department for Work and Pensions identifiable expenditure on services by function, by country and region in 2009-10

This table provides a breakdown of expenditure based on the United Nations Classification of the Functions of Government (COFOG), the international standards. The presentations of spending by function are consistent with those used on Chapter 9 of the Public Expenditure Statistical Analyses 2011 (PESA).

Table 1: Public spending for the Department for Work and Pensions

	£ Millions 14								
	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn 8,9	2010-11 Estimated Outturn 8,9	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
Resource DEL 6									
Section A: Jobcentre Plus	2,902	2,832	2,615	2,962	2,781	2,324	2,017	1,788	1,582
Section B: Pension, Disability and Carers Service	770	507	459	455	401	335	289	273	254
Section C: Child Maintenance and Enforcement Commission 7	491	550	579	575	520	545	517	482	392
Section D: Health and Safety Executive	239	214	217	229	201	198	183	170	157
Section E: Financial Assistance Scheme	-	13	38	33	45	57	55	70	85
Section F: European Social Fund	-1	-	-1	-	-	-	-	-	-
Section G: Executive Non-Departmental Public Bodies (net)	36	338	399	431	391	405	368	368	367
Section H: Employment Programmes	717	844	920	1,313	1,814	788	788	754	803
Section I: Housing Benefit and Council Tax Benefit Administration	610	648	548	614	585	500	484	457	419
Section J: Other Programmes	-28	-32	183	145	200	84	116	117	119
Section K: Departmental Operating costs	890	930	880	955	816	1,375	1,286	1,106	1,057
Section L: Unallocated Provision 11	-	-	-	-	-	368	695	1,160	1,687
Section M: National Insurance Fund 10	1,112	1,096	1,001	1,056	1,093	821	821	821	821
Total Resource DEL	**7,737**	**7,941**	**7,839**	**8,769**	**8,846**	**7,800**	**7,618**	**7,566**	**7,742**
Of which:									
Pay	3,140	3,198	3,103	3,518	3,530	3,114	2,686	2,513	2,306
Net current procurement 1	3,116	3,172	3,266	3,591	3,719	3,045	2,949	2,712	2,596
Current Grants and subsidies to the private sector and abroad	433	454	518	587	586	448	407	421	437
Current grants to local government	729	753	660	741	686	515	499	472	434
Depreciation 2	185	155	151	222	163	239	241	145	137
Other	134	209	141	111	163	440	836	1,303	1,832
Resource AME 12									
Section N: Severe Disablement Allowance	904	897	888	907	888	889	897	802	186
Section O: Industrial Injuries Benefits	793	797	819	845	888	891	909	910	908
Section P: Jobseekers Allowance	1,962	1,790	2,128	3,589	3,666	3,951	4,128	3,845	3,552
Section Q:	-	-	63	689	1,282	2,200	4,098	5,875	7,061

Employment and Support Allowance									
Section R: Income Support	8,772	9,087	8,597	8,273	7,791	6,205	4,362	2,900	2,542
Section S: Pension Credit and Minimum Income Guarantee	6,955	7,088	7,793	8,229	8,323	8,185	7,982	7,813	7,851
Section T: Financial Assistance Scheme	721	2,520	750	-71	-1,481	359	816	505	197
Section U: TV Licenses for the over 75's	488	510	533	555	578	579	591	603	616
Section V: Attendance Allowance	4,149	4,442	4,735	5,107	5,228	5,468	5,748	5,960	6,155
Section W: Disability Living Allowance	9,156	9,857	10,524	11,503	11,877	12,615	13,399	13,514	13,411
Section X: Carer's Allowance	1,191	1,269	1,363	1,497	1,572	1,727	1,892	2,046	2,185
Section Y: Housing Benefit	9,295	10,084	11,506	14,279	15,736	16,749	16,971	16,446	16,607
Section Z: Council Tax Benefit	3,813	3,910	4,128	4,576	4,793	4,783	4,820	4,316	4,323
Section AA: Rent Rebates	5,237	5,289	5,205	5,324	5,279	5,347	5,492	5,308	5,360
Section AB: Statutory Sick Pay and Statutory Maternity Pay	1,381	1,381	1,800	1,713	2,460	2,053	2,142	2,223	2,301
Section AC: Other benefits	187	232	619	459	498	490	526	516	514
Section AD: Other Expenditure	61	43	13	-28	-8	-19	-8	-4	-
Section AE: Incapacity Benefit	6,545	6,592	6,514	6,109	5,562	4,291	2,314	496	-17
Section AF: Jobseekers Allowance	475	420	729	1,089	790	885	858	836	813
Section AG: Employment and Support Allowance	-	-	64	582	963	1,807	2,213	2,666	2,747
Section AH: Maternity Allowance	175	247	321	345	343	352	368	385	395
Section AI: State Pension	53,755	57,668	62,362	66,969	69,884	74,429	79,373	82,825	86,902
Section AJ: Bereavement Benefits	797	730	675	649	614	584	572	560	534
Section AK: Expenditure incurred by the Social Fund.	2,327	2,476	3,214	3,325	3,812	2,550	2,540	2,527	2,511
Total Resource AME	**119,139**	**127,329**	**135,344**	**146,514**	**151,337**	**157,372**	**163,004**	**163,874**	**167,657**
Of which:									
Pay	-	-	-	-	-	-	-	-	-
Net current procurement 1	-189	-206	-144	-100	-86	-156	-150	-145	-132
Current grants and subsidies to the private sector and abroad	100,896	106,149	114,811	123,432	128,221	131,327	136,129	138,585	142,505
Current grants to local government	-	-	-	-	-	-	-	-	-
Net public service pensions 3	-	-	-	-	-	-	-	-	-
Take up of provisions	790	2,756	716	-28	-1,424	416	871	575	282
Release of provisions	-27	-60	-80	-75	-78	-76	-69	-80	-91
Depreciation 2	4	-	6	-120	439	77	87	81	78
Other	17,665	18,689	20,035	23,403	24,266	25,784	26,135	24,857	25,014
Total Resource	**126,876**	**135,270**	**143,183**	**155,283**	**160,183**	**165,172**	**170,622**	**171,440**	**175,399**

Budget									
Of which:									
Depreciation 2	189	155	157	102	602	316	328	226	215
Capital DEL									
Section A: Jobcentre Plus	110	8	3	46	59	44	-	-	-
Section B: Pension, Disability and Carers Service	57	44	22	5	7	13	-	-	-
Section C: Child Maintenance and Enforcement Commission	-	3	13	20	8	-	-	-	-
Section D: Health and Safety Executive	7	5	8	6	6	7	-	-	-
Section G: Executive Non Departmental Public Bodies (net)	2	2	1	2	-	7	-	-	-
Section H: Employment Programmes	-	-	-	-	-	-	-	-	-
Section I: Housing Benefit and Council Tax Benefit Administration	-	-	-	-	-	-	-	-	-
Section J: Other Programmes	9	7	1	8	81	1	-	-	-
Section K: Departmental Operating Costs	18	2	38	186	160	105	137	123	132
Section L: Unallocated Provision	-	-	-	-	-	69	187	262	110
Total Capital DEL	**201**	**72**	**85**	**272**	**323**	**245**	**324**	**385**	**242**
Of which:									
Net capital procurement 4	188	49	90	251	243	180	137	123	132
Capital grants to the private sector and abroad	13	23	-	19	10	-	-	-	-
Capital support for local government	-	-	-	-	-	-	-	-	-
Capital support for public corporations	5	4	-	7	2	1	-	-	-
Other	-5	-5	-5	-5	68	64	187	262	110
Capital AME									
Section AK: Expenditure incurred by the Social Fund	185	140	136	171	177	86	87	89	90
Total Capital AME	**185**	**140**	**136**	**171**	**177**	**86**	**87**	**89**	**90**
Of which:									
Capital grants to the private sector and abroad	-	-	-	-	-	-	-	-	-
Net lending to the private sector and abroad	185	140	136	171	177	86	87	89	90
Capital support for public corporations	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total Capital Budget	**386**	**212**	**222**	**443**	**499**	**331**	**411**	**474**	**332**
Total Departmental Spending 5	**127,262**	**135,482**	**143,405**	**155,726**	**160,682**	**165,503**	**171,034**	**171,914**	**175,732**
Of which:									
Total DEL	7,938	8,013	7,925	9,041	9,169	8,045	7,942	7,951	7,984
Total AME	119,324	127,469	135,480	146,685	151,513	157,458	163,091	163,963	167,747

Table 1 Notes

1. Net of income from sales of goods and services.
2. Includes impairments.
3. Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.
4. Expenditure on tangible and intangible fixed assets net of sales.
5. Total departmental spending is the sum of the resource budget and the capital budget. Similarly total DEL is the sum of the resource budget DEL and capital budget DEL, and total AME is the sum of resource budget AME and capital budget AME.
6. This table represents Departmental Expenditure Limit (DEL) for Resource and Capital which has been set for each year as part of the Spending Review process (amended where necessary to incorporate transfers of functions to other government departments as they have arisen.)
7. From 1 November 2008, the functions of the Child Support Agency were moved to the Child Maintenance and Enforcement Commission.
8. In 2009-10 and 2010-11 some of the major contracts for Accommodation and IS/IT were centralised in Section K: Departmental operating costs. These costs have been redistributed to the relevant section to provide a better comparison across years.
9. Since 2009-10 the Department has received additional funding to manage the increased work caused by the recession. This funding has been used to provide additional support to customers affected by the downturn.
10. National Insurance Fund (NIF) administration relates to the administration costs of processing NIF benefits, directly related to volumes of activity. As these benefits are paid from the National Insurance Fund rather than the Consolidated Fund, the associated costs to administer should also be paid from the National Insurance Fund. The 2012-13 and future year plans are based on the 2011-12 plans but will be re-calculated on an annual basis.
11. As part of the SR10 settlement the Department received funding which is subject to dual key arrangements. Presently this is held in Section L: Unallocated provision and can only be drawn down subject to HMT approval. Included is funding provided to cover both the delivery costs and additional costs associated with the payment itself, and funding provided to support employment programmes to manage the additional volumes of long-term unemployment.
12. Annually Managed Expenditure (AME) is set as part of the Budget and Autumn Statement processes.
13. Section headings are as per the Main Estimate 2011-12.
14. Totals may not sum due to rounding.

Table 2: Public spending control for the Department for Work and Pensions

	£ Millions		
	2010-11 Main Estimate	2010-11 Spring Supplementary Estimate	2010-11 Final Outturn
Resource DEL			
RfR1: Ensuring the best start for all children and ending child poverty in 20 years.	436	431	386
RfR2: Promoting work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need.	4,272	4,998	5,004
RfR3: Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners.	27	118	106
RfR4: Improve the rights and opportunities for disabled people in a fair and inclusive society	161	161	176
RfR5: Corporate contracts and support services	777	1,021	910
Resource AME			
RfR1: Ensuring the best start for all children and ending child poverty in 20 years.	-	1	-
RfR2: Promoting work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need.	40,776	41,262	40,729
RfR3: Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners.	8,935	8,362	7,555
RfR4: Improve the rights and opportunities for disabled people in a fair and inclusive society	19,068	19,070	18,694
RfR5: Corporate contracts and support services	2	22	12
Resource Non - Budget			
RfR1: Ensuring the best start for all children and ending child poverty in 20 years.	-	-	-
RfR2: Promoting work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need.	1,866	2,059	2,467
RfR3: Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners.	3,371	4,513	3,710

RfR4: Improve the rights and opportunities for disabled people in a fair and inclusive society	348	348	341
RfR5: Corporate contracts and support services	852	852	858
Total Resource	**80,891**	**83,216**	**80,947**
Capital DEL			
RfR1: Ensuring the best start for all children and ending child poverty in 20 years.	-	5	8
RfR2: Promoting work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need.	50	61	69
RfR3: Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners.	16	74	91
RfR4: Improve the rights and opportunities for disabled people in a fair and inclusive society	-	-	-
RfR5: Corporate contracts and support services	91	156	143
Capital AME			
RfR1: Ensuring the best start for all children and ending child poverty in 20 years.	-	-	-
RfR2: Promoting work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need.	-	-	-
RfR3: Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners.	-	-	-
RfR4: Improve the rights and opportunities for disabled people in a fair and inclusive society	-	-	-
RfR5: Corporate contracts and support services	-	-	-
Capital Non - Budget			
RfR1: Ensuring the best start for all children and ending child poverty in 20 years.	-	-	-
RfR2: Promoting work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need.	-	-	-

RfR3: Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners.	90	-	-
RfR4: Improve the rights and opportunities for disabled people in a fair and inclusive society	-	-	-
RfR5: Corporate contracts and support services	-	-	24
Total Capital	**247**	**296**	**335**

Table 2 Notes

1. The section headings are as per the Main and Spring Supplementary Estimates 2010-11.
2. Explanation of key variances are included in the Annual Report and Accounts.
3. Totals may not sum due to roundings.

Table 3: Capital employed for the Department for Work and Pensions

	£ Millions 6								
	2006-07 Outturn	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Estimated Outturn**	**2011-12 Plans**	**2012-13 Plans**	**2013-14 Plans**	**2014-15 Plans**
Assets and liabilities on the statement of financial position at end of year:									
Total Non-current Assets	**2,525**	**1,836**	**3,440**	**3,733**	**3,884**	**3,942**	**4,075**	**4,265**	**4,326**
Intangible 1, 2	52	52	368	474	534	519	520	552	477
Property, Plant and Equipment									
of which:									
Land and buildings 1	62	64	1,951	1,889	2,009	2,035	2,083	2,160	2,241
Leasehold improvements	524	512	10	11	10	8	7	6	5
Plant and Machinery	5	5	5	7	24	26	24	23	22
Furniture & Fittings	14	12	10	17	6	4	3	2	1
Transport & Equipment	15	2	2	2	2	2	2	2	2
Information Technology 1	177	132	142	124	88	82	85	99	75
Payments on Account & Assets under construction	142	105	-	1	1	1	1	1	1
Financial Assets 3	1	1	11	49	126	181	265	335	418
Trade and Other Receivables	1,533	950	941	1,159	1, 084	1,084	1,084	1,084	1,084
Current Assets	**2,477**	**3,025**	**2,498**	**2,713**	**2,867**	**2,867**	**2,867**	**2,867**	**2,867**
Current Liabilities	**-3,766**	**-3,852**	**-4,694**	**-5,001**	**-5,381**	**-5,376**	**-5,366**	**-5,375**	**-5,346**
Non Current Liabilities									
Other Payables	-342	-431	-1,262	-1,223	-1,093	-982	-850	-715	-598
Provisions 4	-1,107	-3,644	-4,367	-4,319	-2,777	-3,120	-3,844	-4,247	-4,335
Pension liabilities	-	-	-1	-1	-1	-1	-1	-1	-1
Assets less Liabilities	**-213**	**-3,065**	**-4,385**	**-4,098**	**-2,501**	**-2,670**	**-3,120**	**-3,206**	**-3,088**
NDPBs net assets 5	3	-2	-2	-2	-2	-2	-2	-2	-2
Public corporation net assets 5	-158	-74	-119	-177	-177	-177	-177	-177	-177

Table 3 Notes

1. In 2009-10 the Department adopted International Financial Reporting Standards (IFRS). This resulted in a number of previously off-balance sheet contracts for IT and accommodation moving onto the Department's balance sheet as assets owned under finance leases. This is a classification change and has no impact on the overall resources available to the Department. 2008-09 has been restated to

show the impact of IFRS i.e. the opening position on 1 April 2009. This makes the figures consistent with the Consolidated Statement of Financial Position in this publication.

2. IFRS required software licences and internally developed software to be accounted for as intangible rather than tangible assets. In addition, software development that had been expensed under previous accounting standards had to be retrospectively capitalised to comply with IFRS.
3. The increase in financial assets relates primarily to loans made to National Employment Savings Trust (NEST).
4. The increase in provisions relates to extensions to the Financial Assistance Scheme.
5. From 2004-05 the Department's Non-Departmental Public Bodies and Public Corporations implemented FRS 17 'Retirement Benefits' and recognised a liability for funding existing and future pensions increases on their Balance Sheet.
6. Totals may not sum due to rounding.

Table 4: Administration budget for the Department for Work and Pensions

	£ Millions 5								
	2006-07 Outturn	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn 4**	**2010-11 Estimated Outturn 4**	**2011-12 Plans 3**	**2012-13 Plans 3**	**2013-14 Plans 3**	**2014-15 Plans 3**
Section A: Jobcentre Plus	2,712	2,587	2,606	2,959	2,763	197	184	159	135
Section B: Pension, Disability and Carers Service	508	459	459	454	393	89	68	59	38
Section C: Child Maintenance and Enforcement Commission 1	489	542	579	575	520	183	155	193	191
Section D: Health and Safety Executive	166	156	155	153	132	119	107	98	92
Section G: Executive Non Departmental Public Bodies (net)	-	-	-	-	-	18	16	16	16
Section K: Departmental Operating Costs	846	824	820	865	709	1,115	1,000	786	769
Section M: National Insurance Fund 2	1,112	1,096	1,001	1,056	1,093	-	-	-	-
Total administration budget	**5,833**	**5,664**	**5,621**	**6,063**	**5,610**	**1,720**	**1,530**	**1,310**	**1,241**
Of which									
Paybill	3,070	3,029	3,019	3,440	3,405	704	587	581	504
Expenditure	2,905	2,798	2,807	2,855	2,452	1,198	1,133	911	907
Income	-142	-162	-204	-232	-247	-182	-189	-182	-169

Table 4 Notes

1. From 1 November 2008, the functions of the Child Support Agency were moved to the Child Maintenance and Enforcement Commission.
2. National Insurance Fund (NIF) administration relates to the administration costs of processing NIF benefits, directly related to volumes of activity. As these benefits are paid from the National Insurance Fund rather than the Consolidated Fund, the associated costs to administer should also be paid from the National Insurance Fund. The 2012-13 and future years plans are based on the 2011-12 plans but will be re-calculated on an annual basis. Also see Note 3.
3. As part of the Spending Review 2010 it was agreed with HM Treasury that the Department would re-classify the costs of delivering front line services from Administration to DEL Programme with effect from 1 April 2011. This has caused significant changes to the size of the Administration budgets for

Jobcentre Plus, Pension, Disability and Carers Service, Child Maintenance and Enforcement Commission and some other departmental costs.

4. In 2009-10 and 2010-11 some of the major contracts for Accommodation and IS/IT were centralised in Section K: Departmental operating costs. These costs have been redistributed to the relevant section to provide a better comparison across years.
5. Totals may not sum due to rounding.

Table 5: Staff numbers 2008-9 to 2010-11 (full time equivalent staff 2008-9 to 2010-11)

	31 March 2009	31 March 2010	31 March 2011
Department for Work and Pensions (excluding Agencies and NDPB's)	11,570	12,239	11,885
Jobcentre Plus	69,479	82,647	72,939
Pension, Disability and Carers Service	15,017	13,969	13,139
Total	**96,066**	**108,855**	**97,963**

Table 5 Notes

1. All figures are shown at a point in time on a full-time equivalent basis and reflect the current Office for National Statistics definition for civil service staff.
2. My Civil Service Pensions (MyCSP) transferred to Cabinet Office on 1 February 2011 but staff remain on the Department's payroll for the present and are included in the 31 March 2011 Departmental figure above.
3. From 20 July 2011, Directgov moved from the Department to the Cabinet Office and staff numbers are not included in the 2011 figure.
4. Staffing figures also reflect a number of organisational restructurings between the Department and its agencies over the 3 years shown.
5. The peak in staffing in Jobcentre Plus over the period shown reflects the temporary additional staffing appointed on fixed term contracts to manage increased workloads as a result of the economic downturn.

Table 6: Total Department for Work and Pensions identifiable expenditure on services by country and region, 2006-07 to 2010-11

	£ Millions				
	National Statistics				
	2006-07 Outturn	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Plans**
North East	5,320	5,538	5,909	6,359	6,541
North West	13,767	14,394	15,377	16,548	17,044
Yorkshire and the Humber	9,285	9,698	10,395	11,282	11,639
East Midlands	7,620	8,040	8,695	9,455	9,770
West Midlands	10,047	10,536	11,297	12,270	12,640
East	9,229	9,763	10,532	11,452	11,832
London	11,273	11,615	12,051	12,977	13,324
South East	12,789	13,536	14,615	15,924	16,459
South West	9,115	9,636	10,405	11,283	11,644
Total England	**88,445**	**92,756**	**99,276**	**107,550**	**110,892**
Scotland	10,134	10,572	11,322	12,193	12,550
Wales	6,491	6,780	7,272	7,801	8,044
Northern Ireland	12	12	13	13	13
UK identifiable expenditure	**105,081**	**110,119**	**117,882**	**127,557**	**131,499**
Outside UK	2,416	2,607	2,873	3,057	3,168
Total identifiable expenditure	**107,497**	**112,727**	**120,755**	**130,614**	**134,667**
Non-identifiable expenditure	0	2	31	34	881
Total expenditure on services	**107,497**	**112,729**	**120,786**	**130,648**	**135,548**

Table 7 – Department for Work and Pensions identifiable expenditure on services, by country and region, per head

	£ per head				
	National Statistics				
	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Plans
North East	2,082	2,159	2,295	2,461	2,525
North West	2,009	2,097	2,236	2,399	2,463
Yorkshire and the Humber	1,806	1,873	1,994	2,146	2,194
East Midlands	1,746	1,827	1,961	2,124	2,170
West Midlands	1,872	1,958	2,088	2,259	2,315
East	1,646	1,725	1,838	1,986	2,030
London	1,501	1,537	1,581	1,674	1,708
South East	1,552	1,629	1,744	1,888	1,937
South West	1,779	1,861	1,998	2,157	2,198
England	1,742	1,815	1,930	2,076	2,124
Scotland	1,980	2,057	2,190	2,347	2,408
Wales	2,189	2,275	2,430	2,601	2,672
Northern Ireland	7	7	7	7	7
UK identifiable expenditure	**1,734**	**1,806**	**1,920**	**2,064**	**2,113**

Table 8 – Department for Work and Pensions identifiable expenditure on services by function, country and region, for 2009-10

	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable Expenditure`	Outside UK	Total Identifiable Expenditure`	Not Identifiable	Totals
General public services																		
Executive and legislative organisations, financial and fiscal, external affairs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	33.6	33.6
General services	1.2	3.1	2.4	2.0	2.4	2.6	3.5	3.8	2.4	23.3	2.3	1.3	0.0	27.0	0.0	27.0	0.6	27.6
Total general public services	**1.2**	**3.1**	**2.4**	**2.0**	**2.4**	**2.6**	**3.5**	**3.8**	**2.4**	**23.3**	**2.3**	**1.3**	**0.0**	**27.0**	**0.0**	**27.0**	**34.2**	**61.2**
Economic affairs																		
General economic, commercial and labour affairs	178.1	436.3	306.9	229.2	339.3	243.0	437.1	322.1	214.9	2,706.8	268.9	188.9	0.0	3,164.6	4.8	3,169.4	0.0	3,169.4
R&D economic affairs	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-1.2	-0.2	-0.1	0.0	-1.5	0.0	-1.5	0.0	-1.5
Total economic affairs	**178.0**	**436.1**	**306.8**	**229.1**	**339.2**	**242.8**	**436.9**	**321.9**	**214.7**	**2,705.6**	**268.7**	**188.8**	**0.0**	**3,163.2**	**4.8**	**3,167.9**	**0.0**	**3,167.9**
Social Protection																		
Sickness and disability	1,652.9	4,251.7	2,553.3	2,053.5	2,669.4	2,050.9	2,449.7	2,678.1	2,163.7	22,523.3	3,089.5	2,257.7	0.0	27,870.5	79.3	27,949.7	0.0	27,949.7
of which: incapacity, disability and injury benefits	*1,633.1*	*4,197.4*	*2,519.2*	*2,026.5*	*2,634.9*	*2,024.4*	*2,409.4*	*2,640.5*	*2,134.9*	*22,220.4*	*3,048.0*	*2,231.4*	*0.0*	*27,499.8*	*79.0*	*27,578.8*	*0.0*	*27,578.8*

of which: personal social services (sickness and disability)	*19.8*	*54.3*	*34.1*	*26.9*	*34.5*	*26.4*	*40.3*	*37.6*	*28.8*	*302.9*	*41.5*	*26.3*	*0.0*	*370.6*	*0.3*	*370.9*	*0.0*	*370.9*
Old age	3,450.6	9,068.5	6,562.8	5,785.6	7,218.5	7,618.6	7,075.5	10,849.3	7,489.5	65,118.9	6,884.2	4,190.4	12.9	76,206.4	2,812.8	79,019.2	0.0	79,019.2
of which: pensions	*3,450.5*	*9,068.3*	*6,562.7*	*5,785.4*	*7,218.4*	*7,618.4*	*7,075.4*	*10,849.0*	*7,489.3*	*65,117.4*	*6,884.1*	*4,190.3*	*12.9*	*76,204.6*	*2,812.6*	*79,017.2*	*0.0*	*79,017.2*
of which: personal social services (old age)	*0.1*	*0.2*	*0.2*	*0.1*	*0.2*	*0.2*	*0.2*	*0.3*	*0.2*	*1.5*	*0.1*	*0.1*	*0.0*	*1.7*	*0.2*	*1.9*	*0.0*	*1.9*
Survivors	32.1	84.0	59.1	50.2	63.8	61.3	61.7	91.6	55.1	558.9	69.0	37.4	0.0	665.3	16.9	682.2	0.0	682.2
Of which: widow's benefits	*32.1*	*84.0*	*59.1*	*50.2*	*63.8*	*61.3*	*61.7*	*91.6*	*55.1*	*558.9*	*69.0*	*37.4*	*0.0*	*665.3*	*16.9*	*682.2*	*0.0*	*682.2*
Family and children	466.5	1,318.7	773.8	570.1	841.9	642.1	1,596.9	890.6	634.6	7,735.3	887.4	527.2	0.0	9,149.8	1.1	9,151.0	0.0	9,151.0
of which: family benefits, income support and tax credits	*437.0*	*1,255.0*	*726.2*	*534.1*	*797.1*	*603.6*	*1,554.8*	*834.4*	*602.6*	*7,344.8*	*843.6*	*498.4*	*0.0*	*8,686.8*	*0.4*	*8,687.2*	*0.0*	*8,687.2*
of which: personal social services (family and children)	*29.5*	*63.8*	*47.6*	*36.0*	*44.8*	*38.5*	*42.1*	*56.2*	*32.0*	*390.5*	*43.7*	*28.8*	*0.0*	*463.0*	*0.7*	*463.7*	*0.0*	*463.7*
Unemployment	361.2	857.8	639.4	465.8	*729.8*	494.4	915.7	638.7	404.6	5,507.2	587.8	355.4	0.0	6,450.4	5.9	6,456.2	0.0	6,456.2
of which: other unemployment	*270.4*	*629.2*	*494.6*	*355.8*	*574.0*	*381.7*	*706.7*	*489.9*	*295.6*	*4,197.8*	*424.8*	*251.3*	*0.0*	*4,873.9*	*1.1*	*4,875.0*	*0.0*	*4,875.0*
of which: personal social services (unemployment)	*90.8*	*228.6*	*144.8*	*109.9*	*155.8*	*112.7*	*209.0*	*148.8*	*109.0*	*1,309.4*	*163.0*	*104.2*	*0.0*	*1,576.5*	*4.7*	*1,581.2*	*0.0*	*1,581.2*
Social exclusion n.e.c.	116.0	263.5	198.4	143.4	*204.4*	148.8	211.9	180.7	128.2	1,595.4	208.6	122.1	0.00	1,926.1	0.4	1,926.5	0.0	1926.5
of which: family benefits,	*30.6*	*55.0*	*52.2*	*31.5*	*47.3*	*31.9*	*37.3*	*28.3*	*21.7*	*335.8*	*73.4*	*25.0*	*0.0*	*434.1*	*0.0*	*434.1*	*0.0*	*434.1*

income support and tax credits																		
of which: personal social services (social exclusion n.e.c.)	*85.4*	*208.5*	*146.2*	*111.9*	*157.1*	*117.0*	*174.5*	*152.5*	*106.5*	*1,259.6*	*135.2*	*97.1*	*0.0*	*1,491.9*	*0.4*	*1,492.3*	*0.0*	*1,492.3*
Social protection n.e.c.	101.0	264.4	186.3	155.1	200.5	190.4	225.0	269.6	190.3	1,782.5	195.4	120.5	0.0	2,098.4	135.5	2,233.9	0.0	2,233.9
Total Social Protection	**6,180.3**	**16,108.6**	**10,973.2**	**9,223.7**	**11,928.4**	**11,206.4**	**12,536.4**	**15,598.6**	**11,065.9**	**104,821.5**	**11,921.8**	**7,610.7**	**12.9**	**124,366.8**	**3,051.8**	**127,418.7**	**0.0**	**127,418.7**
TOTAL DEPARTMENT FOR WORK AND PENSIONS	**6,359.5**	**16,547.9**	**11,282.3**	**9,454.8**	**12,270.0**	**11,451.9**	**12,976.7**	**15,924.3**	**11,283.0**	**107,550.4**	**12,192.9**	**7,800.8**	**12.9**	**127,557.0**	**3,056.6**	**130,613.6**	**34.2**	**130,647.8**

Tables 6, 7 and 8 Notes

1. Tables 6, 7 and 8 show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2011. The figures were taken from the HM Treasury public spending database in November 2010 and the regional distributions were completed in early 2011. Therefore the tables may not show the latest position and may not be consistent with other tables.
2. The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities' own expenditure.
3. TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2011.
4. The data is based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.
5. Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.
6. The functional analyses of spending in Table 8 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in chapter 9 of PESA 2011. These are not the same as the strategic priorities shown elsewhere in the report.
7. Totals may not sum to totals due to rounding.

Investment strategy

The Department invests in a number of major projects and programmes, which collectively help to deliver improved services and to reduce costs. The key programmes in which the Department has invested resources during 2010-11 are:

Universal Credit

The Universal Credit Programme has been established to radically simplify the current system of financial support for people of working age. This simplification is intended to:
- improve the work focus of the system;
- help more people from inactivity into work;
- tackle poverty by making support easier to access and more flexible; and
- improve administration, and reduce administrative cost and fraud and error.

Building on existing capabilities Universal Credit will combine in and out of work benefits into a single payment that will be withdrawn as earnings rise in a simple and predictable way that will ensure for most people better returns from work than the current system. Simplifying the structure of support will also make it easier to claim, improve take up and allow the Department to develop a radically simpler administration.

New claims for out of work support will be made through Universal Credit from October 2013.

Work Programme

The Work Programme is an integrated package of back to work support for a range of customers, from Jobseeker's Allowance recipients who have been out of work for some time, to customers who may have received Employment and Support Allowance, Incapacity Benefit and Income Support. The Work Programme is designed to improve the number of customers entering work and staying there.

This back to work support will be provided by external providers through a series of contracts across a range of contract packages. To ensure that it is worthwhile for providers to help all jobseekers, they will be offered higher rewards for supporting harder to help people into employment. As part of this innovative funding model the Department will establish a link between the savings to the taxpayer from getting jobseekers into work and the payment to delivery partners for helping them to do so, by paying providers partly out of the benefit savings realised.

The rollout of the service and the majority of contracts commenced as planned from June 2011.

Incapacity Benefit Reassessment

The Incapacity Benefit Reassessment project has been designed to reassess all recipients of Incapacity Benefits, moving them onto Employment and Support Allowance, Jobseeker's Allowance (new claims process), Income Support or off benefit between 2010 and 2014.

Trials started in October 2010. A phased national rollout commenced in February 2011, and the full roll-out of national reassessment began on 4 April 2011. Significant benefit savings are expected as a result of the reassessment activity.

Automated Service Delivery

The Automated Service Delivery (Jobseeker's Allowance) project is an essential stepping stone for delivery of welfare reform and Universal Credit. The project delivers two key things, it:

- enhances the service we offer online for Jobseeker's Allowance claimants, so they can self serve and we can move towards making online internet the default service channel; and

- automates benefit processing for Jobseeker's Allowance changes of circumstances and later for Jobseeker's Allowance claims.

Automated Service Delivery (Jobseeker's Allowance) does this introducing the new online individualised 'account' page, accessible through Directgov once claimants have registered with the Government Gateway. This 'account' will enable Jobseeker's Allowance claimants to view and update their information, submit a new Jobseeker's Allowance claim, and receive communications via the e-channel. Their information will then be automatically processed or routed to the right person to take action where needed.

Key benefits of the project are to:

- maximise the automation of the processing of Jobseeker's Allowance;
- maximise self service online as part of the Department's wider plans to make digital services our default channel;
- reduce paper and fraud and error;
- deliver the claimant channel shift and IT capability for Universal Credit.

Automated Service Delivery (Jobseeker's Allowance) is due to be delivered by summer 2012.

Enabling Retirement Savings Programme

The Enabling Retirement Savings Programme will complete implementation of the Government's workplace pension reforms from 2012, mainly through two Non-Departmental Public Bodies:

- The Pensions Regulator which has responsibility for delivery of a compliance regime to support the introduction of an employer duty on all employers to automatically enrol their employees into a qualifying pension scheme; and
- The National Employment Savings Trust Corporation which is responsible for setting up and running the National Employment Savings Trust Scheme (a new low cost pension scheme that any employer can use to meet this duty).

Benefits of the programme include a significant increase in private pensions saving, resulting in significant social welfare benefits and reduced pressure on future state expenditure. The programme is due to be fully implemented by 2016-17.

The Department's Change Programme

The Department's Change Programme is an established programme which is well on the way to delivery. It consists of a number of projects which are transforming the way the Department deals with members of the public to improve their experience at reduced cost.

During 2010-11 the Change Programme has delivered a number of new services:

- Jobseeker's Allowance Online, which is now available to a vast majority of jobseekers to claim Jobseeker's Allowance online;
- State Pension Online, which is available to all people in the UK who are approaching pension age; and
- a bereavement service, which routes all calls made to the Department reporting a death through to the Pension, Disability and Carers Service Bereavement Teams.

Other information

Principal risks and uncertainties

The Department faces a number of risks. The financial risks of the Department are included within the financial instrument disclosures in Note 24. The Department also faces a number of operational risks, the management of which are considered as part of the Statement on Internal Control.

Payment to suppliers

The Department is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the supplier's contract. If there is no contractual provision or other understanding, the Department aims to make all payments not in dispute within 5 working days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review of all payments made during 2010-11, conducted to measure how promptly the Department pays its bills, found that 85 per cent of bills were paid within this standard. During 2009-10, the payment policy was to make all payments within 10 working days and 93 per cent of bills were paid within that timescale.

The 'Late Payment of Commercial Debts (Interest) Act 1998' and the 'Late Payment of Commercial Debts Regulations 2002' provides all businesses and public sector bodies with the following entitlements:

i. the right to claim interest for late payment;

ii. the right to claim reasonable debt recovery costs, unless the supplier has acted unreasonably;

iii. the right to challenge contractual terms that do not provide a substantial remedy against late payment; and

iv. the right for 'representative bodies' to challenge contractual terms that are grossly unfair on behalf of small and medium sized enterprises.

There were interest charges of £279 arising and payable by the Department during the year (2009-10 £2,889). These costs are included within Interest Charges in other administration costs, which are reported at Note 10.

Charitable donations

The Department made a donation of £7,723 shared between the Royal National Lifeboat Institution (RNLI) through the DWP Lifeboat Fund and the Civil Service Benevolent Fund. In 2009-10, the Department made a donation of £7,841 to the Civil Service Benevolent Fund.

Although not a cash donation, Departmental staff have donated time on the Community 10,000 Scheme, which is a volunteering programme whereby staff participate in a wide range of activities to support customers and the local community.

Research and development

The Department incurred expenditure on research and development activities to the value of £21.7 million (2009-10 £18.9 million), which is reported in Note 13.

Pension liabilities

Details of the Department's treatment of pension liabilities are disclosed within Accounting Policy Note 1.29 and Note 9 to the accounts. In addition, a link is provided to the separate scheme statement which is published on the Cabinet Office's Civil Superannuation site. Further information regarding the Civil Service Pension Schemes is given in the Remuneration Report.

Statement of compliance

The Department has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

External audit

These accounts have been audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000. His certificate is on pages 109-110.

The total cost of audit work was £2,903,000 (2009-10 - £2,955,000). This includes cash fees of £757,000 (2009-10 - £774,000 - see Note 10) and notional fees of £2,146,000 (2009-10 £ 2,181,000 - see Note 11).

During the year, the NAO completed and published the following Value for Money studies:

- Supporting Incapacity Benefit Claimants through Pathways to Work (published 28 May 2010);
- The Community Care Grant (published 22 July 2010);
- Minimising the Cost of Administrative Errors in the Benefit System (published 25 November 2010); and
- Reducing Losses in the Benefits System caused by Customer's Mistakes (published 21 January 2011).

As at 31 March 2011, the following Value for Money studies were ongoing:

- Cost reduction in DWP;
- The Work Programme; and
- Child Maintenance and Enforcement Commission.

Statement on the disclosure of relevant audit information

So far as the Accounting Officer is aware, there is no relevant audit information of which the Department's auditors are unaware. The Accounting Officer confirms that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

Annex A: Structural Reform Plan, input and impact indicators

Structural Reform Plan

The following table sets out the progress which had been made in delivering the Department's Structural Reform Plan commitments by 31 March 2011.

Priority	Actions due to complete in 2010-11	Actions met on time	Actions missed by less than one month	Actions missed by less than 2 months	Actions missed by less than 3 months	Actions missed by more than 3 months
Priority 1: Reform the welfare system	24	23	1	0	0	0
Priority 2: Get Britain working	15	15	0	0	0	0
Priority 3: Help tackle the causes of poverty	3	2	1	0	0	0
Priority 4: Pensions reform	9	8	0	0	0	1
Priority 5: Achieve disability equality	13	13	0	0	0	0
Priority 6: Improve our service to the public	7	6	0	1	0	0
Total	**71**	**67**	**2**	**1**	**0**	**1**

The following actions were not completed in line with the timescales set out in the plan:

- Action 1.2.ii: Introduce the Welfare Reform Bill**.** The Welfare Reform Bill, initially scheduled to be introduced into the House of Commons in January 2011, was postponed to ensure a better fit with the Government's wider legislative timetable and Parliamentary business. The Bill was introduced on 16 February 2011.
- Action 3.2.i: Develop a new Child Poverty Strategy. The Child Poverty Strategy seeks to improve the lives of millions of children. The delay in publication from March 2011 reflected the Government's belief that it was important to take the time to get it right. It was published on 5 April 2011.
- Action 4.6: Present a Pension Strategy Paper to the Economic Affairs Committee**.** This was delayed from December 2010 to allow time for Ministers to continue to examine all aspects of the State Pension system to identify options for reform. The Chancellor announced in the March 2011 Budget that "the Government will look to reform the State Pension for future pensioners so that it provides simple, contributory, flat rate support above the level of the means-tested Guarantee Credit". This announcement was followed by publication of the Green Paper: *A State Pension for the 21st century* on 4 April 2011.
- Action 6.6.i: Develop and publish proposals to change the culture of health and safety. The Government announced the publication of its plans for the next stage of major reform to Britain's Health and Safety system on 21 March 2011, the original publication date was January 2011. This delay reflected Ministers' decision not to pre-empt the announcement by publishing an interim document, but to concentrate instead on the publication of the full proposals.

Input indicators

The attached notes provide further technical detail to support the input indicator table on page 10.

- In line with advice from the Atkinson Review[1], only administrative expenditure on pay and pension costs of staff employed, current expenditure on goods and services and capital depreciation is treated as 'relevant' for unit cost calculations. In addition, one-off expenditure (the cost of investment and other one-off change) is excluded from the Department's unit cost calculations, to closely reflect expenditure on the delivery of current outputs;
- The unit costs include direct and apportioned indirect costs, such as staff, IT, estates, management and corporate support costs;
- The productivity measure has been included to provide a better indication of the Department's overall improvement in efficiency;
- The productivity measure relates the volume of outputs delivered to the inputs consumed in their delivery. This measure is well established in the Department, and has been developed in accordance with standard convention for public sector output and productivity measurement in National Accounts;
- The output index within the productivity calculation combines measures of Departmental social security, labour market and child maintenance through a cost-weighted sum, which is added to expenditure on employment programmes and the Department's policy and regulatory functions. More detail on the methodology used is available in the Department's 2010 productivity paper[2]; and
- Within inputs all relevant recurrent costs involved in delivering outputs are captured, including direct costs such as staff and non-staff costs (e.g. estates, IT) and indirect costs such as management and corporate support costs. Expenditure is deflated.

Impact indicators

The following tables set out the impact indicators published in the Department's Business Plan. The indicators demonstrate the key social impacts the Department aims to deliver in return for its resources and allow the public to make an assessment about whether the Department's policies and reforms are delivering appropriate outcomes.

Rates of people moving from out of work benefits into employment

This is a new indicator for which data will be available in August 2011 that measures (i) the rate of people moving off Jobseeker's Allowance and Employment Support Allowance; and (ii) the percentage of those moving off each benefit going into known employment.

The indicator reports outcomes for cohorts of customers – all those who flow on to each benefit in a given month. The rate of people moving off benefit is calculated at 52 weeks for Jobseeker's Allowance and 65 weeks for Employment Support Allowance.

The statistical series through which the indicator will be measured is under construction, so no data are yet available. The first part of the coupled indicator will be published quarterly from August 2011, reporting on the second part will begin following completion of a supplementary survey. There is a reporting lag of 18 months for Jobseeker's Allowance and 21 months for Employment Support Allowance due to the elapsed time inherent in the indicator and the time needed to process the data.

[1] http://www.statistics.gov.uk/about/data/methodology/specific/publicsector/atkinson/

[2] http://www.dwp.gov.uk/docs/productivity-paper-2010.pdf

Numbers on key out of work benefits

Performance has improved against this indicator in 2010-11. A total of 4.78 million people aged 16 to State Pension age claimed a key out of work benefit in November 2010. This is a decrease from November 2009 when 5.02 million claimed a key out of work benefit.

This indicator measures the non-seasonally adjusted number of people aged 16 to State Pension age claiming: Jobseeker's Allowance (JSA); Employment and Support Allowance (ESA); Incapacity Benefit (IB); Severe Disablement Allowance (SDA); Income Support (IS) (as a lone parent or in the "other" category) and Pension Credit[1] (PC).

The number of people claiming Jobseeker's Allowance is measured using 100 per cent administrative data from the monthly non-seasonally adjusted claimant count published by the Office for National Statistics. The number of people claiming other out of work benefits is measured using 100 per cent administrative data from the Work and Pensions Longitudinal Study (WPLS) published quarterly in February, May, August and November by the Department, approximately 5.5 months after the reporting point; data are not seasonally adjusted.

Due to seasonal movements in benefit claiming patterns only year on year comparison can be made.

Generally a decrease in the indicator will demonstrate whether an improvement has been achieved but economic conditions will also need to be taken into account.

Working Age claimants by Statistical Group November 2009 - November 2010 (millions) (year on year comparisons only)

Date	Total	JSA	ESA and incapacity benefits	Lone Parent on IS	Others on income related benefits[2]
November 2010	4.78[3]	1.36	2.59	0.65	0.19
November 2009	5.02[3]	1.52	2.62	0.70	0.19

National Statistics for Jobseeker's Allowance are available up to May 2011 (1,446,270) which show a year-on-year fall of 770 when compared with May 2010 (1,447,040). Early estimates for ESA and incapacity benefits and Lone Parent on IS are available up to April 2011. These latest figures show ESA and incapacity benefits numbers at 2,565,000 and Lone Parent on IS numbers at 600,000.

Data published at: http://83.244.183.180/100pc/wa/tabtool_wa.html (follow link to Key Out Of Work Benefits); http://research.dwp.gov.uk/asd/index.php?page=early_ests; and https://www.nomisweb.co.uk/Default.asp

[1] The equalisation of State Pension age between 2010 and 2020 will change the composition of this group by including women between 60 and 64. Further rises to age 66, 67 and 68 for men and women will also follow.

[2] 'Others on Income Related Benefit' are other recipients of Income Support or Pension Credit. Excludes claimants in receipt of Income Support and Carers Allowance.

[3] The total may not be equal to the sum of the individual components due to rounding.

Proportion of children living in workless households

There has been no significant change in the estimated proportion of children living in workless households in the UK in April-June 2010 or October-December 2010 compared to the same periods in 2009.

This indicator is measured using data from the Household Labour Force Survey published by the Office for National Statistics. A workless household is a household that includes at least one person aged 16 to 64 where no-one aged 16 or over is in employment. Children refers to all children under 16.

Data are published about every 6 months for the period covering April-June and October–December each year; however, the data for these quarters are not directly comparable as the data is not seasonally adjusted.

The October-December 2010 data (16.2 per cent) have a sampling variability of ± 0.7 percentage points and is constrained by the small number of workless households with children identified in the Household Labour Force Survey, which can limit analysts' ability to identify statistically significant trends.

Generally, an improvement would be demonstrated by a fall in the indicator (such a change would imply a rise in the proportion of children living in working households), but other factors (for example changes in household types over time) may also need to be accounted for.

The latest data are for October-December 2010 which show that 16.2 per cent (1.87 million) of children in the UK were living in workless households, up 0.4 percentage points from 15.8 per cent (1.82 million) in October-December 2009. This is not a significant change.

In April-June 2010 16.1 per cent (1.86 million), of children in the UK were living in workless households, down 0.6 percentage points, from 16.7 per cent (1.92 million) in April-June 2009. This is not a significant change.

Proportion of children living in workless households in the UK (%). Year on year comparison only.

Year	April-June	October-December
2010	16.1%	16.2%
2009	16.7%	15.8%

Data published at: http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14977

<u>Young people not in employment or full time education</u>

The number of 18-24 year olds not in employment or full-time education was 30.3 per cent in January-March 2011, a fall of 1.7 percentage points from 32.0 per cent in the previous quarter (October-December 2010), and a fall of 1.9 percentage points from 32.2 per cent in January-March 2010.

This indicator is measured by dividing the number of 18-24 year olds who are not in employment or full-time education by the total number of 18-24 year olds who are not in full time education. This shows, of the 18-24s not in full time education, what proportion are also not in employment. It uses data from the Labour Force Survey published monthly by the Office for National Statistics approximately six weeks after the period. The data are seasonally adjusted.

Generally a decrease in the indicator will demonstrate an improvement in the labour market position of young people but economic conditions will also need to be taken into account.

The latest data are for January-March 2011 when there were 4.0 million 18-24 year olds not in full-time education and, of these, 1.2 million (30.3 per cent) were not in work. This is a fall of 1.7 percentage points in the proportion not in work compared to the previous quarter and 1.9 percentage points on the same quarter a year before. This therefore suggests an improvement in the position over the last year.

18-24 years olds not in work or full-time education as a proportion of all 18-24 year olds not in full-time education in percentage points by quarter.

Financial Year	April-June	July-September	October–December	January- March
2010-11	29.8%	30.3%	32.0%	30.3%
2009-10	29.8%	31.3%	30.5%	32.2%

Data published at: http://www.statistics.gov.uk/pdfdir/lmsuk0411.pdf

Gap between the employment rates for disabled people and the overall population

Data are released quarterly for this indicator. There was a statistically significant improvement of 2.1 percentage points[1] in October – December 2010 from October – December 2009, when the employment gap for disabled people and the overall population fell from 26.0 per cent to 23.9 per cent. There were year on year falls in each other quarter, but these were not statistically significant.

This indicator is measured by comparing the seasonally unadjusted employment rate for disabled people as defined in the Equality Act 2010 with the Great Britain unadjusted working age employment rate, both taken from the Labour Force Survey published quarterly by the Office for National Statistics. The 95 per cent confidence interval is ±1.4 percentage points.

The data are available approximately 6 weeks after the end of each quarterly period. Since data are seasonally unadjusted only year on year comparisons can be made. However because the employment rate estimates relate to people aged 16-64 years, in line with the definitions used for National Statistics, consistent estimates are not available prior to April 2010. This is due to the fact that Labour Force Survey respondents were not systematically asked disability questions if they were aged above the contemporary State Pension age (60 years for women and 65 years for men).

Generally a decrease in the indicator will demonstrate that an improvement has been achieved but economic conditions will also need to be taken into account, particularly as recent research evidence indicates that employment prospects for disabled people are less sensitive to economic conditions than the overall population. This may mean that as the economy improves and overall employment rates increase, the gap between the disabled and the overall employment rates will increase, which would represent a decline in this indicator.

The latest data for January-March 2011 are 23.3 per cent, a fall of 0.7 percentage points from January-March 2010 when the gap was 24.0 per cent. This is not a statistically significant change.

In July-September 2010 the gap was 25.0 per cent, a fall of 1.0 percentage points from July-September 2009. This is not a statistically significant change.

In April-June 2010 when the gap was 24.7 per cent, a fall of 1.3 percentage points from 26 per cent in April-June 2009. This is not a statistically significant change.

Employment rate gap for disabled people aged 16 to 64 in percentage points for all quarters 2009-10 to 2010-11. Year on year comparisons only.

Financial year	April– June	July-September	October-December	January-March
2010-11	24.7%	25.0%	23.9%	23.3%
2009-10	26.0%	26.0%	26.0%	24.0%

Source: *Labour Force Survey*

[1] Figures may not sum due to rounding.

Rate of disability poverty

The latest data (published in May 2011) are for 2009-10 when 21 per cent of individuals living in families with a disabled person live on low income, compared to 23 per cent in 2008-09. This is a decrease of 2 percentage points and represents a statistically significant improvement for this indicator.

This indicator is measured using Household Below Average Income statistics sourced from the Family Resources Survey. The indicator measures the percentage of individuals in families containing someone who is disabled with incomes below 60 per cent of contemporary equivalised median income, before housing costs. Data do not include care home residents as the sample used for the survey consisting of the private household population only.

Data are for a financial year and published around a year after the financial year ending.

Generally a decrease in the indicator will demonstrate if an improvement has been achieved but economic conditions will also need to be taken into account.

The latest data are for 2009-10 (published in May 2011) when there were 21 per cent of individuals in families where at least one member is disabled with incomes below 60 per cent of contemporary equivalised median income before housing costs. This is a decrease of 2 percentage points from 23 per cent in 2008-09, which represents a statistically significant improvement in the indicator.

When assessing performance against this indicator it is important to note that families with a disabled person are more likely to receive a greater proportion of their income in benefits[1]. This is of relevance to the 2009-10 data as benefit income increased at a greater rate than earnings in 2009-10. This trend will continue in 2010-11 as the uprating of benefits will be higher than average earnings growth for 2010-11.

The percentage of household containing someone who is disabled with an income below 60 per cent of median before housing costs

Year	Rate of Disability Poverty
2009-10	21%
2008-09	23%

Published at:
http://research.dwp.gov.uk/asd/index.php?page=hbai

[1] 33% compared to 9% for families with no disabled people

Total cost to the taxpayer of fraud and error for benefit claims

The 2010-11 estimate of overpayments due to fraud and error in the benefit system is £3.3 billion, which is 2.1 per cent of 2010-11 total benefit expenditure. This compares with £3.1 billion and 2.1 per cent in the preliminary[1] 2009-10 data.

This indicator is measured using the Department's National Statistics report on fraud and error in the benefit system. Data are published every 6 months (around May and November), each report covering a 12 month period. There is approximately an 8 month time lag from the end of the period. 95 per cent confidence intervals are recalculated for each report. The sample survey consists of approximately 35,000 cases.

Fraud and error for Income Support, Jobseeker's Allowance, Pension Credit, Incapacity Benefit and Housing Benefit is measured on a continuous basis. The Department also undertakes National Benefit Reviews for various benefits to estimate the level of fraud and error in a particular financial year using the same process.

Generally a decrease in the indicator will demonstrate that an improvement has been achieved but economic conditions and overall expenditure will also need to be taken into account.

Total underpayments due to fraud and error across all benefits are £1.3 billion, which is 0.8 per cent of total benefit expenditure. This compares with £1.3 billion and 0.9 per cent in the preliminary 2009-10 data.

The percentage of total benefit expenditure overpaid and underpaid 2009-10 to 2010-11

Financial Year	Overpayments	Underpayments
2010-11	2.1%	0.8%
2009-10 (preliminary)	2.1%	0.9%

Published at http://statistics.dwp.gov.uk/asd/asd2/index.php?page=fraud_error

[1] The preliminary 2009-10 estimates have been revised since the publication of the Resource Accounts for 2009-10 and have been replaced on the DWP statistics website by 2009-10 estimates covering the full year.

Rate of pensioner poverty

There has been no statistically significant change in the rate of pensioner poverty. The rate of pensioner poverty in 2009-10 (published in May 2011) was estimated to be 16 per cent. This is the same as the level of pensioner poverty in 2008-09.

This indicator is measured using Household Below Average Income statistics from the Family Resources Survey. It reports the percentage of pensioners with incomes below 60 per cent of contemporary equivalised median income, after housing costs. Data do not include care home residents due to the sample for the survey used consisting of the private household population only.

Data are for a financial year and published around a year after the financial year ending.

Generally a decrease in the indicator will demonstrate that an improvement has been achieved but economic conditions will also need to be taken into account.

The latest data are for 2009-10 (published in May 2011) when there were 16 per cent of pensioners with incomes below 60 per cent of contemporary equivalised median income, after housing costs, or 1.8 million. Compared to 2008-09 data (published in May 2010), this represents no change.

It is thought an increase in pensioner incomes driven by the uprating of benefits at a greater level than actual earnings growth in 2009-10 has been cancelled out by the fact that as three quarters of pensioners own their own home outright they did not benefit from the substantial fall in interest rates across 2009-10. This reduced the housing costs of those households with mortgages, therefore increasing their after housing costs incomes (all else being equal), thus acting to increasing pensioner poverty.

The percentage of pensioners with an income below 60 per cent of median after housing costs

Year	Rate of Pensioner Poverty
2009-10	16%
2008-09	16%

Published at http://research.dwp.gov.uk/asd/index.php?page=hbai

Number of employees in a pension scheme sponsored by their employer

The number of employees who are in an employer sponsored pension scheme decreased to 11.4 million in 2010 from 11.5 million in 2009, continuing the recent downward trend.

This indicator is measured using data from the Annual Survey of Hours and Earnings (ASHE) which is an Office for National Statistics (ONS) Survey.

The indicator measures the number of employee jobs where the individual is aged at least 22 years of age and under State Pension age and earning above the earnings threshold for automatic enrolment (£7,475 in 2011-12 earnings terms) and is participating in a pension scheme sponsored by their employer. An individual may have more than one job.

Data are available annually 14 months after period of data.

Generally an increase in the indicator will demonstrate if an improvement has been achieved.

The latest data are for 2010 when 11.4 million employees were in a pension scheme sponsored by their employer, this is a fall of 0.1 million from 2009.

Number of employees in a pension scheme sponsored by their employer (millions)

Year	Number of employees in a pension scheme sponsored by their employer 2009-2010
2010	11.4
2009	11.5

Average age people stop working

There has been no statistically significant change in the age at which men and women stop work between 2009 and 2010. Based on April-June data (as is used in ONS Pension Trends Report) the average age men stopped working in April-June 2010 was 64.7 years, an increase of 0.2 years (i.e. 2.5 months), from 64.5 years in April-June 2009. The average age women stopped work in April-June 2010 remained at 62.5 years as in April-June 2009. These figures are consistent with the overall trend for men since 2002 and for women since 1984.

This indicator is measured using the 'average age of withdrawal from the labour market' statistic which has been previously published by the Office for National Statistics. It is based on Labour Force Survey data UK, specifically using the 'static' methodology, which provides more up to date statistics. The average age of withdrawal is based on multiplying each age by the probability of exiting the labour market at that age.

The indicator measures the ages at which older people withdraw from the labour market and become inactive; data are not seasonally adjusted. Confidence intervals are not calculated for this indicator though due to its nature year on year changes are small. The focus should not be on the short term changes but the long term trend.

Data are published around 6 weeks after the end of the quarterly period. Since data are seasonally unadjusted, only year on year comparisons can be made.

The latest data available are January-March 2011 when the average age men stopped work was 64.5 years, a fall of 0.2 years, from 64.7 years in January-March 2010. In January-March 2011 the average age women stopped work was 62.8 years, an increase in 0.2 years, from 62.6 years in January-March 2011.

A number of factors may have contributed to the performance which includes: a continuation of long term trend, changing attitudes around working longer and the effect of State Pension age changes.

The average age men and women stop work

Men

Financial Year	April-June	July-September	October-December	January-March
2010-11	64.7	64.6	64.5	64.5
2009-10	64.5	64.6	64.6	64.7

Women

Financial Year	April-June	July-September	October-December	January-March
2010-11	62.5	62.7	62.7	62.8
2009-10	62.5	62.4	62.4	62.6

www.statistics.gov.uk/pensiontrends

Public opinion of the Department for Work and Pensions service levels

This is a new indicator for which data will be available from August 2011.

This is a new indicator which is measured using data from the Pension, Disability and Carers Service and the Jobcentre Plus customer satisfaction surveys to generate a pan-departmental score of overall customer satisfaction with the Department's services. Jobcentre Plus use survey data from a minimum of 2800 telephone interviews and the Pension, Disability and Carers Service from a minimum of 5000 telephone interviews.

The indicator measures the percentage of people who have had meaningful contact with the Department in the previous 6 months through Jobcentre Plus or the Pension Disability and Carers Service who are either fairly or very satisfied.

There will be a score for overall satisfaction, with sub-indicator scores for satisfaction against each of the four key drivers of customer satisfaction (On Time, Right Treatment, Right Result, Easy Access). These Key Drivers were identified via extensive research with customers, staff and intermediaries and form the basis of the Department's Customer Charter.

Data will be published annually six months from the end of the survey period.

The first pan-departmental score of overall customer satisfaction with the Department's services will be available from August 2011. Data on the individual surveys is already published; however comparisons longitudinally are limited due to changes in sample design, questionnaire and business structures.

http://research.dwp.gov.uk/asd/asd5/rrs-index.asp

Social mobility in adulthood

This is a new indicator which is still in development.

We are committed to developing new measures of progress in improving social mobility looking at access to the professions, progression in the labour market and the availability of 'second chances' to succeed in the labour market. No further information is currently available to report.

Annex B: Complaints to the Parliamentary and Health Service Ombudsman

The Department for Work and Pensions takes all complaints very seriously. Each year, less than 1 per cent of the people who have direct contact with the Department make a formal complaint. If they are not happy with how the Department responds to their complaint, they can ask an MP to raise the issue with the Parliamentary and Health Service Ombudsman.

Not all complaints referred to the Parliamentary and Health Service Ombudsman are investigated. For example, complaints which are referred prematurely, are outside the Ombudsman's jurisdiction, show no evidence of injustice resulting from maladministration or are resolved without recourse to full investigation will not be accepted. In 2009-10, the Ombudsman accepted 31 new complaints for investigation and issued 68 investigation reports about the Department the majority of which were accepted for investigation in the 2008-09 reporting year. Further details can be found in the Ombudsman's Annual Report[1]

Department or Agency	Complaints accepted by the Ombudsman	Complaints reported on by the Ombudsman	Complaints fully upheld	Complaints partly upheld	Complaints not upheld	Number of recommendations complied with*	Number of recommendations not complied with
Jobcentre Plus	7	15	47%	47%	7%	42	2
Child Support Agency (CMEC)	9	18	50%	44%	6%	21	0
Independent Case Examiner	12	28	18%	14%	68%	13	1
Debt Management	0	2	100%	0%	0%	5	0
The Pension, Disability and Carers Service	3	3	33%	33%	33%	2	0
Department for Work and Pensions	0	1	100%	0%	0%	N/A	N/A
Medical Service ATOS Healthcare	0	1	100%	0%	0%	2	0
TOTAL	31	68	38%	30%	32%	85	3

[1] www.ombudsman.org.uk/about-us/publications/annual-reports.

* *Some complaints result in more than one recommendation*

Annex C: Non-Departmental Public Bodies (NDPBs)

Non-Departmental Public Bodies have a role in the delivery and implementation of Government business but are not a Government department or part of one. They operate independently and at arm's length from Ministers but are still accountable to the public for the services they provide.

Executive and Public Corporations

Organisation	Function
Child Maintenance and Enforcement Commission	The Department has ministerial responsibility for the Child Maintenance and Enforcement Commission (C-MEC), a Crown Non-Departmental Public Body responsible for the administration and development of the child maintenance system in Great Britain. Its primary objective is to maximise the number of effective child maintenance arrangements in place for children who live apart from one or both of their parents. These may be arranged collaboratively between parents or through the statutory scheme. Further information about the Child Maintenance and Enforcement Commission is available at: http://www.childmaintenance.org/
Health and Safety Executive	The Department has ministerial responsibility for the Health and Safety Executive, a Crown Non-Departmental Public Body that is responsible, with local authorities, for the regulation of health and safety risks that arise out of work activities. Further information about the Health and Safety Executive is available at: http://www.hse.gov.uk/
Independent Living Fund	In December 2010 a decision was made to close the Independent Living Fund permanently for new applications. Independent Living Fund will continue to operate for the benefit of existing recipients by providing financial support to disabled people to enable them to choose to live in the community rather than in residential care. Further information about the Independent Living Fund is available at: http://www.dwp.gov.uk/ilf/
National Employment Savings Trust (NEST) Corporation	The NEST Corporation is the trustee body responsible for overseeing National Employment Savings Trust. NEST will be a new, low cost, workplace pension scheme that is being designed to meet the needs of low-to-moderate earners and their employers in particular. Further information about the National Employment Savings Trust (NEST) Corporation is available at: http://www.nestpensions.org.uk
Remploy Ltd	Expands the opportunities for disabled people in sustainable employment within Remploy and the community it serves. Further information about Remploy Ltd is available at: http://www.remploy.co.uk/

The Pensions Advisory Service	Provides an independent and free information and guidance service to citizens who have either a general or a specific query or complaint on a pensions matter. Further information about The Pensions Advisory Service is available at: http://www.pensionsadvisoryservice.org.uk/
The Pensions Regulator	Protects the benefits of members of work-based pension schemes, promotes good administration in such schemes, and reduces the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund. Also responsible for establishing and running the Employer Compliance Regime in support of the workplace pension reforms. Further information about The Pensions Regulator is available at: http://www.thepensionsregulator.gov.uk/
Pension Protection Fund	Provides compensation to members of eligible defined benefit pension schemes whose employer becomes insolvent, and where there are not sufficient assets in the pension scheme. Also administers the Fraud Compensation Fund and the Financial Assistance Scheme. Further information about the Pension Protection Fund is available at: http://www.pensionprotectionfund.org.uk

Tribunal

<table>
<tr><th>Organisation</th><th>Function</th></tr>
<tr><td>Pensions Ombudsman</td><td rowspan="2">The Pensions Ombudsman (PO) determines complaints and disputes concerning occupational and personal pensions schemes. The Pension Protection Fund Ombudsman (PPFO) deals with complaints and reviewable matters concerning the Pension Protection Fund and appeals against decisions of the manager of the Financial Assistance Scheme. All services are free. Further information about the Pensions Ombudsman and the Pension Protection Fund Ombudsman is available at:
http://www.pensions-ombudsman.org.uk/
http://www.ppfo.org.uk/</td></tr>
<tr><td>Pension Protection Fund Ombudsman</td></tr>
</table>

Advisory

<table>
<tr><th>Organisation</th><th>Function</th></tr>
<tr><td>Equality 2025</td><td rowspan="2">The advisory bodies provide independent and expert advice to ministers. They are supported by a secretariat team from within the Department. They do not have their own budget or give financial provision to members of the public. They produce an annual report each year that provides details of their activities and their terms of reference or remit. Further information from these advisory</td></tr>
<tr><td>Industrial Injuries Advisory Council</td></tr>
</table>

Social Security Advisory Committee	services is available at the following web addresses: http://odi.dwp.gov.uk/equality-2025/index.php http://iiac.independent.gov.uk/ http://ssac.independent.gov.uk/

The Department's Annual Appointment Report provides a snapshot of the public bodies sponsored by the Department for Work and Pensions. It provides details of the chairs and members appointed by Ministers to the boards of the Non Departmental Public Bodies (NDPBs)[1].

[1] http://www.dwp.gov.uk/ndpb/public_bodies.asp

Annex D: Public Accounts Committee (PAC) recommendations

Between July 2008 and December 2010 the Public Accounts Committee published eleven reports which involved the Department for Work and Pensions. In total the Committee made 59 recommendations, all of which required the Department to take action.

To date, the Department has successfully implemented 44 recommendations. Four recommendations were rejected as the Department considered that appropriate systems were already in place. Details of progress on the remaining eleven recommendations are shown in the following table:

Progress in tackling benefit fraud Published 8 July 2008	
The Department should develop a robust methodology for measuring the cost effectiveness of its work, drawing on its new management information system and the approach used in the Comptroller and Auditor General's Report.	The Department has completed the first stage in its new, systematic process to assess and regularly review the cost effectiveness of its fraud and error interventions. 'Work Programmes' have been produced for all key benefits setting out for the first time a comprehensive list of all fraud and error reduction activities. To make these work programmes more effective tools for analysing the effectiveness of its interventions, the Department will be taking forward the following additional actions: • producing *'benefit diagnostics'* analysing the impact the Department's activity is having, highlighting gaps or areas of concern; • developing action plans to address identified gaps; and • conducting root causes analysis to ensure activities are focused on the largest areas of loss. Target implementation date: 31/03/2012
The management of benefit overpayment debt Published 17 March 2010	
The Department has introduced new initiatives such as encouraging debtors to pay off debts in lump sums, has set up a Large Debtors unit and is working closely with HMRC to focus attention on claimants with the largest debts. DWP should set targets to reduce the debt owed by customers with multiple and high value debts, monitor its performance and report annually on its success.	A performance measure has been agreed for 2011-12 to ensure that debtors owing in excess of £10,000 are actively managed. This will be monitored and evaluated across the 2011-12 year to provide full assurance. Target implementation date: 31/06/2012
The Department does not have a target for repayment from "Off-benefit" debtors - those no longer claiming benefits- and the repayment rate has been low, with just 24 per cent making payments for the year ending 30 September 2008. As part of its implementation of the Combined Single Work Queue in 2010, DWP should set itself targets to manage benefit overpayments	A performance measure has been agreed for 2011-12 to ensure that off-benefit debtors are actively managed. This will be monitored and evaluated across the 2011-12 year to provide full assurance. A number of additional activities have been completed to establish best practice, including use of customer segmentation and scoring data (currently being piloted); a revised verification process introduced (utilising private sector expertise), and continued closer working with HM Revenue and Customs.

more effectively for those customers who regularly move on and off benefit. It should also benchmark its performance against other organisations engaged in debt recovery.	Target implementation date: 31/06/2012
The Pension Protection Fund Published 6 April 2010	
The Fund should continue to audit the Long Term Risk Model regularly, and at least once every five years to review the cumulative effect of small structural changes or when large model changes occur, to continue to provide assurance that the methodology and outputs are reasonable and robust.	A full audit of the systems, processes and documentation of the Long Term Risk Model is planned by 30 November 2011. In the meantime, all significant model improvements since the National Audit Office audit have been subject to separate, matter-specific external audit prior to use by the Board. Target implementation date: 30/11/2011
Pathways to Work Published 13 September 2010	
The Department should strengthen its controls to provide greater confidence that it will detect claims that are not valid, drawing on a range of techniques including systematic checks against benefit records, and contact with individuals and their employers. Contracts should be clear that, where errors are found, the rest of a provider claim will be investigated and deductions applied.	The Department is strengthening the controls in place to ensure payments made to contracted employment provision are valid. Starting with the Work Programme, the Department will conduct pre-payment checks, including off benefit checks in all cases, supported by post payment checks conducted on a statistically valid sample basis. These sample checks will combine checks of HM Revenue and Customs records as well as contacting employers and customers directly. The Department will extrapolate the error rate in the sample across all like for like payments and recover from providers on that basis. Strengthened controls will operate in the Work Programme when IT is in place to support them. Target completion date: 31/12/2012
The work underway to guard against unfair treatment of subcontractors and other delivery partners through the new 'Merlin' standard is welcome. The Department should assess its effectiveness in ensuring risks and benefits are distributed fairly throughout the supply chain and should report back to this Committee by the end of 2010.	The Department has developed the Merlin standard to make the Department's Code of Conduct more robust and ensure positive supply chain behaviour. It has also made changes to tendering arrangements to ensure that details of proposed supply chains are fully set out in tenders. This will also enable the Department to have a better understanding of the supply chains involved in delivery of provision. The Merlin standard is currently being piloted within the Department. The results from the pilot are positive. The Department will report to the committee in Summer 2012, once the Standard has been assessed in a 'live' environment. Target completion date: 31/07/2012
Early evidence shows that the new medical assessment, introduced with Employment and Support Allowance, will deliver a significant reduction in the number of incapacity benefits claimants. The Department should evaluate the accuracy of the new medical assessment robustly to evaluate that it is fit for purpose.	The Department agrees that those who are found fit for work should receive the support they need to move into work – and this has been key in informing the development of the Work Programme. The Department keeps the Work Capability Assessment (WCA) under continuous review and has a statutory duty to independently review the WCA annually for the first five years of its operation. The first independent review, led by Professor Malcolm Harrington, reported on 23rd November 2010. We fully endorse this review and have

	implemented the vast majority of its recommendations and are working hard to implement the remainder as soon as possible. Professor Harrington has been reappointed to lead the second independent review and he will report before the end of 2011. Target completion date: 31/12/2011
The Community Care Grant Published 16 December 2010	
Budgets are set on a historic basis and do not reflect current need in each region. This means some regions are less able than others to meet legitimate demand for grants. In 2009-10, the Springburn district office was able to meet 37.1 per cent of legitimate demand whereas Essex was only able to meet 26.3 per cent of demand. This Committee raised similar concerns about regional inequalities in 2005, but the Department has not managed to persuade Ministers to change the system for deciding funding allocations. We remain extremely dissatisfied with the existing approach. We recommend DWP present clear and well-evidenced proposals to Ministers to reform the funding distribution formula so that budgets are allocated more fairly across the country.	The Department has reviewed the options for allocationg Community Care Grant funding to establish whether there is a more equitable way of distributing funds between regions. The Department intends to move to a fairer system in time for new welfare assistance in 2013. Target implementation date: 30/04/2013
The Department concedes more could be done to even out regional funding inequalities by moving money around the country. DWP should immediately start to prepare forecast of future demand for the Grant in each regions, update these regularly, and use these forecast to recommend changes to the budget allocations in year so that regions can meet expected need on a more equitable basis.	The Department will examine whether changes to budgets in year are feasible, but the review of the current methodology will ensure a more equitable distribution reducing the requirement for any in year adjustments Target implementation date:31/12/2011
The Department could not tell us whether people failing to get a grant are made aware of other sources of financial help to which they may be entitled, such as Budgeting Loans. DWP's procedures should be modified so that vulnerable people are routinely referred to alternative sources of support if they are deemed ineligible for Community Care Grant.	Customers who are not awarded a Community Care Grant are automatically considered for a Crisis Loan (for items) and vice versa, but are not automatically considered for Budgeting Loans because other eligibility conditions apply. The Department does not automatically refer people to the Family Fund (available only to families with disabled children under the age of 16), as this could place an undue strain upon the resources available to such schemes. Customers requesting advice about other means of support are signposted to relevant organisations. Target implementation date: 31/10/2011
Introducing store cards or central contracts to supply frequently requested items, such as beds and refrigerators, could reduce fraud and generate significant financial savings: an estimated £14 million a year could be saved by negotiating contracts for	Proposals for reform of the Community Care Grant scheme and subsequent local provision of new assistance are currently being developed. Localisation will mean that the Department will no longer be responsible for delivering this support. The Department is looking at processes operated by the Family Fund and other organisations to explore whether centralised

goods centrally and thus gaining bulk discounts from suppliers. The Department has said it will work with the Family Fund to learn from their use of payment cards. The Department should investigate other promising initiatives and their potential for cost savings	contracts might be viable pending localisation. The relevant clauses in the Welfare Reform Bill have just gone through the House of Commons Bill Committee. The Bill is expected to be passed either at the end of 2011, or at the latest, early 2012. This will abolish the Community Care Grant scheme and begin the process of passing over the responsibility for the new replacement provision to local authorities. Target implementation date: 31/03/2012

Annex E: Sustainability tables

Summary of performance, including SOGE targets [1]			
Area	**Actual performance**	**Normalising data (Per FTE)**	**Target performance**
Average annual full time equivalent staffing figure 111,350			
Energy and emissions[2]			
Carbon emissions from offices	167,156[3] tonnes CO_2[4] (20%)	Not applicable	Reduce carbon emissions by 12.5 per cent by 2010-11, relative to 1999-2000 levels.
CRC-related expenditure	No payments made in this year	Not applicable	No target
Total buildings energy consumption	466,186,102 kWh	4,187 kWh	No target
Total energy expenditure	£29,583,161	£265.68	No target
Travel and related emissions			
Carbon dioxide emissions from road vehicles[5]	11,961 tonnes CO_2[6] (35% reduction against target)	107 kg	Reduce carbon emissions from road vehicles by 15 per cent by 2010-11, relative to 2005/2006 levels.
Total road vehicle expenditure	£21,805,683	£195.83	No target
Waste			
Total waste produced	15,784 tonnes (48%)	142 kg	Departments to reduce their waste arisings by 5 per cent by 2010, relative to 2004-2005 levels.
Total recycled	10,050 tonnes (64%)	90 kg	Departments to increase their recycling figures to 40 per cent of their waste arisings by 2010.
Total to landfill	5,734 tonnes	51 kg	No target
Total waste expenditure	Not available	Not available	No target
Water			
Water consumption	778,435m^3 (39%)	7 m^3	Reduce water consumption by 25 per cent on the office and non-office estate by 2020, relative to 2004-2005 levels.
Water expenditure [7]	£3,502,496	£31.45	No target

[1] Figures throughout this report may not equate to stated totals due to rounding.

[2] Data provided excludes landlord owned properties or properties where the DWP is a minor occupier in an other Government Department's offices. Data covers Department for Work and Pensions, its Executive Agencies (Jobcentre Plus and Pensions Disability and Carers Service), and the Child Maintenance and Enforcement Commission, currently a non-departmental public body. All energy data is based on information received up to the end of April 2011. Final accurate figures will not be received until July 2011, when all quarterly bills will have been received. A reconciliation exercise will be undertaken and revised figures published in next year's Annual Report and Accounts.

[3] All energy data is based on information received up to the end of April 2011. Final accurate figures will not be received until July 2011, when all quarterly bills will have been received. A reconciliation exercise will be undertaken and revised figures published in next year's Annual Report and Accounts. For the purposes of the SOGE target, emissions are also subject to weather correction. A percentage achievement cannot be calculated at this stage.

[4] Emissions are not weather corrected

[5] Data for vehicle business mileage has been provided for the year – but is incomplete due to a small number of delayed mileage returns. Arrangements are in place for a further reconciliation exercise to be undertaken.

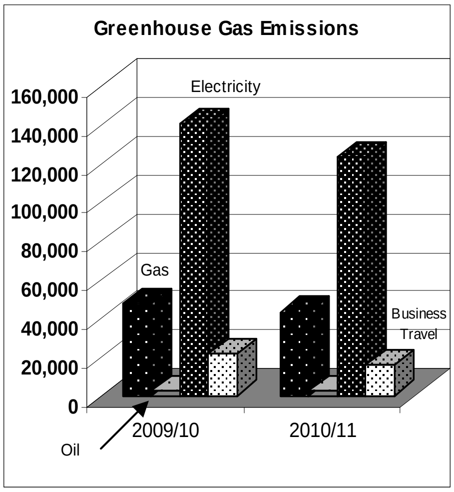
[6] Total emissions have been calculated using Defra conversion factors for grey fleet vehicles (mileage in staffs own vehicles). For emissions from the Private User Scheme, Official Vehicles and hire cars, emissions have been calculated using actual emissions ratings for those vehicles, provided by the Department's suppliers.

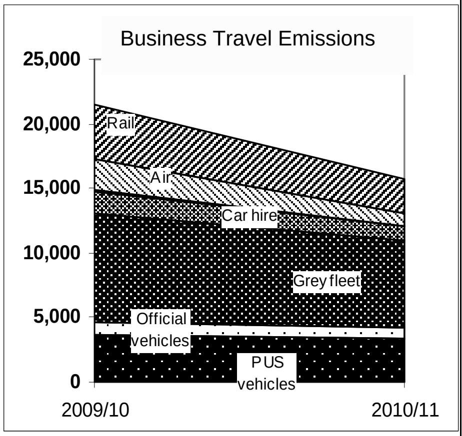
[7] Includes expenditure for water and sewerage charges.

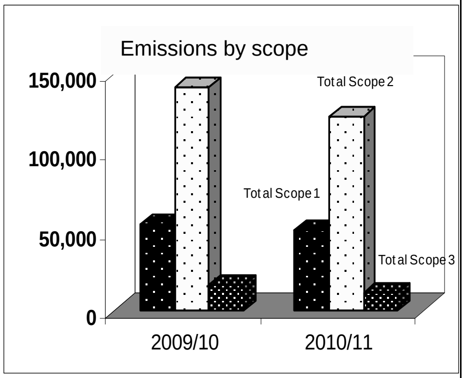
Greenhouse gas emissions[1]

GREENHOUSE GAS EMISSIONS		2010-11	2009-10
Non-financial indicators (tCO2e)	**Scope 1 Emissions**		
	Gas	43,201	47,055
	Oil[2]	2,021	2,238
	Fugitive Emissions	1,508[3]	1,266
	PUS vehicles	3,397	3,691
	Official vehicles	857	937
	Total Scope 1	**50,984**	**55,187**
	Scope 2 Emissions		
	Electricity: Brown	92,257	72,612
	Electricity: Green	12,301	29,270
	Electricity: CHP	18,451	38,839
	Total Scope 2	**123,009**	**140,721**
	Scope 3 Emissions		
	Grey fleet	6,639	8,446
	Car hire	1,146	1,708
	Taxis	106	133
	Air	886	2,322
	Rail	2,693	4,228
	Total Scope 3	**11,470**	**16,837**
	TOTAL EMISSIONS	**185,463**	**212,745**
Related energy consumption (KWh)	**Scope 1**		
	Gas	233,231,471	254,034,002
	Oil	7,340,667	8,128,473
	Scope 2		
	Electricity: Brown	169,210,473	133,178,909
	Electricity: Green	22,561,396	53,684,521
	Electricity: CHP	33,842,095	71,235,230
	TOTAL ENERGY	**466,186,102**	**520,261,135**
Financial indicators (£)	**Scope 1 and 2**		
	Gas	6,595,939	6,366,540
	Oil	542,754	361,711
	Electricity: Brown	14,710,445	11,764,665
	Electricity: Green	1,961,393	4,742,345
	Electricity: CHP	2,942,089	6,292,728
	Leased vehicles	14,262,510	13,962,990
	TOTAL Scope 1 & 2	**41,015,130**	**43,490,979**
	Scope 3		
	Grey fleet	7,543,173	9,749,839
	Car hire	3,154,355	4,459,296
	Taxis	1,571,431	2,096,465
	Air/Rail	13,942,430	27,100,219
	TOTAL Scope 3	**26,211,389**	**43,405,819**

Graphical analysis







1 Green house gas emissions include CO_2 and other gases, expressed as CO_2 equivalents as per the Greenhouse Gas protocols.
2 Oil is actually Gas oil.

GHG performance commentary (including targets)

Performance on reducing Green House Gas emissions has continued to follow a positive trend, capitalising on achievements against the SOGE targets as detailed in the Overview of Performance.

In addition to road vehicles, emissions from all other forms of transport have reduced by 46 per cent in the year, despite there not being a formal target to achieve this.

New Greening Government Operations and Procurement Targets[1] have been announced for the period 2011 to 2015 requiring further reductions, but the specific details are yet to be announced by Defra.

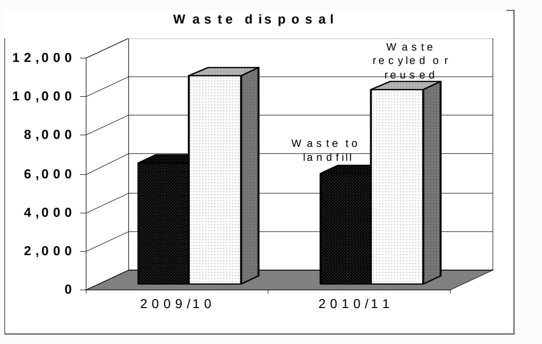
The Department’s main direct impacts are the consumption of energy in offices and fuel through business travel. A Carbon Management Plan has been developed, identifying initiatives to reduce these emissions and their impact and this should support our continued accreditation to the Carbon Trust Standard.

The Department’s Executive Team supported a comprehensive package of measures to support energy saving across the estate. This, coupled with the AWaRE programme and support from our estates partners was fundamental in the Department winning the cross Government energy challenge competition, reducing energy consumption by 22 per cent between September and October at Caxton House.[2] Technological advances have been implemented, such as the installation of a Combined Heat and Power plant at the Department’s largest site saving over 400tCO_2 and £93,000 per annum.

Revision of the Private User Scheme and supplier engagement has provided a more rigorously controlled scheme with a smaller range of low emission vehicles. Work is continuing to further improve compliance and data accuracy. Certain air routes have been banned and rail travel has been promoted.

Procurement specifications, sustainability information notes and ongoing liaison with suppliers enables the Department to influence the supply chain directly. Key suppliers have also been involved in developing the Carbon Management Plan, recognising their contribution to reducing their, and the Department’s emissions. The internal application of a Sustainable Procurement Risk Assessment Methodology identifies areas where potential exists for emissions improvement by suppliers.

Waste

<table>
<tr><th colspan="2">Waste</th><th>2009/10</th><th>2010/11</th><th>Graphical representation</th></tr>
<tr><td rowspan="3">Non-Financial Indicators (tonnes)</td><td>Total Waste</td><td>17,022</td><td>15,784</td><td rowspan="3">
</td></tr>
<tr><td>Waste to landfill</td><td>6,247</td><td>5,734</td></tr>
<tr><td>Waste recycled/reused</td><td>10,774</td><td>10,050</td></tr>
</table>

Waste performance commentary (including targets)

Performance against the SOGE targets is detailed in the Overview of Performance. The use of the Department’s Swap Shop enables potential waste to be re-used internally and diverted therefore from landfill, minimising waste and saving money.

[1] http://sd.defra.gov.uk/gov/green-government/commitments/
[2] Caxton House case study -http://www.dwp.gov.uk/docs/reduced-energy-consumption-caxton.pdf

The main direct impact for the Department is the production of paper and cardboard waste. This is being reduced by a series of paper reduction programmes and recycling of these materials.

Work continues with our estates partners to increase the number of commodities that can be recycled and staff engagement is in place to maximise existing recycling. Supplier engagement has successfully reduced the amount of packaging used and this work continues. Whilst not departmental waste, suppliers are recycling fluorescent tubes, cooking oil, IT, furniture and small amounts of cans and glass.

Use of finite resources

Water consumption[1] (scope 2)		2009/10	2010/11
Non-Financial Indicators (m3)	Water Consumption	827,844	778,435
Financial Indicators (£)	Water supply	1,102,010	1,055,433
	Sewerage	2,893,402	2,447,063
	Total Water Costs	3,995,412	3,502,496

Use of finite resources performance commentary (including targets)

The Department has exceeded the SOGE target for water as detailed in the Overview of performance. The main water impact is through the normal use and provision of water for staff and offices. Regular maintenance and management by our estates partners and staff awareness are in place to minimise consumption.

Biodiversity and adaptation plans

The Department is not required to have a biodiversity action plan, the majority of sites being city centre or street front buildings. Despite this, work has been undertaken with the estates partners to enhance biodiversity on a small number of sites with potential to do so.

Sustainable procurement

The Department uses its significant spend and procurement activity to influence wider Government and suppliers. The Department's procurement community is supported by the Department's Commercial Policy and Process Team. They have developed, implemented and updated a Sustainable Procurement Strategy to progress the delivery of the Sustainable Procurement Task Force Action Plan outcomes[2], and to influence suppliers, gaining their support in improving the Department's sustainability performance. The Department has also piloted participation in the Carbon Disclosure Project. The Department monitors its own progress and is currently meeting expected performance levels using the Sustainable Procurement Flexible Framework.

Sustainability is mainstreamed into commercial activities, including contract specifications and terms and conditions, which address environmental and social factors, such as diversity and equality. Significant work continues with suppliers in these key areas such as encouraging apprenticeships and the Department's approach is considered as best practice by the Government Equalities Office and the Equality and Human Rights Commission.

The tools and guidance developed to assist commercial staff and suppliers have been adopted by many other public sector organisations.

Governance

The sustainability agenda is governed by the Executive Team (ET).

[1] Water consumption figures are for purchased mains supply water. Water is not supplied through on-site abstraction or bore holes.
[2] Procurement actions can be found at ARCHIVE: UK Govt Sustainable Development - Sustainable operations on the Government estate

The ET is supplemented by a working-level delivery group, facilitated by the Department's Sustainability and Climate Change (SCC) team, focusing on communications, implementing initiatives and behaviour change.

The SCC team provides support to both groups and have responsibility for corporate issues and engagement across the Department for the whole sustainability spectrum. This includes provision of a quarterly scorecard, broken down to departmental business unit level.

The scorecard is used to inform decision-making and encourage proactivity. Energy related data is obtained from our estates partner's energy management bureau and is based on smart-meter data and energy bills from readings. Data accuracy is assured by a combination of the Department's internal verification and intermittent external audit. Travel data is produced by the Department's vehicle suppliers and through interrogation of internal financial systems. Work is ongoing with suppliers to continually improve the data systems, and compliance with reporting requirements within the Department.

The Accounts

for the year ended 31 March 2011

Scope

This document comprises the Annual Report and Accounts of the Department for Work and Pensions.

The Department is responsible for delivering the Government's welfare reform agenda in Great Britain, while continuing to provide day-to-day services for all its customers, including employers. Its principal aim is to promote opportunity and independence for all. More information about the Department's aims and objectives can be found in the Introduction (see page 7).

Departmental boundary

In addition to the core Department, the departmental bodies that fell within the resource accounting boundary during the financial year were:

- Jobcentre Plus;
- The Pension, Disability & Carers Service;
- The Child Maintenance & Enforcement Commission; and
- Health and Safety Executive.

Although within the boundary, the Child Maintenance and Enforcement Commission and Health and Safety Executive are Crown Non-Departmental Public Bodies administered separately from the Department. As part of the structural reform announced in the Public Bodies Bill, the Government intends to transfer all of the functions of the Child Maintenance and Enforcement Commission to the Department, at which point in time it will become an Agency of the Department.

In addition to the above bodies, the following areas of expenditure are also included within the boundary:

Social Fund

The Department is responsible for the Social Fund which is used to make grants and repayable loans to individuals. It makes regulated payments of funeral grants, maternity payments, winter fuel payments and cold weather payments and discretionary payments for budgeting loans, crisis loans and community care grants.

National Insurance Fund

The National Insurance Fund (NIF) is the responsibility of HM Revenue and Customs, but the contributory benefits funded from the NIF are administered by the Department on their behalf and are included within the Department's Statement of Comprehensive Net Expenditure. These contributory benefit payments, together with the associated costs of administration, are recovered by the Department from the NIF (See also Note 1.4).

European Social Fund

The European Social Fund (ESF) is one of the European Union structural funds designed to strengthen economic and social cohesion. The ESF helps unemployed and socially excluded people to find work or develop their employability. It can also be used to help prevent people in work from becoming unemployed.

Other Programme Expenditure

Other programme expenditure includes all non-contributory benefit expenditure, together with miscellaneous grants and compensation payments. Also included are subsidies paid by way of a grant to local authorities who administer and pay Housing Benefit and Council Tax Benefit.

Non-Departmental Public Bodies

The Department has responsibility for the following Executive Non-Departmental Public Bodies (NDPBs) which publish separate financial statements and are not included within the Department's resource accounting boundary:

- The Independent Living Fund;
- The Pensions Regulator;
- The Pensions Advisory Service;
- The Pension Protection Fund;
- Personal Accounts Delivery Authority (to 4 July 2010);
- National Employment Savings Trust Corporation (from 5 July 2010); and
- Remploy Limited.

The Personal Accounts Delivery Authority (PADA) ceased to exist with effect from 5 July 2010. All of the assets and liabilities of PADA transferred to the National Employment Savings Trust (NEST) Corporation who have responsibility for setting up and running the NEST Scheme (a new low cost pension scheme that employers will be able to use to enrol employees into a qualifying pension scheme).

The Pension Protection Fund

The Pension Protection Fund is both an Executive Non-Departmental Public Body and a Public Corporation.

Remploy Ltd

The Department pays grants in aid to Remploy Ltd to help meet the additional costs associated with employing very large numbers of disabled people. Remploy Ltd is a private company limited by guarantee, whose net liabilities are guaranteed by the Secretary of State for Work and Pensions. It also has status as an Executive Non-Departmental Public Body and Public Corporation.

Financial Assistance Scheme Trust Statement

Further regulations came into force on 2 April 2010 in relation to the Financial Assistance Scheme (FAS), which enable transfer to the Government of assets remaining in qualifying schemes. The Department has prepared a Trust Statement in relation to the revenue associated with asset transfers from FAS qualifying schemes. The first such Trust Statement is published alongside this Annual Report and Accounts (see pages 210 to 223).

Events after the reporting period

Government and Budget announcements

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Department provides to employees. From April 2011, the basic State Pension will be uprated by a triple guarantee of earnings, prices or 2.5 per cent, whichever is highest, and benefits will be indexed by the Consumer Price Index instead of the Retail Prices Index.

The Government has announced the intention to bring forward legislation to create a new independent statutory body to regulate the nuclear power industry. The new statutory corporation will be known as the Office for Nuclear Regulation and will take on the functions currently carried out by the Health and Safety Executive and the Department for Transport with regard to civil nuclear and radioactive transport safety and security regulation. Pending the legislation, the Office for Nuclear Regulation has been established as an Agency within the wider Health and Safety Executive from 1 April 2011.

The Government has announced plans for welfare reforms in the Welfare Reform White Paper which include three major elements:

- All existing out of work benefits and tax credits will be replaced with Universal Credit. Universal Credit will be structured so that support for customers tapers off steadily once a customer is working, which means that they will be better off in work. Universal Credit is expected to be launched for new claims in October 2013 and conversion of existing customers is expected to continue over the following four years. The Department will be working in conjunction with HM Revenue and Customs, local authorities and local government to ensure continued support for customers.

- More than 1.5 million customers are being moved from Incapacity Benefit onto either Employment and Support Allowance or Jobseeker's Allowance, depending on whether they are assessed as fit for work.

- The Work Programme has been introduced to replace all existing employment programmes for the longer term unemployed. Providers will have the freedom to design individual support for customers with payments being made on results.

The Public Bodies Reform Bill was announced in the Queen's Speech on 25 May 2010. The Bill allows for:

- the power to be conferred upon Ministers to abolish, merge or transfer functions between Non-Departmental Public Bodies;
- the Government to streamline public body bureaucracy, saving an estimated £1 billion;
- all public bodies to be reviewed every three years.

The Government has announced that they will use the measures to abolish 192 public bodies, and merge a further 118.

The Bill completed its House of Lords stages on 9 May 2011 and was presented to the Commons on 10 May 2011. A second reading debate in the House of Commons is to be held in due course.

Other events

During 2011-12, the HM Treasury Clear Line of Sight Project aims to align budgets, Estimates and accounts. As a result of this, certain Non-Departmental Public Bodies will be incorporated into the Department's resource accounting boundary and these accounts will be restated to provide comparative figures for the 2011-12 accounts. Those entities to be included are the Independent Living Fund, the Pensions Regulator and the Pensions Advisory Service.

The Department has launched the Central Payment System, an integrated payment and accounting system. On a phased basis, the Central Payment System will replace the Department's various customer payment and accounting systems and will eventually process all the benefits, pensions and allowances paid to customers (approximately 730 million payments to around 23 million customers and amounting to more than £130 billion per year).

On 31 March 2011, the Permanent Secretary announced a restructuring of the corporate and support services in the Department. This is expected to lead to significant changes in the size and configuration of the internal directorate and management structure of the Department during 2011, as part of the Department's cost reduction plan. The changes will not affect the delivery of services to customers.

The Department's accounts are laid before the Houses of Parliament by HM Treasury. International Accounting Standard (IAS) 10 requires the Department to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Department's management to HM Treasury.

The authorised date for issue is 18 July 2011.

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments 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.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department. 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's assets, are set out in *Managing Public Money*[1], published by HM Treasury.

[1] http://www.hm-treasury.gov.uk/psr_mpm_index.htm

Statement on Internal Control

Scope of responsibility

1. I took over as Permanent Secretary and Accounting Officer of the Department for Work and Pensions on 1 January 2011 following the retirement of Leigh Lewis. As Accounting Officer, I am responsible for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Department, 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'.

2. I have delegated some Accounting Officer responsibilities to the Chief Executives of the Department's Agencies and Non-Departmental Public Bodies (NDPBs), which fall within the Departmental boundary. Individual Chief Executives are accountable for the maintenance and operation of the system of internal control and risk management in their business areas, and for the production of an associated Statement on Internal Control.

3. The Department's Executive Team, which I chair, has collective responsibility for the leadership and strategic management of the Department, including its Agencies, in line with Ministers' objectives.

4. I am also a member of the Departmental Board, which has been restructured in line with the Board Protocol. At the start of the accounting year, the Board was chaired by the Permanent Secretary and its membership comprised four Executive members and four non-Executive members. During 2010-11 the Board met formally on four occasions and, with the Department's Executive Team, for two strategy days. The Board regularly discussed, amongst other issues, the Department's performance, finance and risk management. In accordance with the Ministerial Code, the Board has been strengthened and its membership revised. It is now chaired by the Secretary of State and its membership now comprises four ministers, five Executive members and five non-Executive members. The new Board met for the first time on 27 April 2011.

5. The Department sponsors a number of NDPBs to help it achieve its objectives. To assist me in discharging my personal responsibilities as Principal Accounting Officer, I designate a lead official within the Department who has responsibility for stewardship of each NDPB. The steward is directly accountable to me for ensuring that there are effective governance and control arrangements in place between the Department and the NDPB. The Public Bodies Reform Bill, presented to the House of Commons on 10 May 2011, introduces a number of changes to the Department's NDPBs designed to increase the transparency and accountability of all public services. These changes will help achieve this, as well as increasing accountability and efficiency.

6. The Departmental Framework describes the Department's overall governance arrangements and includes details of my accountabilities and those of my senior Directors General. Letters of Designation have been issued to each of my Executive Team colleagues, and by the Chair of the Shared Services Board to the Director of Shared Services, which set out in more detail both their corporate and business-specific accountabilities. A revised Departmental Framework will be developed to take account of recent changes to the structure of the Department.

7. The Department's Change Programme is implementing its business strategy which is transforming the way the Department delivers services to its customers. The Change Programme is enabling the Department to respond to Government aspirations for services to be 'digital by default' by introducing services via the Directgov online portal.

8. In November 2010 the Department published a Business Plan for 2011–15, setting out an ambitious agenda for reform against six Structural Reform Priorities and delivery of our other major responsibilities. The Department's Performance Management Framework has been reviewed and revised to support delivery of our priorities over the SR 10 period and the transparent publication of data.

9. Executive Team members are individually accountable for managing delivery and associated risk management of both structural reform actions & milestones and their contribution overall to the Department's priorities.

10. A comprehensive review of the Department's Corporate Centre was started in early 2011. As well as fundamental organisational re-design, the project aims to improve the Department's ability to develop streamlined and effective processes, clarifying cross-cutting accountabilities and reducing the interactions between the policy and delivery functions. The project is led at Director General level. Moving to a new structure with a single Chief Operating Officer will provide a single oversight for the planning, transition and implementation of Universal Credit, which will fundamentally affect our operations.

11. In November 2010, the Universal Credit Directorate was formed to lead on the Government's vision of making work pay, especially for the poorest in society. The intention is that Universal Credit will be an income-related payment reflecting the personal circumstances of the claimant whether they are in or out of work. Universal Credit will replace a number of existing benefits and tax credits with a single household payment. Proposals to introduce Universal Credit have been put before Parliament in the Welfare Reform Bill.

12. The Department is reviewing the way it manages and delivers its changes to systems and processes in order to ensure that the Department's portfolio of change continues to have appropriate checks and balances whilst delivering the requirements of our business strategy.

13. Given the extent of change being handled, and the increasing demands on staff, the Department constantly assesses emerging risks. Our SR10 settlement was necessarily high level, and as detailed planning is undertaken the Department is mindful of funding pressures on key programmes, in particular The Work Programme and Universal Credit. In addition, the reduction in corporate resource in the coming years will put a significant premium on the Department's ability to focus resource against our priority outcomes and highest risks. The overall assessment at present is that these risks are manageable.

14. The Department acts as an agent for HM Treasury in relation to Financial Assistance Scheme assets. The Scheme offers help to some people who have lost out on their occupational pension in certain circumstances. A Trust Statement on the Financial Assistance Scheme is included as part of this Annual Report and Accounts. The Accounting Officer for the Board of the Pension Protection Fund has provided an assurance statement in respect of the Financial Assistance Scheme.

The purpose of the system of internal control

15. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous 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 the impact should they be realised, and to manage them efficiently, effectively and economically. The system has been in place in the Department throughout 2010-11 and up to the date of the approval of the Annual Report and Accounts. It is kept under review by senior management and the Departmental, Shared Services, and Agency Audit Committees.

The risk and control framework

16. The Department's strategy for managing risk is outlined in its Risk Management Framework, which sets out our principles, practices and processes, and reflects good practice in risk management. The framework provides a standard approach across the Department, and adopts a common categorisation of risks, to improve the reporting, sharing and communication of risk information. All areas of the Department are compliant with the mandatory elements of the framework including the executive agencies.

17. During the year there has been a programme of improvements to the risk management framework with accompanying learning and development events to enhance our risk management capability. The Department also has a statement of risk appetite and Executive ownership of each of its risk categories to ensure that there is an accountable person overseeing the level of risk faced by the Department in each category following

mitigation of our risks. This reflects our commitment to continuous improvement and to learning from best practice in the public and private sectors.

18. The Department continues to retain a culture of strong financial management. The external Financial Management Capability Review, completed in July 2010, reported that the Department continues to improve overall in its financial management, with particular emphasis on the positive role which finance plays in strategic planning, and informed decision making. However, the report recognised the need for the Department to reduce complexity and increase the pace of change in its financial management. This includes a need for a continued focus on making sure that contributions from finance and non-finance staff are heard and acted upon. The improvement plan, based on the findings in the report, is being incorporated into the review of the Department's corporate functions and organisational design work currently being undertaken across the Department.

19. The Business Control Division, established during 2009-10 to strengthen the Department's internal control environment, merged with Risk Management Division during the year to create the Risk, Controls and Compliance function. The merging of these functions into a single team has enabled better prioritisation to both improve controls and ensure there is management information in place to tell us whether controls are working effectively or not. As a result of this, organisation change engagements with the business are now more co-ordinated contributing to the objective of enhancing the risk management capability across the Department.

20. Risk Business Partners are in place to support improved risk management in the Department's Agencies and Policy functions. A programme of self-assessments has commenced to identify and understand the Department's key financial risks and controls. This is in line with the cross-Government initiative Managing Risk of Financial Loss.

21. Working with a network of people responsible for compliance issues across the Department, the Risks, Controls and Compliance team has developed a quarterly compliance report that tracks compliance with the Department's key internal policies, highlighting areas of good practice and driving improvement action where needed. Joining up the Risk, Controls and Compliance teams has assisted compliance reporting to mature. In addition, the intelligence obtained from reporting is helping to focus on the right improvement activity to drive improved compliance. Compliance reporting is supported by an ongoing programme to simplify processes, provide clearer communications, and improve the skills and capability of staff to protect the Department from risk.

22. The Department's business continuity management arrangements are set out in the Departmental Business Continuity Framework and are led by an Executive Team member in his role as the Department's Business Continuity Director. Business continuity rehearsals have been undertaken across the Department, including by the Executive Team, to ensure that these plans are robust. A total of 16 incidents were managed effectively by the Business Continuity Team during 2010-11. The Department is also directly involved in wider cross-Government business continuity planning and rehearsals.

23. Our Information and Security Committee is chaired by an Executive Team member in her capacity as the Senior Information Risk Owner. The Committee sets policy and oversees the major information and security issues facing the Department, including the delivery of a formal portfolio of information and security improvement initiatives. An updated and composite set of related strategies has been developed to provide a consistent view of the department's strategic intent for Information Management, Information Security and Information Assurance. Comprehensive policies and Information System Security Standards are also in place, and new information systems are subject to security accreditation in accordance with Cabinet Office standards.

Capacity to handle risk

24. The Department's highest priority risks are routinely considered by the Departmental Board. Each quarter, the Executive Team reviews the Department's strategic risks profile taking inputs from a 'bottom up' view as well as the Executive Team's 'top down' perspective on emerging risks. This enables the Executive Team to assure themselves that risks are being managed within their risk appetite, or to direct remedial action where this is not the case. The Department's Planning Performance and Risk Committee, a sub-committee of the Executive Team, was suspended in March 2011. The Finance and Commercial Executive Team, with a

refreshed role and membership, now support the Finance Director General in discharging her accountabilities for planning and risk management in the Department.

Review of effectiveness

25. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the Department's internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and by findings and recommendations made by the Department's external auditors in their management letter and other reports. I also receive independent assurance and advice from the Departmental Board and Departmental Audit Committee on the findings from these sources of assurance. I have initiated activities to ensure continuous improvement of the system where necessary.

26. The Department's Internal Audit function provides an independent and objective assurance service through the systematic and disciplined evaluation of the adequacy and effectiveness of risk management, internal control and governance, and the provision of advice and recommendations for improvement. It continues to operate in accordance with Government Internal Audit Standards, and was independently benchmarked during 2009-10 as comparing favourably in relation to its peer group within both government and the private sector.

27. The Internal Audit work programme for 2010-11 provided for coverage of the areas of greatest risk, including a clear correlation with the Department's risk and control challenges. Throughout the year, Internal Audit has continued to liaise with management to understand and evaluate changes to the Department's risk profile, and to make any appropriate changes to the assurance focus. Progress against the plan has been regularly reported to the Departmental Audit Committee together with any significant changes to the plan and variations in the allocation of resource.

28. In his Annual Assurance Report the Director of Risk Assurance Division reported that, in his opinion, the level of assurance provided by the Department's governance, risk management and control arrangements was 'reasonable', with the exception of the following matters: Information Security and Assurance; Contracted Employment Programmes; and Social Fund.

29. Where remedial action has been recommended to address significant control challenges, the Director of the Risk Assurance Division is generally satisfied that reasonable action has been taken to effect improvements.

30. As part of its remit is to focus on the governance, risk, control and associated assurance processes that are in place in the Department, this year the Departmental Audit Committee started to focus on four key areas of the Department's end-to-end processes (information risk management; the interface between policy groups and Agencies; Corporate Finance to Agency Finance; and Finance / HR to Shared Services). The Department is either in the process of carrying out specific reviews or including this focus in the Corporate Centre Review currently underway, which will introduce an organisational design for the Department that will clarify accountabilities.

31. The Departmental Security Officer ensures that the Department is managing security risks to people, IT systems, information and buildings. He evaluates threats to the Department and produces an assessment of the extent to which threats are being managed by the Department's businesses, reporting to the Executive Team and the Departmental Audit Committee quarterly. The Departmental Security Officer has assessed that the overall level of assurance around security controls continues to improve and this is based on the progress that the Department has made during 2010-11 in managing information risks and mitigating known control weaknesses. This view reflects the comprehensive end of year assessment against the HMG Information Assurance Maturity Model, which was supported by Communications Electronic Security Group and independently assured by Internal Audit.

32. More generally Directors General and the Directors of Shared Services and Change Management have provided me with a Letter of Assurance setting out their opinion on how effectively the risks associated with the discharge of their accountabilities have been managed. Where appropriate, they have identified internal control challenges and these have informed those reported within this statement. Where control issues

fall within the accountability of an individual Agency Chief Executive, they are also reported within the relevant Agency Accounts and associated Statement on Internal Control. The Letter of Assurance process has been substantially restructured this year following a steer from the Departmental Audit Committee. Non-Executive Members of the Departmental Audit Committee have met with Directors / Directors General to discuss the risks and challenges faced by their area of the Department. This has informed their Letters to me.

33. The Executive Team met on 13 June 2011 to consider the effectiveness of the System of Internal Control within the Department. At our meeting we considered the findings of the key assurance reports.

34. The Department is responsible for oversight of the Child Maintenance and Enforcement Commission (CMEC), a large Non-Departmental Public Body. CMEC produces two separate accounts on an annual basis; the Annual Report and Accounts and the Client Funds Account. CMEC inherited responsibility from the Department for the management of client funds relating to two existing statutory maintenance schemes including accumulated arrears of maintenance owed by non-resident parents to resident parents. The CMEC Client Funds Account has long-standing, serious problems accumulated over the 18-year life of the Child Support Agency. CMEC has made significant investment over the past two years in trying to resolve the historic client funds account problems and address the significant control challenge. Determined efforts will continue to be made by CMEC to recover funds on behalf of parents with care, to the extent that records of arrears balances are reliable and assessed as collectable. However, I do not believe that spending further large amounts of public funds to address the major shortcomings identified would be a proportionate response, not least because, given the historical nature of these problems, I believe that a large proportion of the arrears reported will never be collected. Given all of this I believe that CMEC has no workable solution to resolve this significant control challenge.

Significant control challenges

35. The Executive Team identified that the following two significant control challenges have been eased or addressed during the year.

(i) Assurance over debt balance in the Account

36. In respect of the 2010-11 year, there were three related areas on which we continued to focus activity to mitigate the risk of qualification, on the grounds of completeness, being re-imposed:

- The effective identification and timely capture of overpayments by the businesses, and comprehensive and timely referral to (and action by) Debt Management;
- Our actual performance in year – that we were successfully identifying, referring and bringing to account "virtually all" overpayments (at least 95 per cent); and
- Demonstrating that the cumulative total of "missed" overpayments is not material.

37. We have plans in place to address permanently the weaknesses in our referral system by the introduction of an automated process for processing overpayments.

38. The area where we consider we still remain potentially vulnerable is in ensuring we permanently capture all overpayments and we are considering alternative ways of doing this as part of the introduction of Universal Credit from 2013.

39. We have made an assessment of the value of un-referred overpayments and have established that the cumulative value of un-referred benefit overpayment debt since 2007-08 has been falling and remains at less than 0.1 per cent of total benefit expenditure.

40. During 2010-11 building on work undertaken in the previous year, I initiated a thorough review of administration debt and established new processes and protocols for managing Other Government Department debt. In 2011-12 we will be undertaking a number of further reviews.

41. The external auditors' management letters for the Department and Shared Services for 2008-09 highlighted that significant reconciling balances had been outstanding on the Payroll reconciliation for an

excessive period of time. In response, Shared Services established a dedicated Payroll Project Team to address the issue and requested Group Finance presence to the monthly Payroll Project Board to provide direction and assurance. This has led to a more complete understanding of the process issues surrounding Payroll Debt and a reduction in the number of reconciliation differences on the accounts.

42. In 2007-08, the NAO lifted the Resource Accounts qualification in respect of debt. Group Finance continues to monitor progress on debt to ensure that the qualification is not re-imposed but I no longer consider that this represents a significant control challenge for the Department.

(ii) Recording of National Insurance Credits

43. Within the 2009-10 Statement on Internal Control I reported on discrepancies with the accurate recording of National Insurance Credits and the interfaces with the HM Revenue and Customs National Insurance and PAYE System (NPS). The problems associated with this challenge have now been resolved to the extent that they are no longer considered a significant control challenge for either the Department or HM Revenue and Customs.

44. The following seven significant control challenges identified by the Executive Team will be regularly monitored with updates being provided by the Departmental Audit Committee each quarter on the progress and effectiveness of actions taken. The significant control challenges are set out below under separate headings.

(i) Monetary Value of Fraud and Error (MVFE)

45. The Department's published target was to reduce benefit expenditure overpaid to 1.8 per cent and underpaid to 0.7 per cent by March 2011. We will know whether we have achieved this in the autumn. The Department remains committed to reducing fraud and error in benefits and recently published a new target to reduce benefit expenditure overpaid to 1.7 per cent by March 2015.

46. Overall the latest figures show that between 2009-10[1] and 2010-11, estimated overpayments due to fraud and error remained at 2.1 per cent of benefit expenditure but the amount overpaid increased (£3.1bn to £3.3bn). These changes were driven by increases in overpayments due to fraud and customer error, with a reduction in overpayments due to official error. The proportion of total estimated underpayments decreased from 0.9 per cent to 0.8 per cent of benefit expenditure although the monetary value remained at £1.3bn.

47. In October 2010, the Department published a radical new joint fraud and error strategy with HM Revenue and Customs. The strategy is focussed on preventing fraud and error from entering the system, detecting it where it cannot be stopped, correcting the stock of fraud and error, punishing fraudsters and those who fail to take reasonable care of their claims, and deterring potential fraud and error by publicising this tough new regime. In addition to this, the introduction of Universal Credit from 2013 will radically simplify the benefit system making it much easier for customers and staff to keep claims correct, supported by a modern IT infrastructure.

48. The Department is also implementing a new, systematic process to assess and regularly review the cost effectiveness of all its fraud and error interventions. This process will make use of diagnostic analysis of each benefit to highlight any weaknesses in the package of control measures used, such as activity that offers a poor return, enabling effective decisions to be made over adjusting the overall programme of activity.

(ii) Social Fund debt

49. There were a number of contributing factors which led to the imposition of a qualification to the Social Fund White Paper Account in 2009-10.

50. One factor was the inability to corroborate the £1.1 billion debt balance, held in the Department's

[1] The preliminary 2009-10 estimates have been revised since the publication of the Resource Accounts for 2009-10 and have been replaced on the DWP statistics website by 2009-10 estimates covering the full year.

accounting systems, to that held in the Social Fund Computer System. Real progress has been made in terms of designing and building a process to interrogate both systems and to undertake a reconciliation involving tens of millions of records. However, this issue remains a significant control challenge as the detailed investigation and resolution work is not yet complete. A timetable is in place to address the outstanding issues prior to the 2011-12 interim Account stage.

51. The other factor related to regularity issues – namely the standard of decision-making and procedures around document management. The former is being addressed utilising the Quality Assurance Framework as a primary means to do so. The Framework has provided data that is analysed to identify which elements of the Social Fund are the most challenging in terms of complexity. This enables checks to be targeted, in particular, on Community Care Grants and Reviews. The role of the Quality Assurance Framework checker is to ensure a focus on raising quality. Document control issues continue to be a challenge and a detailed Action Plan is in place to address.

52. The qualification on the White Paper Account, however, remains in 2010-11. There has been some progress, notably in the removal of the qualification on the Sure Start Maternity Grants. Errors were identified in Cold Weather Payments where payments have to be made outside of the automated payment routes, leading to a risk of incorrect payments, and this has led to a new qualification for this award type.

53. The 2009-10 Statement on Internal Control also included a significant control challenge relating to concerns over the methodology for producing the White Paper Account. Following a fundamental overhaul of the methodology for its production, including restatement of six years of accounts, significant progress has been made to the extent that this no longer represents a significant control challenge.

(iii) Resource Management (RM) manual payments

54. In the 2009-10 Statement on Internal Control, a weakness was identified in the end-to-end process for making certain types of manual payment through the Department's computer systems. Following a comprehensive review, a number of improvements have been made to existing controls. Internal system guidance has been revised and Delegated Financial Authority guidance introduced to provide clarity on the level of authority needed to approve payment authority forms.

(iv) Contracted Employment Programmes

55. A major programme of work has been underway by the Employment Group Delivery Directorate throughout the year to assure the systems of employment programme providers, and protect against loss of public funds and loss of Departmental / customer information within the Contracted Employment Provision (CEP), which accounted for expenditure of around £1 billion in 2010-11. Key improvements have included: Account Managers at a senior strategic level to ensure providers have the infrastructure to deliver Welfare to Work contracts; a new electronic Provider Referrals and Payment System; a new independent quarterly Assurance Report, produced by the Compliance Team and focussing on Payment Validation; and the development of a new process for evidencing provider job outcomes and sustained job outcomes. A tool, to measure and improve provider performance, has also been introduced. This report pulls into a single document information on the provider's portfolio for the CEP Delivery Board (and Permanent Secretary where appropriate).

56. The Provider Assurance Team (PAT) undertakes independent checks with employers and or customers as part of reviews of providers' systems. Of the 80 reviews completed only 64 per cent of providers have been awarded a 'strong' or 'reasonable' level of assurance. PAT revisits all providers who have a weak assurance level within 3 months and agrees with the provider an action plan to improve. Looking forward, we have incorporated lessons learned from our work on CEP and included them in our plans for the new Work Programme, which is the centrepiece of the Government's plans to reform welfare-to-work provision in the UK.

(v) The use of forecasts to inform the Estimate

57. This year the Department has identified a challenge to the estimating process for forecasting Statutory Maternity Pay (SMP) and Statutory Sick Pay (SSP) relating to an additional funding requirement in respect of previous years that had not been fully reflected in the Spring Supplementary Estimate.

58. To address this estimating challenge, the Department is working to develop stronger links with HM Revenue and Customs which will enable us to understand the data sourced from them better, and to ensure that it is received and processed on a more timely basis. In parallel with this, our Forecasting Division will work with Government Actuary's Department to enhance and align our understanding of the estimates. When available, we also plan to use the Real Time Earnings feed, required for Universal Credit purposes which pick up PAYE information on a monthly basis. Finally, additional clarity will be provided around the scope of what the Estimate includes, and future roles and responsibilities within the process agreed and communicated.

(vi) Security of information

59. During 2010-11 the Department has continued to focus on security of information and we have implemented a range of improvements. However, the Department's risk appetite for data loss remains low and given the size and complexity of the Department and the major change in delivery through on-line services, this continues to present a significant control challenge for the Department. Despite the efficiency challenge, the Department therefore needs to continue to address current and emerging information security issues, whilst striving for continuous improvement. As part of this control challenge, there are remaining issues around the secure physical transfer and destruction of paper records.

(vii) Capacity to undertake IB (IS) reassessments

60. The backlog of Work Capability Assessments and appeals remains a significant capacity challenge for Jobcentre Plus, ATOS Healthcare, and the Tribunal Service. A programme of action within Jobcentre Plus is in place to mitigate these risks, including; working with the Ministry of Justice to increase processing capacity in the Tribunal Service, engagement with ATOS Healthcare to manage volumes, the introduction of a Quality Assurance Framework to improve the quality of decisions and the development of comprehensive contingency plans.

Robert Devereux
Accounting Officer

12 July 2011

The Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Department for Work and Pensions for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Consolidated Statement of Comprehensive Net Expenditure and the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Taxpayers' Equity 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, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. 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 Parliament and the financial transactions conform to the authorities which govern them.

Basis for qualified opinion on regularity

Note 43 to the Accounts records benefit expenditure of £153.6 billion. Some £69.9 billion (45.5 per cent) of this expenditure relates to State Pension and £83.7 billion (54.5 percent) to other benefits administered by the Department. The Department estimates that in 2010-11 fraud and error within State Pension expenditure resulted in overpayments of £100 million (0.1 per cent of related expenditure) and underpayments of £100 million (0.1 per cent of the relevant expenditure). For other benefits, the Department estimates that fraud and error resulted in overpayments of £3.2 billion (3.8 per cent of relevant expenditure) and underpayments of £1.2 billion (1.4 per cent of relevant expenditure). Where fraud and error result in over or underpayment of benefits the transactions are not in conformity with the primary legislation which specifies the entitlement criteria for each benefit and the method to be 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 Parliament and because of the level of under and over payments in such benefit expenditure which are not in conformity with the relevant authorities.

Qualified opinion on regularity

In my opinion, except for the level of fraud and error in certain benefit expenditure as referred to above, in all material respects the revenue and expenditure have been applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Details of these matters are set out in my accompanying report.

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 and net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury 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 HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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 returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157 -197 Buckingham Palace Road
Victoria
London SW1W 9SP

15 July 2011

Report by the Comptroller and Auditor General

Introduction

Fraud and error in benefit expenditure

1 The accounts of the Department for Work and Pensions (the Department) disclose net expenditure of £160.3 billion on benefits, employment programmes and their related administration costs in 2010-11, together with the assets and liabilities as at 31 March 2011.

2 Under the Government Resources and Accounts Act 2000, I am required to give an opinion on whether, in all material respects:

i) 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 and net operating cost for the year then ended; and

ii) the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

3 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 Parliament and the financial transactions conform to the authorities which govern them (my regularity opinion).

4 In respect of the Department's 2010-11 accounts I have qualified the regularity aspect of my audit opinion due to the material level of fraud and error in benefit expenditure, other than State Pension where the level of fraud and error is lower. The Department's accounts, and those of predecessor Departments administering this expenditure, have received similar qualified audit opinions since 1988-89.

5 Legislation specifies entitlement criteria for each benefit and the method to be used to calculate the amount of benefit to be paid. Where fraud and error result in over or underpayment of benefit to an individual who is either not entitled to that benefit, or is paid at a rate which differs from that specified in the legislation, the transaction is not in conformity with the governing legislation and is irregular.

6 Note 43 to the Department's accounts discloses the Department's best estimate of all such fraud and error within the benefits system. As shown in Note 43, the Department estimates total overpayments due to fraud and error in 2010-11 are £3.3 billion (2009-10 – £3.1 billion), which equates to 2.1 per cent of total benefit expenditure of £153.6 billion (2009-10 – 2.1 per cent on expenditure of £148.0 billion), representing an increase in the amount of benefits being overpaid, although the percentage overpaid against total expenditure remains flat. The Department estimates total underpayments in 2010-11 at £1.3 billion (2009-10 – £1.3 billion), which equates to 0.8 per cent of total benefit expenditure (2009-10 – 0.9 per cent).

7 Within those figures, the Department estimates that in 2010-11 fraud and error within State Pension resulted in overpayments of £0.1 billion (2009-10 – £0.09 billion), 0.1 per cent of related expenditure (2009-10 – 0.1 per cent) and underpayments of £0.1 billion (2009-10 – £0.11 billion), 0.1 per cent of related expenditure (2009-10 – 0.2 per cent).

8 I have therefore qualified my audit opinion on the regularity of the Department's benefit expenditure, other than State Pension, because of the level of overpayments attributable to fraud and error which do not conform to Parliament's intention; and because of the levels of under and overpayments in such benefit expenditure which are not in conformity with the relevant authorities. This report sets out the reasons and context for my qualified audit opinion by commenting on the key causes of fraud and error in the benefits system and the actions the Department is taking to try to reduce it.

9 The report also demonstrates the significant challenge that the Department faces in administering a complex benefits system to a high degree of accuracy in a cost effective way. Some benefits, mainly those with means tested entitlement, are more inherently susceptible to error due to their complexity, the difficulties

in obtaining reliable information to support the claim and the problem of capturing changes in a customer's circumstances. These more complex to administer benefits tend to be the ones exhibiting the highest estimated fraud and error rates.

10 In February 2011, the Government introduced the "Welfare Reform Bill 2011" to Parliament. One of the main elements of the Bill is the introduction of a new Universal Credit to replace many of the current working age benefits with a single means tested payment. The primary aim of Universal Credit is to create a single streamlined working age benefit, with tapered payments that are structured to encourage customers to return to work. It is also intended that this streamlining of benefit will reduce or remove some of the current complexities around benefit entitlement, verification of customer circumstances and administrative burden that can increase the opportunities for fraud and error. In combination with that restructuring, the Welfare Reform Bill also includes proposals to apply further penalties in respect of customer fraud to bolster the Department's tools to further reduce fraud and error in benefit payments.

Where do the errors occur?

Overview

11 The Department's total expenditure on benefits in 2010-11 was some £153.6 billion[1], of which £127.0 billion was in respect of benefits paid directly by the Department and £26.6 billion in respect of benefits paid on the Department's behalf by Local Authorities, mainly Housing Benefit and Council Tax Benefit. Note 43 to the Department's accounts sets out expenditure by benefit type and the Department's estimate of the extent of fraud and error in each type. The Note also explains the extent of statistical uncertainty inherent in these estimates and the difficulty in identifying certain types of complex error and well concealed frauds, and that therefore some caution must be exercised when examining the estimates for trends. The estimate of fraud and error disclosed in the accounts is nevertheless the best measure currently available.

12 The estimates separate the reported incorrect payments into three categories, which the Department defines as follows:

- Official error arises when a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Department, a Local Authority or Her Majesty's Revenue and Customs (HMRC);
- Customer error occurs when customers make inadvertent mistakes with no fraudulent intent; and
- Fraud arises when customers deliberately seek to mislead the Department and Local Authorities who administer benefits on the Department's behalf to claim money to which they are not entitled.

13 The following paragraphs further analyse the types of fraud and error which commonly arise within the Department's three main error categories of official error, customer error and fraud. For the purposes of this report, we have primarily focussed on the benefits administered directly by the Department and have discussed the different characteristics of Housing Benefit and Council Tax Benefit, which are administered by Local Authorities on the Department's behalf, separately in paragraphs 24 to 28.

[1] Sourced from Note 43

Official error

14 The Department's 2010-11 estimate of official error (defined in paragraph 12 above) is broken down in Figure 1 below.

Figure 1: Estimated official error

Benefits	2010-11 Total expenditure £ million *	2010-11 Official error overpayments £ million* *(% of related expenditure)*	2010-11 Official error underpayments £ million* *(% of related expenditure)*	2009-10 Official error overpayments £ million* *(% of related expenditure)*	2009-10 Official error underpayments £ million* *(% of related expenditure)*
Benefits administered directly by the Department	127,000	700 *(0.6)*	300 *(0.3)*	800 *(0.6)*	400 *(0.3)*
Housing related benefits administered by Local Authorities	26,600	100 *(0.5)*	100 *(0.3)*	300 *(1.2)*	100 *(0.4)*
All DWP benefits	153,600	800 *(0.5)*	400 *(0.3)*	1,100 (0.7)	500 (0.3)

Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System October 2008 to September 2009 (for the 2009-10 estimates), First Release; Fraud and Error in the Benefit System: Preliminary 2010/11 Estimates (for the 2010-11 estimates).

** Rounded to the nearest £100 million*

15 Official errors can cause hardship to customers who are underpaid and unfairly reward others who are overpaid at an additional cost to the taxpayer. They can take time to identify and correct and as a result their cumulative impact on resource and efficiency can be considerable. The overall rate of official error for overpayments and underpayments shown in Figure 1 represents an average across all benefits. In the benefits administered directly by the Department, the costs of administrative errors are proportionately higher in means tested or disability related benefits, where entitlement depends on the Department collating and assessing a wide range of information. In general, the greater the data requirements required to establish entitlement to a benefit, the more complex it is to administer and therefore the higher the inherent risk of an official error being made. For example, there is a relatively low rate of error in State Retirement Pension, whereas State Pension Credit, which is more complex to administer due to its means tested nature, has an error rate of 6.0 per cent in overpayments and 2.1 per cent in underpayment (2009-10 – overpayments 4.4 per cent; underpayments 1.9 per cent).

16 My Value for Money report, 'Minimising the costs of administrative error in the benefit system'[1], published in November 2010, reported that the most common types of official error relate to the Department incorrectly recording the level of a customer's income, incorrectly applying complex additional premiums, or making errors in establishing the customer's status (such as their fitness for work, single status etc). These factors can also be subject to frequent change over the course of a claim, which can increase the propensity for overpayments. My findings confirmed that the majority of official errors resulting in overpayments arise when adjustments are made to existing claims, rather than when processing a new claim.

[1] Minimising the costs of administrative errors in the benefit system, HC 569, 25 November 2010

Customer error

17 The Department's estimate of customer error, as defined in paragraph 12, is shown in Figure 2 below.

Figure 2: Estimated customer error

Benefit	2010-11 Total expenditure £ million *	2010-11 Customer error overpayments £ million * *(% of related expenditure)*	2010-11 Customer error underpayments £ million * *(% of related expenditure)*	2009-10 Customer error overpayments £ million * *(% of related expenditure)*	2009-10 Customer error underpayments £ million * *(% of related expenditure)*
Benefits administered directly by the Department	127,000	500 *(0.4)*	600 *(0.5)*	600 *(0.5)*	500 *(0.4)*
Housing related benefits administered by Local Authorities	26,600	700 *(2.5)*	300 *(1.1)*	500 *(2.0)*	300 *(1.2)*
All DWP Benefits	153,600	1,200 *(0.8)*	900 *(0.6)*	1,100 *(0.7)*	800 *(0.5)*

Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System October 2008 to September 2009 (for the 2009-10 estimates), First Release; Fraud and Error in the Benefit System: Preliminary 2010/11 Estimates (for the 2010-11 estimates).

** Rounded to the nearest £100 million.*

18 Customer error accounts for around one third of the total cost of the Department's overpayments and around two thirds of the total cost of underpayments, although there are substantial differences in customer error rates between benefits. As with official error, those with the highest customer error rates are means tested benefits, such as State Pension Credit and Income Support, which have entitlement conditions that relate to the level of income and/or savings of customers. Mistakes can arise here as a result of the customer failing to provide accurate or complete information to the Department, or having failed to report a change in their circumstances, which leads to an incorrect assessment being made.

19 My January 2011 Value for Money report into customer error[1] found that there were three main issues underpinning customer error. Firstly, the benefits system is complex for customers to navigate. The Department's research found that customers are generally unaware of rules on capital, investments or redundancy payments and do not easily understand deductions for non-dependants. Nor do customers readily recognise that they have to report any changes in their circumstances. A significant proportion of customers (70 per cent of those asked) thought that they did not have to report short term changes, and 40 per cent had little or no knowledge of their reporting obligations. Thirdly, many customers incorrectly believe that reporting changes once to a local or central government body will lead to all government bodies updating their records for that individual.

20 Customers have a responsibility, as a condition of receiving benefit, to provide the Department with accurate and complete information and to tell the Department promptly about any changes in their personal circumstances that might affect the amount of benefit to which they are entitled. The Department has adopted this approach, which relies on customers being pro-active in notifying changes, because it does not have routine access to verifiable third party sources of information, or such information may not exist, which would allow them to track those changes. However, the Department and Her Majesty's Revenue and Customs' joint strategy 'Tackling fraud and error in the benefits and tax credits systems' (published in October 2010)

[1] Reducing losses in the benefits system caused by customers' mistakes, HC 704, 21 January 2011

acknowledges that the Department has historically been too passive in its approach to ensuring that customers report changes in circumstances.

Fraud

21 The Department's estimate of fraud, as defined in paragraph 12, is shown in Figure 3 below.

Figure 3: Estimated fraud

Benefits	**2010-11 Total expenditure £ million ***	**2010-11 Fraud overpayments £ million *** ***(% of related expenditure)***	**2009-10 Fraud overpayments £ million *** ***(% of related expenditure)***
Benefits administered directly by the Department	127,000	900 *(0.7)*	700 *(0.6)*
Housing related benefits administered by Local Authorities	26,600	300 *(1.3)*	300 *(1.2)*
All DWP benefits	153,600	1,200 *(0.8)*	1,000 (0.7)

Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System October 2008 to September 2009 (for the 2009-10 estimates), First Release; Fraud and Error in the Benefit System: Preliminary 2010/11 Estimates (for the 2010-11 estimates).

** Rounded to the nearest £100m*

22 Of the benefits administered directly by the Department, it is the means tested benefits, such as State Pension Credit, Jobseeker's Allowance and Income Support, which tend to have the highest rates of fraud as they require the customer to supply complete and accurate information in order to establish entitlement to benefit. Most commonly, fraudulent customer statements relate to the customer's living arrangements where the customer has a partner, but is claiming and receiving benefit as a single person, or falsely stating the level of their earnings, whether those are legitimate earnings or from the grey economy. There are also instances where the customer has provided a false address in order to claim benefit.

23 The Department's research indicates that customer difficulties in reporting changes in their circumstances and concerns about potential changes or disruptions to benefit payments contribute to the problem[1]. The complex administration of benefits also allows potential fraudsters the opportunity to present themselves differently to different administering agencies, which are not always sufficiently integrated to identify those instances. Because the Department does not have a readily available source of external information against which to verify some aspects of claims, such misrepresentations can result in fraud occurring.

Housing Benefit and Council Tax Benefit

24 As noted in paragraph 11, Housing Benefit and Council Tax Benefit are administered by the customer's relevant Local Authority on behalf of the Department. Undetected errors in benefits administered directly by the Department, can, however, also lead to errors on Housing Benefit claims. This is because receipt of income related benefits such as Jobseeker's Allowance or Income Support can be used by a Local Authority as evidence that customers are entitled to Housing Benefit and Council Tax Benefit. Therefore, fraud and error in one claim can be passported into the Local Authority administered benefit. As Housing Benefit and Council Tax Benefit are also means tested, they are subject to similar limitations around evidence that can be gathered as those means tested benefits administered by the Department. Consequently, a number of fraud and error types that are common to the means tested benefits administered by the Department also arise in Housing Benefit and Council Tax Benefit.

[1] 'Tackling fraud and error in the benefit and tax credits system', October 2010

25 The Department has a key role in setting the framework within which Local Authorities must manage benefits. For Housing Benefit, the funding arrangement between the Department and Local Authorities contains a formula intended to encourage accurate payments by Authorities by affecting the amounts refunded to them based on accuracy targets. The Department has also established a performance management regime to encourage Local Authorities to adopt best practice in the administration of Housing Benefit, including an output based performance measure which sets each Local Authority a target for identifying reductions in benefits overpaid and to prevent overpayments due to customer error entering the system.

26 Common errors arise from poor or non-timely exchange of information between the Department and the Local Authority with regard to whether a customer is in receipt, or entitled to, a qualifying benefit. In practice, given the lack of integration between the Department's systems and those of all Local Authorities, such errors will be difficult to eliminate.

27 There are additional fraud and error risks which are more specific to Housing Benefit and Council Tax Benefit as the benefit is paid in respect of a specific property. For example, where the customer moves between Local Authority areas they may need to communicate effectively with more than one Local Authority which, again, increases the risk of errors being made or changes in circumstance not being communicated effectively or being fraudulently concealed.

28 The Department is implementing an Automated Transfers to Local Authority Systems (ATLAS) project to enable the better transfer of data on benefit entitlement between central government and Local Authorities responsible for Housing Benefit, which it hopes will lead to a significant reduction in fraud and error within Local Authority administered benefits.

Future plans

29 The Department fully recognises the problems created by the level of fraud and error in benefit payment and has, over the years, made many efforts to reduce it, ranging from introducing data-matching systems, advertising campaigns targeting actual and potential fraudsters and the application of sanctions and prosecutions. Nevertheless, the level of fraud and error within the benefits system remains high.

30 Now, with savings being sought across all levels of government and tough decisions needing to be made about public spending priorities, there is a strong and renewed imperative for the Government to reduce fraud and error. This is evidenced by cross government initiatives such as the Cabinet Office's Counter Fraud Taskforce set up in October 2010, which emphasised the need to aggressively tackle fraud losses in its interim report ('Eliminating Public Sector Fraud' published in June 2011). Alongside these initiatives, the Department has adopted a new four year fraud and error strategy, published in October 2010, which sets out a new approach to tackling fraud and error that intends to deliver significant reductions in the level of both. This includes considering making innovative use of private sector data, interventions targeted on reinforcing customer responsibilities, targeted system improvements and the creation of a single integrated investigation service for welfare fraud.

31 The Government's proposal to introduce a Universal Credit to replace some of the existing working-age benefits, which are the benefits that have historically suffered from the highest rates of fraud and error, also marks an opportunity for the Department to eliminate many of the key contributory factors to the current high level of fraud and error within benefit expenditure. Reducing the complexity of the current welfare system and reducing the number of complex interactions between different benefits should help improve compliance with the rules and reduce fraud and error.

32 Complementing these reforms, Her Majesty's Revenue and Customs plans to introduce a real time information system for Pay As You Earn, which would link the tax and benefits system for the first time. This offers the potential to significantly reduce current issues around verification of entitlement for benefits which have means tested elements to their eligibility criteria.

Conclusion

33 The estimated value of fraud and error overpayments in the benefits system in 2010-11 was £3.3 billion, or 2.1 per cent of expenditure, which represents an increase on 2009-10 in the value of benefits overpaid, although the percentage of overpayments remained flat (2009-10 – £3.1 billion and 2.1 per cent respectively). Over the period in which fraud and error have been measured by the Department, fraud and error rates have consistently remained at a high level. This has been most notable in means tested benefits, where entitlement can be based on complex, interlinked or subjective evidence and which the Department is either unsuccessful in verifying, or which it simply gets wrong. These observations have led me and my predecessors to qualify the Department's accounts on the grounds of material amounts of fraud and error in the benefits system since 1988-89. I consider that this view is consistent with the views expressed by the Government in the October 2010 DWP/HMRC document '*Tackling Fraud and Error in the Benefit and Tax Credits systems'* that the level of illegitimate payments in the systems remains unacceptable.

34 However, I recognise that no system can ever be perfect, not least because it is difficult to administer a benefits system of such complexity in a cost effective way and because human error can and does occur even in the best designed systems. Consequently, where the Department needs to gather information to process a claim correctly, it has to strike a balance between the need to provide sufficient scrutiny over claims and do so in a way that is not overly burdensome, otherwise administration of the benefits system would become impractical.

35 We welcome the Department's commitment to tackling these difficult issues, and the refreshed approach that it intends to take in reducing fraud and error, which it sets out in more detail within the Annual Report and in Note 43 to the accounts. The Department has proposed some radical measures to reform the benefits system, which is also, in part, an attempt to drive down incorrect payments. It needs to continue to enhance its understanding of the underlying root causes of fraud and error in the benefits system, in order to develop more effective decision making and more accurate benefit decisions. Only by developing such an evidence based framework will the Department be able to demonstrate that its systems are sufficiently optimised to minimise the gap between what it should achieve and what it does achieve.

Amyas C E Morse
Comptroller and Auditor General

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15 July 2011

Financial Statements for the year ended 31 March 2011

Statement of Parliamentary Supply

Summary of resource outturn 2010-11

		Estimate			Outturn			2010-11 Net total outturn compared with Estimate: saving / (excess)	Restated 2009-10 Outturn
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total		Net Total
Request for Resources	**Note**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
1: Children	3	434,703	(2,800)	**431,903**	388,665	(2,616)	**386,049**	45,854	**445,023**
2: Working Age	3	50,783,246	(2,465,011)	**48,318,235**	50,385,210	(2,185,610)	**48,199,600**	118,635	**45,214,509**
3:Pensioners	3	13,358,141	(365,111)	**12,993,030**	11,730,604	(360,054)	**11,370,550**	1,622,480	**12,368,952**
4: Disability	3	19,612,459	(34,398)	**19,578,061**	19,229,365	(18,308)	**19,211,057**	367,004	**18,664,450**
5: Corporate Services	3	2,243,946	(349,022)	**1,894,924**	2,120,308	(340,459)	**1,779,849**	115,075	**1,904,477**
Total Resources	3	**86,432,495**	**(3,216,342)**	**83,216,153**	**83,854,152**	**(2,907,047)**	**80,947,105**	**2,269,048**	**78,597,411**
Non-Operating Cost A in A		**-**	**(1,100)**	**(1,100)**	**-**	**-**	**-**	**(1,100)**	**(623)**

Net cash requirement 2010-11

	Note	Estimate	Outturn	2010-11 Net total outturn compared with Estimate: saving / (excess)	Restated 2009-10 Outturn
		£000	**£000**	**£000**	**£000**
Net Cash Requirement	5	**84,444,728**	**82,560,410**	**1,884,318**	**78,654,420**

Summary of income payable to the Consolidated Fund

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

		Forecast 2010-11		Outturn 2010-11	
		Income	*Receipts*	Income	*Receipts*
	Note	**£000**	***£000***	**£000**	***£000***
Total	6	5,000	*5,000*	8,998	*9,031*

Explanations of Prior Year Comparatives and explanations of variances between Estimate and Outturn are given in the Financial Overview.

The Statement of Parliamentary Supply is not directly comparable to the Statement of Comprehensive Net Expenditure due to the fact that:

- The Statement of Parliamentary Supply only includes Supply expenditure and the Statement of Comprehensive Net Expenditure comprises both Supply and non-Supply expenditure. Supply expenditure is funded via the Consolidated Fund and non-Supply expenditure is funded from the National Insurance Fund.

- Additional financing is also received by the Department from the National Insurance Fund in respect of administration costs for the delivery of contributory benefits. This is treated as A-in-A within the Estimate and the Statement of Parliamentary Supply but as financing via the General Fund within the Accounts.

- Total Social Fund expenditure is consolidated within the Statement of Comprehensive Net Expenditure whereas the Statement of Parliamentary Supply includes the cash grant element only.

- The administration cost expenditure within each Request for Resource is shown gross in the Statement of Parliamentary Supply, whereas central recharges are eliminated on consolidation within the Statement of Comprehensive Net Expenditure

Note 4(i) provides a reconciliation of net resource outturn to net operating cost.

Request for Resources (RfRs):

RfR 1:	Ensuring the best start for all children, ending child poverty in 20 years.
RfR 2:	Promoting work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need.
RfR 3:	Combating poverty and promoting security and independence in retirement for today's and tomorrow's pensioners.
RfR 4:	Improving the rights and opportunities for disabled people in a fair and inclusive society.
RfR 5:	Corporate contracts and support services.

The notes on pages 126 to 205 form part of these accounts

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

	Note	Staff Costs	Other Costs	Income	2010-11 Sub-total by RfR	Restated 2009-10
		£000	£000	£000	£000	£000
Administration costs						
RfR 1 (Children)						
Staff costs	9	235,867				240,365
Other administration costs	10		145,390			189,827
Operating income	14			(3,411)		(3,179)
RfR 1 sub-total					377,846	427,013
RfR 2 (Working Age)						
Staff costs	9	2,405,854				2,420,226
Other administration costs	10		1,538,313			1,735,249
Operating income	14			(199,695)		(183,015)
RfR 2 sub-total					3,744,472	3,972,460
RfR 3 (Pensioners)						
Staff costs	9	279,819				292,064
Other administration costs	10		333,698			409,627
Operating income	14			(5,966)		(9,187)
RfR 3 sub-total					607,551	692,504
RfR 4 (Disability)						
Staff costs	9	136,021				135,098
Other administration costs	10		113,861			153,202
Operating income	14			(211)		(799)
RfR 4 sub-total					249,671	287,501
RfR 5 (Corporate Services)						
Staff costs	9	440,909				411,056
Other administration costs	10		534,214			516,927
Operating income	14			(88,944)		(81,621)
RfR 5 sub-total					886,179	846,362
		3,498,470	**2,665,476**	**(298,227)**		
Net administration costs					**5,865,719**	**6,225,840**
Programme costs						
RfR 2 (Working Age)						
Programme costs	13		46,564,610			43,235,074
Income	14			(730,144)		(567,065)
RfR 2 sub-total					45,834,466	42,668,009
RfR 3 (Pensioners)						
Programme costs	13		11,479,153			12,104,504
Income	14			(58,241)		(54,624)
RfR 3 sub-total					11,420,912	12,049,880
RfR 4 (Disability)						
Programme costs	13		19,034,365			18,466,963
Income	14			(1,003)		(1,059)
RfR 4 sub-total					19,033,362	18,465,904
RfR 5 (Corporate Services)						
Programme costs	13		16,984			181,229
Income	14			(469)		-
RfR 5 sub-total					16,515	181,229
National Insurance benefits and non-Voted expenditure						
Expenditure	13		78,154,326			75,743,112
Income	14			(1,466)		(1,841)
NIF and non-Voted sub-total	15 (ii)				78,152,860	75,741,271
			155,249,438	**(791,323)**		
Net programme costs	13				**154,458,115**	**149,106,293**
Totals		**3,498,470**	**157,914,914**	**(1,089,550)**		
Net Operating Cost for the year ended 31 March 2011					**160,323,834**	**155,332,133**

All income and expenditure is derived from continuing operations.

The notes on pages 126 to 205 form part of these accounts

Other Comprehensive Expenditure

	Note	2010-11 £000	2009-10 £000
Net gain on revaluation of property, plant and equipment		(382,552)	(129,756)
Net loss/(gain) on revaluation of intangible assets		13,038	(23,993)
Net gain on revaluation of available for sale financial assets		(1)	(772)
Actuarial (gain)/loss on pension	33	(53)	303
Total Other Comprehensive Expenditure		(369,568)	(154,218)
Total Comprehensive Expenditure for the year ended 31 March 2011		**159,954,266**	**155,177,915**

All income and expenditure is derived from continuing operations.

The notes on pages 126 to 205 form part of these accounts

Consolidated Statement of Financial Position
as at 31 March 2011

	Note	31 March 2011 £000	Restated 31 March 2010 £000	Restated 1 April 2009 £000
Non-current assets				
Property, plant and equipment	21	2,140,440	2,050,289	2,120,357
Intangible assets	22	533,726	474,230	367,883
Financial assets	25	125,726	49,289	10,876
Trade and other receivables	28	1,084,360	1,159,138	941,336
Total non-current assets		**3,884,252**	**3,732,946**	**3,440,452**
Current assets				
Assets classified as held for sale	26	-	725	-
Inventories	27	981	1,113	1,456
Trade and other receivables	28	2,490,538	2,212,018	2,181,698
Cash and cash equivalents	29	375,448	499,517	314,598
Total current assets		**2,866,967**	**2,713,373**	**2,497,752**
Total assets		**6,751,219**	**6,446,319**	**5,938,204**
Current liabilities				
Trade and other payables	31	(5,380,624)	(5,001,260)	(4,693,647)
Total current liabilities		**(5,380,624)**	**(5,001,260)**	**(4,693,647)**
Non-current assets less net current liabilities		**1,370,595**	**1,445,059**	**1,244,557**
Non-current liabilities				
Provisions	32	(2,777,025)	(4,319,249)	(4,366,763)
Other payables	31	(1,093,241)	(1,222,736)	(1,262,043)
Pension liabilities	33	(1,235)	(1,434)	(1,140)
Total non-current liabilities		(3,871,501)	(5,543,419)	(5,629,946)
Assets less Liabilities		**(2,500,906)**	**(4,098,360)**	**(4,385,389)**
Taxpayers' Equity				
General Fund		(3,754,417)	(5,141,188)	(5,391,575)
Revaluation Reserve		1,253,511	1,042,827	1,006,184
Government Grant Reserve		-	1	2
Total Taxpayers' Equity		**(2,500,906)**	**(4,098,360)**	**(4,385,389)**

Robert Devereux
Accounting Officer

12 July 2011

The notes on pages 126 to 205 form part of these accounts

Consolidated Statement of Cash Flows
for the year ended 31 March 2011

	Note	2010-11 £000	Restated 2009-10 £000
Cash flows from operating activities			
Net operating cost		(160,323,834)	(155,332,133)
Adjustments for non-cash transactions	12	(541,644)	418,954
Interest element of finance lease payments		(1,218)	(1,053)
Decrease/(Increase) in trade and other receivables		(203,742)	(248,122)
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(376,338)	13,359
Decrease in inventories		132	343
Increase in trade and other payables		223,231	263,207
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		236,739	323,922
Use of provisions	32	(78,141)	(71,414)
Net cash outflow from operating activities		**(161,064,815)**	**(154,632,937)**
Cash flows from investing activities			
Purchase of property, plant and equipment	21(iii)	(51,703)	(100,990)
Purchase of intangible assets	22(ii)	(186,315)	(201,063)
Proceeds of disposal of property, plant and equipment		385	625
Proceeds of asset held for re-sale	26	725	-
Loans to other bodies		(81,018)	(37,641)
Repayments from other bodies	25	339	-
Net cash outflow from investing activities		**(317,587)**	**(339,069)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		82,462,377	78,805,092
From the Consolidated Fund (Supply) – prior year		-	-
Net financing from the National Insurance Fund		78,987,291	76,559,381
Financing in respect of transfer of functions		-	(31,809)
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(157,613)	(148,299)
Net financing		**161,292,055**	**155,184,365**
Net (decrease)/ increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(90,347)**	**212,359**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(60,360)	(32,538)
Net (decrease)/ increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	29	**(150,707)**	**179,821**
Cash and cash equivalents at the beginning of the period	29	439,590	259,769
Cash and cash equivalents at the end of the period	29	**288,883**	**439,590**

The notes on pages 126 to 205 form part of these accounts

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	Note	General Fund[a] £000	Revaluation Reserve[b] £000	Government Grant Reserve[d] £000	Total Reserves £000
Balance at 31 March 2009		**(5,392,356)**	**1,005,018**	**2**	**(4,387,336)**
Changes in accounting policy					
Restatements	45	781	1,166	-	1,947
Restated balance at 1 April 2009		**(5,391,575)**	**1,006,184**	**2**	**(4,385,389)**
Net Parliamentary Funding – drawn down (current year)		78,805,092	-	-	78,805,092
Net Parliamentary Funding – deemed	31(i)	185,993	-	-	185,993
Financing in respect of transfer of functions		(31,809)			(31,809)
Funding from National Insurance Fund		76,559,381	-	-	76,559,381
Supply payable adjustment	31(i)	(10,244)	-	-	(10,244)
Excess A in A	31(i)	(69)	-	-	(69)
CFERs payable to the Consolidated Fund		(46,571)	-	-	(46,571)
Comprehensive expenditure for the year (net operating cost)		(155,332,133)	-	-	(155,332,133)
Non-cash adjustments:					
Non-cash charges – auditor's remuneration	11	2,181	-	-	2,181
Actuarial loss on pensions	33	(303)	-	-	(303)
Movements in reserves:					
Additions		-	-	-	-
Recognised in Statement of Comprehensive Expenditure		-	161,800	-	161,800
Net loss arising on disposal of property, plant and equipment		-	(7,279)	-	(7,279)
Amortisation of reserves	14	-	-	(1)	(1)
Transfers between reserves (c)		117,878	(117,878)	-	-
Other		991	-	-	991
Balance at 31 March 2010		**(5,141,188)**	**1,042,827**	**1**	**(4,098,360)**
Net Parliamentary Funding – drawn down (current year)		82,462,377	-	-	82,462,377
Net Parliamentary Funding – deemed	31(i)	10,244	-	-	10,244
Funding from National Insurance Fund		78,987,291	-	-	78,987,291
Financing in respect of transfer of functions		-	-	-	-
Supply receivable adjustment	28(i)	87,789	-	-	87,789
Excess A in A		-	-	-	-
CFERs payable to the Consolidated Fund		(8,998)	-	-	(8,998)
Comprehensive expenditure for the year (net operating cost)		(160,323,834)	-	-	(160,323,834)
Non-cash adjustments:					
Non-cash charges – auditor's remuneration	11	2,146	-	-	2,146
Actuarial gain on pension	33	53	-	-	53
Movements in reserves:					
Additions		-	-	-	-
Recognised in Statement of Comprehensive Expenditure		-	369,515	-	369,515
Decrease in pension liabilities due to change in discount rate		-	-	-	-
Amortisation of reserves	14	-	-	(1)	(1)
Transfers between reserves (c)		158,455	(158,455)	-	-
Other		11,248	(376)	-	10,872
Balance at 31 March 2011		**(3,754,417)**	**1,253,511**	**-**	**(2,500,906)**

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

b. The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments. The amount of the Revaluation Reserve relating to intangible assets was as follows:

	2010-11 Total £000	2009-10 Total £000
Balance at 1 April	(18,770)	(334)
Net change in Revaluation Reserve	15,819	(18,436)
Balance at 31 March	**(2,951)**	**(18,770)**

c. Transfers between reserves are made in respect of the following:

- Each year, the realised element of the revaluation reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost of revalued assets) is transferred from the reserve to the General Fund.

- On disposal of a revalued asset, the balance on the revaluation reserve in respect of that asset becomes fully realised and is transferred to the General Fund.

d. All of the assets purchased by the use of government grants have been financed by UK grants.

The notes on pages 126 to 205 form part of these accounts

Notes to the Financial Statements

1. Statement of Accounting Policies

1.1 Basis of preparation and statement of compliance

The financial statements have been prepared in accordance with the 2010-11 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the *FReM* permits a choice of accounting policy, the accounting policy which is 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 set out below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements, the *FReM* also requires the Department to prepare a *Statement of Parliamentary Supply* and supporting notes to show outturn against Estimate in terms of the Department's net resource requirement and net cash requirement.

In accordance with the *FReM*, the Department has not prepared separate accounting statements for the core and consolidated elements of the Department, as the results of each do not give a significantly different view.

All amounts included in the financial statements have been rounded to the nearest thousand pounds unless stated otherwise.

1.2 Accounting standards, interpretations and amendments

Adopted in these Financial Statements

All International Financial Reporting Standards (IFRS), Interpretations and Amendments to published standards, effective at 31 March 2011 have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the *FReM*.

The Department has adopted the following new and amended IFRSs as of 1 April 2010:

IFRS 5 *Non-current Assets Held For Sale and Discontinued Operations* (effective for periods beginning on or after 1 January 2010) – disclosures for non-current assets classified as held for sale or discontinued operations are now specified within IFRS 5. The disclosure requirements of other IFRSs only apply to such items if they require specific disclosures or relate to items not within the measurement scope of IFRS 5. The Department had one asset held for sale which was sold during the reporting period and relevant disclosures are included within Note 26.

IAS 7 *Statement of Cash Flows* (effective for periods beginning on or after 1 January 2010) – this requires that only expenditure which results in a recognised asset in the Statement of Financial Position can be classified within investing activities. The Department is compliant with IAS 7 in that the only recognised investing activities are the purchase of property, plant and equipment and intangible assets and loans which are categorised as financial assets within the Statement of Financial Position.

IAS 17 *Leases* (effective for periods beginning on or after 1 January 2010) – prior to this amendment, land leases were generally classified as operating leases. The amendment requires that land leases are classified as either finance leases or operating leases in accordance with the principles of IAS 17. This is significant where property is held under long term leases which are, in effect, little different to property purchase. The Department has undertaken a review of its land leases and has determined that there is no impact. Land leases held by the Department therefore remain classified as operating leases.

As a result of the Clear Line of Sight Project, the following amendment to the FReM has been made and is effective from 1 April 2010:

The HM Treasury Clear Line of Sight Project aims to align budgets, Estimates and accounts. As a result of amendments to the budgetary regime, cost of capital charges have been removed from financial statements with effect from 1 April 2010 in line with corresponding changes to budgets and Estimates. The effect of this change is disclosed in Note 45.

In line with HM Treasury advice, Prior Period Adjustments arising from the removal of the cost of capital charge were not included in Spring Supplementary Estimates for 2010-11, other than as a note, on the basis that the Prior Period Adjustment numbers could have been misleading. The impact of these accounting policy changes on Supply outturn in respect of 2009-10 are shown below. Prior Period Adjustments arising from an error in previous recording or any other change in accounting policy were included in the Estimates in line with conventional arrangements.

The removal of the cost of capital charge has the following effect on Resource Outturn in 2009-10. The Statement of Parliamentary Supply and related notes have not been restated for this effect.

	2009-10
	£000
Net Resource Outturn (Statement of Parliamentary Supply)	78,597,411
Removal of the cost of capital charge	149,393
Adjusted Net Resource Outturn	**78,746,804**

Additional amendments to the *FReM*, effective from 1 April 2010, are as follows:

- IAS 36 *Impairment of Assets* requires impairments of non-current assets that arise from a clear consumption of economic benefits to be taken direct to the Statement of Comprehensive Net Expenditure rather than via the Revaluation Reserve; and

- Accounting for Consolidated Fund revenue – Trust Statements have been introduced for revenue collected by entities that is due to the Consolidated Fund, where the entity is, in effect, acting as an agent on behalf of the Consolidated Fund. The Department has therefore prepared a Trust Statement in relation to the revenue associated with asset transfers from schemes qualifying for the Financial Assistance Scheme. The first such Trust Statement is published alongside these financial statements.

Effective for future financial years

The following IFRSs, International Financial Reporting Interpretations Committee (IFRIC) Interpretations and Amendments applicable to the Department, have been issued but are not yet effective and have not been adopted early by the Department:

IFRS 7 *Financial Instruments: Disclosures* (effective for periods beginning on or after 1 January 2011) - the amendment clarifies requirements in respect of quantitative disclosures and exposure to credit risk. The Department will undertake an assessment in respect of the amendments in order to provide those additional disclosures required for the 2011-12 financial statements.

IFRS 7 *Financial Instruments: Disclosures* (effective for periods beginning on or after 1 July 2011) - detailed disclosures are required for financial assets transferred to another entity but not derecognised in their entirety and financial assets derecognised in their entirety but in which the reporting entity has an involvement. The Department does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2012-13 financial statements.

IFRS 9 *Financial Instruments: Classification and Measurement* (effective for periods beginning on or after 1 January 2013) - IFRS 9 is a replacement for IAS 39 and introduced new requirements for the classification and measurement of financial assets, together with the elimination of two categories. Further proposals were introduced in October 2010 in respect of the derecognition of financial assets and liabilities. IFRS 9 is due to be expanded further during 2011 with regard to the impairment of financial assets measured at amortised cost. The Department will undertake an assessment of the impact of IFRS 9 once the full requirements are known.

IAS 24 *Related Party Transactions* (effective for periods beginning on or after 1 January 2011) - the amendment provides exemption for full disclosure of transactions with state-controlled entities and does not impact the current exemption allowed within the *FReM*. IAS 24 also clarifies the definition of a related party.

IFRIC 14 (IAS 19) *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for periods beginning on or after 1 January 2011) - this amendment aims to correct an unintended flaw in IFRIC 14, whereby entities in some circumstances are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. HSE makes payments analogous to contributions to the PCSPS into an external pension fund for the Chair and has some employees with stakeholder pensions. No prepayments have been made into either of these types of pension funds during the reporting period.

Amendments to the FReM, effective from 1 April 2011, are as follows:

- Estimates for 2011-12 are to be based on departmental budgets, reflecting the analysis between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME), with consequential amendments to the Statement of Parliamentary Supply.

- The departmental boundary is to be extended to include those bodies designated by order of HM Treasury under Statutory Instrument and classified to the central government sector by the Office for National Statistics. From 2011-12 Executive Non-Departmental Public Bodies (NDPBs) will therefore be incorporated into the accounting boundary.

- Estimates are to be amended with Voted totals being compiled net of income. As a result, Appropriations-in-Aid will be removed from accounts and Estimates.

1.3 Accounting convention

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and available for sale financial assets at fair value, as determined by the relevant International Accounting Standard.

1.4 Basis of consolidation

These financial statements comprise a consolidation of the non-Agency parts of the Department (the core Department), its Supply-financed Executive Agencies, certain Non-Departmental Public Bodies, the Health and Safety Executive (HSE) and the Child Maintenance and Enforcement Commission (CMEC). Each of these bodies produces its own annual report and accounts. Similarly, separate financial statements are also produced for the Social Fund and National Insurance Fund.

A list of entities within the Departmental boundary is given at Note 44. Transactions between these entities are eliminated on consolidation.

The consolidation also includes payments to the following bodies: Better Government for Older People, Motability, the Independent Living Fund, the Pensions Regulator, the Pensions Advisory Service, the Pension Protection Fund, Pensions Ombudsman, the National Employment Savings Trust (formerly the Personal Accounts Delivery Authority) and Remploy. Income and expenditure in relation to the Department's activities as an agent for the European Social Fund are also included.

Social Fund expenditure is consolidated within the accounts and the cash grant to the Social Fund is included in the Summary of Resource Outturn.

Contribution receipts of the National Insurance Fund (NIF) are excluded from the consolidation. However, certain elements of the NIF are included, being contributory benefits funded from the NIF and costs to the Department for administration of the NIF. Also included are amounts repaid by the Department to the NIF in respect of Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP) which are deducted by employers from National Insurance Contributions. The contributory benefits are excluded from the Summary of Resource Outturn. Recoveries from the NIF in respect of administration costs are disclosed as Appropriations in Aid (A in A) within the Summary. Both these recoveries and those in respect of Contributory Benefits are shown as financing in the General Fund. Any difference between contributory benefits paid and funding received from the NIF is recognised within various balances on the Statement of Financial Position, which are summarised in Note 31d.

The Child Maintenance & Enforcement Commission (CMEC) is responsible for recovering outstanding maintenance from non-resident parents. This includes amounts which, once recovered, will be repaid to the Secretary of State in respect of parents with care who are on benefits. The Departmental Accounts excludes these as they are legally due to the parent with care until the money is collected. They are accounted for within the CMEC Client Funds Account, which is published separately. When maintenance is collected in respect of parents with care who are receiving gross amounts of Income Support, the receipts are accounted for as Appropriations in Aid within the Department's Account. The income is recognised when the CMEC Client Funds Account makes the payment to the Department.

The consolidation boundary ensures that all items which fall within total social security 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.

1.5 Transfer of functions

Machinery of Government changes, which involve the merger of two or more departments or the transfer of functions or responsibilities from one part of the public sector to another, are accounted for in accordance with the *FReM,* using merger accounting. This requires the restatement of the opening Statement of Financial Position and prior year's Statement of Comprehensive Net Expenditure, Consolidated Statement of Cash Flows and associated notes to the accounts.

1.6 Areas of judgement

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. Specific areas of judgement include depreciation and amortisation periods, provisions, early departure costs and impairment.

1.7 Estimation techniques

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Department's accounting policies.

The policies below highlight those areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements.

Impairment of receivables

Impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, the calculation of which differs depending on the type of receivable.

a. Social Fund receivables

The Social Fund impairment calculation takes prior year recoveries and write-offs arising in the current year, to project amounts that will be recovered in the following 15 year period. Recoveries and write-offs are analysed by the age of the debt to which they relate and this analysis is used to estimate the value of recoveries in future periods, before being discounted to their present value.

b. Compensation Recovery Unit

The impairment for payments made by the Compensation Recovery Unit (CRU) is calculated on a case-by-case basis.

c. Contributory and non-Contributory benefit receivables

For contributory and non-contributory benefits the impairment is calculated by reference to data held on new overpayments and information received from the Department's Debt Management function in relation to write-offs and recoveries.

d. Administration receivables

The impairment percentage is calculated to reflect the aged profile characteristics of the receivables falling due within one year and the recoverability thereof.

The percentage is calculated using the prevailing recovery rates determined by the respective receivables profile by Business Unit, receivable category type and age category (where appropriate) and by calculating the actual recovery rates from a recent preceding 12-month period. The calculation includes instalment payments but excludes receivables due within one year from other government departments as these are expected to be fully recovered.

The respective impairment percentage calculations are applied to the appropriate receivables falling due within one year (by category) as disclosed in the related Business Unit Statement of Financial Position at 31 March 2011. This ensures that assets are carried at no more than their fair value i.e. their expected recoverable amount.

Receivables greater than one year old are subject to 100 per cent impairment as it is considered unlikely that debts of this age will be recovered.

Financial Assistance Scheme

In respect of the Financial Assistance Scheme, an estimate is made of the Net Present Value of the likely assistance payments. The estimate is based on an actuarial model of likely caseload. The Department recognises that the basis of the estimate is subject to uncertainty and may need adjustment in a subsequent year of account once actual caseloads are known. The assumptions underlying the model are regularly reviewed against operational data.

Departmental estimation of Statutory Sick Pay and Statutory Maternity Pay (SSP/SMP)

Figures provided for these two benefits are amounts paid to the National Insurance Fund in respect of expected recoveries of Statutory Sick Pay and Statutory Maternity Pay by employers. Unlike other benefits, where payment is a direct transaction between the Department and a claimant, it is the employer that recovers SSP and SMP. The employer is able to make this recovery after the end of the financial year to which the SSP or SMP payment relates; thus the Department must make an estimate of the total recovery for the past financial year as the actual recovery is not known at this time.

The estimate is produced using information on past recoveries. The 2010-11 estimate calculation has been sourced from the Government Actuary's Department in accordance with the requirements of The Contributions and Benefits Act 1992. In previous years the figure has been based on the Department's own estimate but, following a detailed review of the process by which it sources this estimate, the Department now considers it more appropriate to revert back to sourcing the data from Government Actuary's Department figures. The data is taken from systems administered by HM Revenue & Customs.

The most recent year for which full data is available for SSP/SMP is 2007-08. Projecting the total from that year forward, to arrive at a value for the current year, generates the estimates. In doing so, allowances are made for the changes that have occurred since 2007-08. These include both demographic factors (including changes in births since 2007-08) and also economic factors (such as inflation and its effect on benefit rates and changes in employment rates).

Employee leave accrual

IAS19 requires the Department to determine short term employee benefit liability for employee leave. The Department has adopted a sampling approach for calculation of the accrual.

Where the basis of the population and its structure within the Department has not changed significantly to that presented for 2009-10, the employee leave accrual calculation for 2010-11 has been based on March 2010 estimates rolled forward and adjusted for in-month average salaries for March 2011 and Full Time Equivalent numbers at 31 March 2011 in order to provide a valid estimate for each Business Unit. Where significant changes have occurred in the population, an appropriate methodology has been developed in conjunction with the Department's statisticians. This provides a statistically valid sample for the relevant Business Units, the results of which are extrapolated across the population to establish a reliable estimate.

Revaluation of intangible assets

The *FReM* interpretation of IAS 38 requires the Department to revalue its intangible assets to depreciated replacement cost as a proxy for fair value. As suggested by the *FReM* the Department has therefore applied appropriate indices to revalue internally developed software and software licences.

The Department has opted to use the final February restated indices which is a change in the estimation technique in 2010-11 as prior year indexation was based on the latest available indices. Due to the publication timetable for indices, this change ensures that revaluation is based on final published indices instead of provisional indices which can be unreliable. The change also ensures that developed software asset values are not distorted by material bonus payments that are typically reflected in the March Average Weekly Earnings index. The 2010-11 impact of changing the estimation technique is to decrease the developed software net book value by £4.9m, increase the loss on devaluation through the SoCNE by £0.2m, decrease in year depreciation by £2.5m and decrease reserves by £7.2m. The impact on software licences is negligible.

a. Internally developed software

Following extensive consideration and a review of alternative indices, the Department has selected the Average Weekly Earnings (AWE) Private Sector indices to revalue its internally developed software assets. Management consider this to be the most suitable proxy to fair value for internally developed software, given the labour intensive nature of software development. Where software has been developed by HPES (our principal supplier) the biannual indexation applied to contractor day rates has been used instead.

b. Software licences

The index viewed by management as most appropriate in achieving the requirement of IAS 38 and the *FReM* to establish a suitable proxy for fair value is JV5(a) for computers and peripheral equipment as this adequately reflects the movements in the costs of licences during changing market conditions experienced over the reporting period. Index MM 17: Price Index Numbers for Current Cost Accounting - Indices PQEK Computers & other information processing equipment which was used previously by the Department has been discontinued in a move towards new industry standard classifications.

1.8 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 set out in the *FReM*.

Administration costs reflect the costs of running the Department. These include both administrative costs and associated 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 outturn against the administration cost limit, and that operating income which is not.

Programme costs include programme expenditure, programme overheads and non-administration costs, including payments of grants and other disbursements by the Department, which have been agreed as programme expenditure with HM Treasury.

Programme expenditure comprises statutory payments, which include contributory benefit expenditure funded from the National Insurance Fund and expenditure borne by the Social Fund, in addition to the programme expenditure that is within the Supply Process.

Programme overheads consist of impairments, amounts written off and movements in provisions.

In respect of grants, a liability arises when the grant recipient carries out the specific activity that forms the basis of the entitlement, or otherwise meets the grant entitlement criteria. Grants payable are recorded as expenditure during the period that the underlying event or activity giving entitlement to the grant occurs.

1.9 Employee benefits

Short-term employee benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees have provided services in the year. General staff bonuses are recognised to the extent that the Department has a present obligation to pay this amount as a result of past service and the obligation can be measured reliably. Bonuses in relation to Senior Civil Service employees are not recognised until payments to individuals have been determined. The policy in relation to employee pensions is disclosed in Note 1.29.

1.10 Research and development expenditure

Expenditure on research is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred. Development expenditure is also recognised in the Statement of Comprehensive Net Expenditure when incurred unless it meets the specific criteria for capitalisation within IAS 38 Intangible Assets. Development costs that have previously been determined as an expense prior to the point in time that the relevant capitalisation criteria are met are not subsequently recognised as an asset upon satisfaction of those criteria.

1.11 Foreign currency translation

These financial statements are prepared in £ sterling, which is the functional currency of the Department. Foreign currency transactions are accounted for in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates.* European Social Fund claims made to the EU are calculated using the monthly exchange rate published by the EU. Balances relating to the European Social Fund and which are denominated in a foreign currency are translated into £ sterling using the month end exchange rate. Foreign exchange gains and losses resulting from such transactions are recognised in the Statement of Comprehensive Net Expenditure.

1.12 Value Added Tax (VAT)

For VAT purposes the Department is treated as a single entity with the exception of HSE and CMEC as these bodies have separate individual VAT status. Most of the activities of the Department are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.13 Operating income

Operating income is income that relates directly to the operating activities of the Department. It comprises mainly fees and charges for services provided on a full-cost basis to external customers as well as public repayment work and other income such as that from investments. It includes both income appropriated in aid of the Estimate and income to be surrendered to the Consolidated Fund which, in accordance with the *FReM,* is treated as operating income. Operating income is stated net of VAT.

1.14 Revenue recognition

The Department complies with IAS 18 in respect of its income streams and recognises revenue when earned.

1.15 Property, plant and equipment

Property, plant and equipment are stated at fair value. However, as permitted by the *FReM*, the Department has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful life or are of relatively low value. This therefore applies to most IT hardware, motor vehicles, plant and machinery and furniture and fittings. The treatment of property is disclosed in Note 1.16.

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds the capitalisation threshold. Computer hardware has a capitalisation threshold of £1,000. A capitalisation threshold of £100,000 is applied to leasehold improvements. For all other tangible assets the prescribed capitalisation level is £5,000. Where an item costs less than the capitalisation limit, but forms an integral part of a package whose total value is greater than the capitalisation level, the item is treated as a capital asset.

For furniture and fittings, the total cost of maintaining a record of relatively low value individual items is considered prohibitive and therefore the majority of these items are recorded on a pooled basis.

On initial recognition assets include any costs, such as installation, which are directly attributable to bringing them into working condition and any associated decommissioning costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Department and the cost of the item can be measured reliably.

All expenditure on repairs and maintenance is charged to the Statement of Comprehensive Net Expenditure during the financial period in which it is incurred.

1.16 Land and buildings

Land and buildings are measured initially at cost, restated to current value using external professional valuations in accordance with IAS 16 as interpreted by the *FReM* at least every five years and in the intervening years by use of published indices appropriate to the type of land or building.

Land and buildings are valued on an existing use basis except for the specialist laboratory site owned by HSE, which has been included at depreciated replacement cost.

Expenditure in respect of major refurbishment and improvement of properties is capitalised and reported as land and buildings or leasehold improvements, depending on its nature. This is appropriate because the expenditure provides a long-term continuing benefit for the Department.

1.17 Intangible assets

Whether acquired externally or generated internally, intangible assets are initially measured at cost, with subsequent measurement at fair value. Where an active market exists for the asset, it is carried at a revalued amount based on market value at the end of the reporting period. Where no active market exists, assets are revalued using appropriate indices to indicate depreciated replacement cost as a proxy for fair value.

Purchased software

Purchased software licences and applications covering a period of more than one year and which are above the capitalisation threshold of £1,000 are capitalised at cost as intangible assets and subsequently revalued, using appropriate indices as a proxy for fair value. Licences purchased by HSE are capitalised if cost exceeds £500. In view of the large number of software licences purchased across the Department, those capitalised are accounted for on a pooled basis with any items or pools amounting to over £100,000 identified separately.

Should the Department purchase licences in advance they are deemed available for use and therefore subject to amortisation as soon as they are purchased.

Expenditure on annual software licences is charged to the Statement of Comprehensive Net Expenditure.

Internally Developed Software

Internally developed software is capitalised if it meets the criteria specified in IAS 38 *Intangible Assets*. Costs that are categorised as research or development costs are accounted for in accordance with Note 1.10. Development costs are classified as assets under construction until the asset is available for use at which point the asset is transferred to the relevant asset class.

IAS 38 requires directly attributable staff costs to be capitalised. Due to the small numbers of staff directly involved in software development across the Department, these costs have not been capitalised.

Expenditure that does not meet the criteria for capitalisation is recognised as an expense in the year in which it is incurred. Costs associated with the maintenance of software are also expensed when incurred.

Website development costs

Website development costs are capitalised in line with the requirements of SIC 32 *Web Site Costs* and the specific criteria as determined by IAS 38 *Intangible Assets*. Costs that are categorised as research or development costs are accounted for as stated in Note 1.10.

1.18 Depreciation

Depreciation is charged on property, plant and equipment using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives. No depreciation is charged on freehold land.

Depreciation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Property, plant and equipment is therefore depreciated from the month following acquisition, except for those of HSE and those relating to the Department's TREDSS and ICONS contracts, which are depreciated from the date of acquisition. No depreciation is charged in the month of disposal. Assets in the course of construction are not depreciated until the asset is available for use.

Estimated useful asset lives are normally within the following ranges:

Freehold Buildings	50 years or remaining life as assessed by valuers
Leasehold Buildings	Period remaining on lease or to next rent review
HSL PFI Leasehold Buildings	60 years designated life
Leasehold Improvements	Period remaining on lease (up to 20years)
Information Technology	3 to 7 years
Plant and Machinery	5 to 10 years
Furniture and Fittings	2 to 15 years (HSL PFI contract is 30 years)
Motor Vehicles	4 to 9 years

For vehicles acquired by the HSE car-leasing scheme, 68 per cent of the original cost is depreciated over the three-year life of the contract.

The residual values and useful lives of assets are reviewed and adjusted if appropriate at the end of each reporting period.

1.19 Amortisation

Amortisation is calculated on intangible assets with a finite life using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Estimated useful asset lives are normally within the following ranges:

Software licences	Shorter of licence period and 5 years
Internally developed software	5 years
Websites	5 years

Amortisation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Intangible assets are therefore amortised from the month following acquisition, except for those of HSE, which are amortised from the date of acquisition. No amortisation is charged in the month of disposal. Assets in the course of construction and indefinite life intangible assets are not amortised but are instead subject to impairment reviews.

The residual values and useful lives of intangible assets are reviewed and adjusted if appropriate at the end of each reporting period.

1.20 Revaluation and impairment of non-current assets

a. Revaluations

Gains on revaluation are credited to the revaluation reserve. Losses on revaluation are debited to the revaluation reserve up to the level of depreciated historical cost. Any excess devaluation is charged to the Statement of Comprehensive Net Expenditure. Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the reserve to the General Fund.

On disposal of a revalued asset, the balance on the revaluation reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Net Expenditure.

b. Impairment

In accordance with the *FReM*, impairment losses that result from a clear consumption of economic benefit are taken directly to the Statement of Comprehensive Net Expenditure. Other impairment losses are debited to the revaluation reserve up to the level of depreciated historic cost, with any excess being taken to the Statement of Comprehensive Net Expenditure. Where the impairment relates to a previously revalued asset, the balance on the revaluation reserve to which the impairment would have been charged is transferred to the General Fund to ensure consistency with IAS 36.

All non-current assets and assets under the course of construction are reviewed annually for impairment. If circumstances arise that indicate the carrying amount may not be recoverable an impairment is made. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.21 Financial assets and liabilities

Financial assets and liabilities are recognised when the Department becomes party to the contracts that give rise to them. The Department determines the classification of financial assets and liabilities at initial recognition in line with the categories designated by IAS 39 as appropriate. Financial assets are derecognised when the right to receive cash flows has expired or the Department has transferred substantially all the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligations under the liability are discharged, cancelled or expire. It is, and has been, the Department's policy that no trading in financial instruments is undertaken.

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between informed and willing parties. On initial recognition of a financial instrument, this is usually the transaction amount. Where the classification of a financial instrument requires it to be subsequently measured at fair value, fair value is determined using expected cash flows discounted back to a present value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost, net of any impairment. The fair value of trade receivables is usually the original invoiced amount. Any changes in value are recognised in the Statement of Comprehensive Net Expenditure. Loans and receivables are included in current assets, except for those maturing more than 12 months after the end of the reporting period, which are classed as non-current assets.

Cash and cash equivalents comprise cash in hand and current balances, with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents are as defined above net of outstanding bank overdrafts and encashment control balances. Bank overdrafts are included within current liabilities in the Statement of Financial Position.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories. They are recognised at fair value. Unrealised gains and losses arising from changes in fair value are recognised initially in the Consolidated Statement of Changes in Taxpayers' Equity until sale, when the cumulative gain or loss is transferred to the Statement of Comprehensive Net Expenditure.

Financial liabilities measured at amortised cost

Financial liabilities within trade payables and accruals are non interest-bearing and are initially recognised at fair value, which is deemed to be the original invoiced amount. They are subsequently carried at amortised cost.

Impairment of financial assets

The Department assesses, at the end of the reporting period, whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the end of the reporting period. If such events have had an adverse impact on the estimated future cash flows of the financial instrument they are impaired and the value within the Statement of Financial Position is reduced by the amount of any impairment. For the purposes of a collective evaluation of impairment, financial assets are grouped, where they are not individually significant, 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 and is recognised in the Statement of Comprehensive Net Expenditure. 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.

For the purpose of measuring the impairment loss, interest income is recognised using the original rate of interest used to discount the future cash flows.

1.22 Assets held for sale

Assets held for sale are accounted for in accordance with IFRS 5 *Non-Current Assets Held For Sale and Discontinued Operations.* Where an asset is actively being marketed for sale, the carrying amount of an asset is to be recovered by sale rather than continuing use and a sale is expected to be completed within one year of the reporting date, the asset is reclassified as an asset held for sale. Such assets are disclosed separately in the Statement of Financial Position and are measured at the lower of carrying amount and fair value less costs to sell. Once classified as assets held for sale, depreciation is no longer applied.

1.23 Inventories

Inventories and work in progress are valued as follows:

- Finished goods and priced goods for resale are valued at cost less costs to sell or, where materially different, current replacement cost. When goods either cannot or will not be used, they are included at net realisable value. The cost of free publications is expensed in the year in which it is incurred.
- Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

The Department also holds inventories of stationery, computer spares and similar consumable materials for its own use. Due to the nature of these items the Department does not consider it appropriate to reflect their value in the Statement of Financial Position. Accordingly, the Department charges all expenditure on consumable items to the Statement of Comprehensive Net Expenditure.

1.24 Benefit overpayment receivables

The Department seeks to recover all overpayments where it is cost effective to do so, unless it will cause hardship to the customer.

Overpayments are referred to Debt Management for collection using recovery procedures appropriate to the receivable. The current sums and guidelines on overpayment referral and recovery are set out in the Department's procedures for dealing with overpayments and recoveries. Overpayments below the de minimis limit are scheduled and written off in the Department's Agencies, with the exception of fraud cases, exception cases and direct payments after death which are referred.

Receivables are recognised in the accounts when a decision has been taken that an overpayment above the de minimis limit is identified, and there is a legal basis to seek recovery. In such circumstances a notification letter is issued which sets out the legal decision that the receivable is recoverable. The Department regards this letter as sufficient and appropriate evidence to support the existence and valuation of a receivable. Benefit receivables recognised in the Statement of Financial Position are valued at the difference between the amount the customer has been paid and what they should have been paid, less any impairment of these receivables.

Benefit payments made are accounted for as Programme expenditure in the year in which they are made. The receivable recognised is accounted for as a reduction to Programme expenditure in the year in which it is recognised.

Receivables are assessed at the end of each accounting period and reduced to the present value of estimated future cash recoveries by impairment. In addition, the Department includes impairment in respect of any element of benefit receivables that could be subject to challenge and consequently written-off.

Certain categories of identified overpayment are not recognised as receivables, including:

- Those due to official error where there is no statutory right of recovery;
- Cases satisfying Secretary of State waiver policies; and/or
- The customer is deceased and there is insufficient estate to recover the receivable.

The Department does not embark on specific exercises to identify and recover potential overpayments from periods prior to 2007-08, as this does not represent value for money. However, current business processes will identify some receivables arising that may not have been recognised at the time that they occurred through activities such as data matching, scans and case cleansing work.

The Department's write-off policy has been agreed with HM Treasury. To ensure it is applied consistently, detailed guidance is given in the Overpayment Recovery Guide and Managing Public Money. Secretary of State waivers are referred to a central unit for a decision. In addition to the day-to-day supervisory controls, the Department undertakes periodic exercises to review the quality and consistency of write-off decision-making.

1.25 Social Fund overpayment receivables

The Social Fund scheme administers awards of both a recoverable and non-recoverable nature. Recoverable loans are automatically recorded as receivables.

Non-recoverable grants are only available to customers with appropriate qualifying benefits. However, if an individual's qualifying benefit is subsequently withdrawn (for example, because of customer misrepresentation), the Department's policy is to classify these Social Fund grants as overpayments and recover accordingly.

Whilst arrangements are now in place to ensure due regard is paid to recovering Social Fund overpayments in these circumstances, there has been no systematic procedure for ensuring this prior to 2010-11.

Although the Department's policy is to pursue those grant overpayments identified during the normal course of business, HM Treasury has agreed that it does not represent value for money to mount specific exercises to identify and pursue recovery of historic grant overpayments that arose prior to 1 April 2010.

1.26 Housing Benefit and Council Tax Benefit subsidy overpayments

Receivables arise when the subsidy paid to a local authority by the Department is in excess of entitlement and results in an overpayment. Receivables are valued in the Statement of Financial Position at the amount of overpayment recoverable by the Department.

Following the certification of final claims submitted by local authorities, the external auditor reports any subsidy claimed by an authority that does not comply with the subsidy regulations. The Secretary of State, in the exercise of his discretion under the provisions of S140C (3) of the Social Security Administration Act 1992, will decide whether and, if so, how much of the overpayment should be recovered.

Following the Secretary of State's decision, the value of the recoverable overpayment is communicated to the local authority by an overpayment decision letter. Local authorities have no right of appeal against a decision taken by the Secretary of State to recover overpaid subsidy under S140C (3) of the 1992 Act. The decision can only be challenged by judicial review.

The Department regards the overpayment decision letter as sufficient and appropriate evidence of the existence and valuation of a receivable and the point at which it is recognised.

1.27 Provisions

Provisions are recognised when the Department has a present legal or constructive obligation arising as a consequence of past events and where it is probable that a transfer of economic benefit will be necessary to settle the obligation. These obligations, which are of uncertain timing or amount at the end of the reporting period, are included on the basis of the best estimate of the expenditure required to settle the obligation. 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 per cent - 2009-10 2.2 per cent; and 2.9 per cent for Industrial Injuries Benefit Payments and Early Departure Costs – 2009-10 1.8 per cent). The increase in the provision due to unwinding of the discount is recognised as an interest expense in the Statement of Comprehensive Net Expenditure.

1.28 Early departure costs

For past early departure schemes, the Department meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits, in respect of employees who retire early, by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments, discounted by the Treasury discount rate of 2.9 per cent (2009-10 1.8 per cent) in real terms. Where the Department funds these early release schemes a provision is created.

In past years the Department paid in advance some of its liability for early retirement by making a payment to the Office of the Paymaster General Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance was treated as a prepayment, which is disclosed within administration receivables (see Note 28).

From 22 December 2010, new Civil Service compensation terms have been introduced for early departure schemes. All exit costs falling to be paid by the Department under the new terms consist of lump sum payments only.

1.29 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), details of which are described in Note 9. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements, on a systematic and rational basis, over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

Previous Chairs of the Health and Safety Executive were not members of the PCSPS but arrangements exist whereby HSE make pension payments analogous to those that would have been made had they been members of the PCSPS and which are payable out of current year's funds that are made available. The appointment of Board members (other than the Chair) is non-pensionable. The current Chair is not a member of the PCSPS but a contribution of 25 per cent of her salary is made to a stakeholder pension provider. The pension liability is valued each year by the Government Actuary's Department and the full amount calculated is treated as a provision in the Statement of Financial Position. Changes to the provision resulting from actuarial losses or gains are charged to the General Fund, with in-year service charges and interest charges included in the Statement of Comprehensive Net Expenditure.

1.30 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys the right to use the asset.

Leases of assets where substantially all risks and rewards of ownership are borne by the Department are classified as finance leases. Leased assets are capitalised, on inception of the lease, at the lower of the present value of the minimum lease payments discounted by the interest rate implicit in the lease or the fair value of the leased asset. Obligations relating to finance leases are recognised as liabilities. Lease payments are apportioned between reductions in the capital obligation included in payables and the interest element of the finance lease payment, which is charged to the Statement of Comprehensive Net Expenditure over the period of the lease.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified 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.

1.31 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with IFRIC 12 and IAS 17, as interpreted for the public sector.

Where the Department has control over the PFI asset, or where the Department does not have control but the balance of risks and rewards of control is borne by the Department, the asset is recognised as a non-current asset and the liability to pay for it is accounted for as a finance lease obligation. Contract payments are apportioned between a reduction in the capital obligation, an imputed finance lease interest charge and a service charge.

Where the Department does not have control over the PFI asset and the balance of risks and rewards of control are borne by the PFI operator, the PFI payments are recorded as an expense. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract.

Where at the end of the PFI contract a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

1.32 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed, unless the likelihood of a transfer of economic benefits is remote.

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

These comprise:

- 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 Parliament by Departmental Minute prior to the Department entering into the agreement; and

- 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 accounts), which are required by the *FReM* to be noted in the accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.33 Third- party assets

Child Maintenance and Enforcement Commission

CMEC holds temporarily, as custodian, monies belonging to third parties relating to maintenance collected under the existing statutory child maintenance schemes (see Note 42). These are not recognised in the accounts, as neither the Department nor Government more generally has a direct beneficial interest in them. The transactions are included within a Client Funds Account, which is published separately.

Financial Assistance Scheme

Regulations came into force on 2 April 2010, in relation to the Financial Assistance Scheme, which enable the transfer of assets remaining in qualifying schemes to the Government. Full details of the income collected as an agent rather than as principal for the Consolidated Fund are in the Department's Trust Statement published separately from, but alongside, these financial statements.

1.34 Operating segments

IFRS 8 applies in full to the Department. Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker and used to make strategic decisions. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Departmental Board.

2. Analysis of net operating cost by segment

	Working Age	Pension Age	Disability	Housing Benefit	Other	Total
	£000	£000	£000	£000	£000	£000
AME*	26,184,050	81,820,956	19,033,364	25,832,898	(1,333,257)	151,538,011
DEL:*						
Staff Costs	2,138,347	259,248	133,552	-	967,322	3,498,469
Admin Costs	2,755,350	112,699	417,617	578,531	1,493,432	5,357,629
Admin Income	(16,218)	(1,838)	(946)	-	(559,726)	(578,728)
Non-Cash Costs	647,587	200,435	103,254	7	(442,830)	508,453
DEL Total	5,525,066	570,544	653,477	578,538	1,458,198	8,785,823
Total	**31,709,116**	**82,391,500**	**19,686,841**	**26,411,436**	**124,941**	**160,323,834**

*The Department's expenditure is divided into two different types:

- Departmental Expenditure Limit (DEL) - expenditure which is generally within the departments control and can be managed with fixed multi-year limits. Some elements may be demand led;
- Annually Managed Expenditure (AME) - expenditure which is generally less predictable and controllable than expenditure in DEL.

The Department has not disclosed segmental analysis by geographical area as the necessary information is not available and the cost to develop it would be excessive. The Department presents financial outturn data for the key operational areas as this is the basis of the information reported regularly to the Departmental Board.

The key areas are as follows:

Working Age

The Department helps support people of working age from welfare into work and offers a service to help employers fill their vacancies. It promotes work as the best form of welfare, helping unemployed and economically inactive people of working age move closer to the labour market and compete effectively for work, while providing appropriate help and support for those without work.

The Department's Employment Group manages responsibility for all externally delivered employment programmes. It also advises Ministers on policy and its delivery, for example by commissioning employment programmes which aim to help people, especially the disadvantaged, into sustainable work. Employment Group also creates high performing partnerships with the Department's providers and a more competitive and robust system of employment provision.

Pension Age

The Department provides frontline services to customers of pension age by the delivery of a range of benefits such as State Pension and Pension Credit. It also works in partnership with other local organisations to provide information on pensions, benefits and retirement information and to deliver pension-related services.

Disability

The Department provides financial support for customers claiming disability benefits and their carers – for example, Disability Living Allowance and Carer's Allowance.

Housing Benefit

The Department provides subsidies paid by way of a grant to local authorities who administer Housing Benefit and Council Tax Benefit. Housing Benefit is paid to those who are on a low income, whether they are working or not, and need financial help to pay all or part of their rent.

Other

Other areas include corporate functions that support the business areas involved in the delivery of benefits. It also includes the Child Maintenance and Enforcement Commission (CMEC) and the Health and Safety Executive (HSE).

CMEC promotes the financial responsibility that parents have to their children; providing information and support about the different child maintenance options available to parents and providing an efficient statutory maintenance service with effective enforcement to maximise the number of those children who live apart from one or both parents for whom effective child maintenance arrangements are in place.

HSE is the national independent watchdog for work-related health, safety and illness; an independent regulator acting in the public interest to reduce work-related death and serious injury across Great Britain's workplaces.

3. Analysis of net resource outturn by section

		2010-11								Restated 2009-10
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total Outturn	Estimate	Net Total Outturn compared with Estimate Saving / (Excess)	Prior-Year Outturn
		£000	£000	£000	£000	£000	£000	£000	£000	£000
RfR 1: Ensuring the best start for all children and ending child poverty in 20 years										
Spending in Departmental Expenditure Limits (DEL)										
Central Government spending										
A	Child Maintenance and Enforcement Commission	388,959	-	-	388,959	(2,616)	386,343	431,401	45,058	445,023
Spending in Annually Managed Expenditure (AME)										
Central Government spending										
B	Other Expenditure	-	(294)	-	(294)	-	(294)	502	796	-
		388,959	**(294)**	**-**	**388,665**	**(2,616)**	**386,049**	**431,903**	**45,854**	**445,023**
RfR 2: Promote work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need										
Spending in Departmental Expenditure Limits (DEL)										
Central Government spending										
A	Administration	2,694,871	30,140	95,958	2,820,969	(629,240)	2,191,729	2,641,361	449,632	2,389,787
B	Employment programmes	-	1,874,440	71,800	1,946,240	(86)	1,946,154	1,487,806	(458,348)	1,374,773
C	Health and Safety Executive	238,476	71,978	-	310,454	(117,066)	193,388	208,068	14,680	224,128
D	Health and Safety Laboratory	32,569	5,051	-	37,620	(37,357)	263	1	(262)	(848)
E	Capital Grants	-	-	2,312	2,312	-	2,312	4,500	2,188	6,700
F	European Social Fund and European Globalisation Fund	-	-	237,021	237,021	(237,021)	-	1	1	-
G	European Social Fund payments in advance of receipts	-	-	294,734	294,734	(294,734)	-	(3)	(3)	(21,975)
Support for Local Authorities										
H	Employment Programmes	-	-	40,502	40,502	-	40,502	41,591	1,089	66,264
I	Housing benefit and council tax benefit administration grants	-	-	585,147	585,147	-	585,147	565,400	(19,747)	613,752
J	European Social Fund	-	-	8,003	8,003	(8,002)	1	1	-	-
K	European Social Fund payments in advance of receipts	-	-	7,754	7,754	(7,755)	(1)	1	2	-
L	Area Based Grants	-	-	44,373	44,373	-	44,373	49,300	4,927	50,969

		2010-11								Restated 2009-10
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total Outturn	Estimate	Net Total Outturn compared with Estimate Saving/ (Excess)	Prior-Year Outturn
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Annually Managed Expenditure (AME)										
Central Government spending										
M	Severe Disablement Allowance	-	417	888,100	888,517	(23)	888,494	891,892	3,398	906,595
N	Industrial injury benefits	-	90	912,122	912,212	(23,766)	888,446	863,749	(24,697)	845,253
O	Income support (under 60 years of age)	-	74,701	7,756,852	7,831,553	(40,440)	7,791,113	7,805,833	14,720	8,273,355
P	Jobseeker's allowance (income based)	-	7,125	3,662,484	3,669,609	(1,812)	3,667,797	3,865,933	198,136	3,589,512
Q	Jobseeker's allowance (contribution based)	-	-	788,126	788,126	(788,126)	-	1	1	-
R	Job Grant	-	-	60,690	60,690	-	60,690	47,466	(13,224)	48,431
S	Employment Allowances	-	-	140,369	140,369	-	140,369	136,479	(3,890)	115,341
T	Other Expenditure	-	12,339	-	12,339	-	12,339	1,045	(11,294)	
U	Employment and Support Allowance non contributory	-	-	1,281,716	1,281,716	(182)	1,281,534	1,260,773	(20,761)	689,088
V	In Work Credit	-	-	110,041	110,041	-	110,041	103,518	(6,523)	106,996
W	Return to Work Credit	-	-	61,928	61,928	-	61,928	27,109	(34,819)	63,076
Support for Local Authorities										
X	Housing benefit and council tax benefit subsidies	-	-	20,528,851	20,528,851	-	20,528,851	20,967,622	438,771	18,854,705
Y	Rent rebates	-	-	5,278,591	5,278,591	-	5,278,591	5,270,126	(8,465)	5,324,189
Z	Discretionary housing payments	-	-	18,852	18,852	-	18,852	20,000	1,148	18,951
Non-Budget										
AA	Statutory benefits (Statutory Sick Pay and Statutory Maternity Pay)	-	-	2,460,013	2,460,013	-	2,460,013	2,052,038	(407,975)	1,683,656
AB	Working Age (Grant-in-Aid)	-	-	-	-	-	-	-	-	4,822
AC	IFRS Adjustments	-	6,674	-	6,674	-	6,674	6,624	(50)	6,674
	Housing and Council tax benefit capital charge	-	-	-	-	-	-	-	-	(19,685)
		2,965,916	**2,082,955**	**45,336,339**	**50,385,210**	**(2,185,610)**	**48,199,600**	**48,318,235**	**118,635**	**45,214,509**

		2010-11								Restated 2009-10
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total Outturn	Estimate	Net Total Outturn compared with Estimate Saving/ (Excess)	Prior-Year Outturn
		£000	£000	£000	£000	£000	£000	£000	£000	£000
RfR 3: Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners										
Spending in Departmental Expenditure Limits (DEL)										
Central Government spending										
A	Administration	396,858	67,643	1,628	466,129	(360,054)	106,075	117,862	11,787	120,285
Spending in Annually Managed Expenditure (AME)										
Central Government spending										
B	Pension benefits	-	5,066	84,144	89,210	-	89,210	81,573	(7,637)	88,478
C	Income support for the elderly and Pension Credit	-	-	8,323,122	8,323,122	-	8,323,122	8,478,237	155,115	8,229,151
D	TV licences for the over 75s	-	-	578,234	578,234	-	578,234	569,038	(9,196)	555,293
E	Financial Assistance Scheme	-	(1,435,828)	-	(1,435,828)	-	(1,435,828)	(766,866)	668,962	(185,022)
Non-Budget										
F	Payments to the Social Fund	-	-	3,672,137	3,672,137	-	3,672,137	4,465,767	793,630	3,513,998
G	Payments to Executive Non-Departmental Public Bodies	-	-	37,600	37,600	-	37,600	47,419	9,819	46,769
		396,858	**(1,363,119)**	**12,696,865**	**11,730,604**	**(360,054)**	**11,370,550**	**12,993,030**	**1,622,480**	**12,368,952**
RfR 4: Improve the rights and opportunities for disabled people in a fair and inclusive society										
Spending in Departmental Expenditure Limits (DEL)										
Central Government spending										
A	Administration	176,206	111	-	176,317	(204)	176,113	158,496	(17,617)	196,009
B	Motability administration	-	-	271	271	(66)	205	2,015	1,810	1,149
Spending in Annually Managed Expenditure (AME)										
Central Government spending										
C	Attendance allowance	-	2,085	5,229,435	5,231,520	(3,769)	5,227,751	5,332,140	104,389	5,107,203
D	Disability living allowance	-	5,121	11,885,769	11,890,890	(14,269)	11,876,621	12,071,692	195,071	11,503,524
E	Carer's allowance	-	5,463	1,566,619	1,572,082	-	1,572,082	1,647,722	75,640	1,496,710
F	Vaccine Damage payments	-	-	92	92	-	92	720	628	292
G	Grants to independent bodies	-	-	17,321	17,321	-	17,321	16,099	(1,222)	17,063
Non-Budget										
H	Disability Grants in Aid	-	-	340,500	340,500	-	340,500	347,977	7,477	342,500
Spending in Annually Managed Expenditure (AME)										
Central Government spending										
I	Other Expenditure	-	372	-	372	-	372	1,200	828	-
		176,206	**13,152**	**19,040,007**	**19,229,365**	**(18,308)**	**19,211,057**	**19,578,061**	**367,004**	**18,664,450**

		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total Outturn	Estimate	Net Total Outturn compared with Estimate Saving/ (Excess)	Prior-Year Outturn
		2010-11								2009-10
		£000	£000	£000	£000	£000	£000	£000	£000	£000
RfR 5 : Corporate contracts and support services										
Spending in Departmental Expenditure Limits (DEL)										
Central Government spending										
A	Administration	1,202,319	31,785	16,315	1,250,419	(340,459)	909,960	1,021,246	111,286	1,090,458
B	Directgov	-	-	-	-	-	-	-	-	-
	Local Authority Grants	-	-	-	-	-	-	-	-	*(54)*
Spending in Annually Managed Expenditure (AME)										
Central Government spending										
C	Other Expenditure	-	12,128	-	12,128	-	12,128	21,672	9,544	-
Non-Budget										
D	IFRS Adjustments	-	857,761	-	857,761	-	857,761	852,006	(5,755)	814,073
		1,202,319	**901,674**	**16,315**	**2,120,308**	**(340,459)**	**1,779,849**	**1,894,924**	**115,075**	**1,904,477**
	Resource Outturn	**5,130,258**	**1,634,368**	**77,089,526**	**83,854,152**	**(2,907,047)**	**80,947,105**	**83,216,153**	**2,269,048**	**78,597,411**

Explanation of the variation between Estimate and outturn:

Detailed explanations of the variances are given in the Financial Overview in the Annual Report.

4. Reconciliation of outturn to net operating cost and against administration budget

(i) Reconciliation of net resource outturn to net operating cost

	Note	Outturn	Supply Estimate	2010-11 Outturn compared with Estimate	Restated 2009-10 Outturn
		£000	£000	£000	£000
Net Resource Outturn	3	80,947,105	83,216,153	2,269,048	78,597,411
Non-Supply expenditure	15(ii)	78,152,860	78,646,632	493,772	75,741,271
Excess of Social Fund expenditure over Social Fund grant and excess SMP/SSP		139,976	(217,051)	(357,027)	(153,424)
Non A in A operating income		1,092,891	1,092,891	-	1,055,681
Non-Supply Income (CFERs)	6	(8,998)	(5,000)	3,998	(46,640)
Other non-Voted expenditure		-	-	-	1,940
Prior period adjustments		-	-	-	135,894
Net operating cost		**160,323,834**	**162,733,625**	**2,409,791**	**155,332,133**

Non A in A operating income is amounts received in respect of National Insurance Fund administration costs.

(ii) Outturn against final administration budget

	Budget £000	2010-11 Outturn £000	2009-10 Outturn £000
Gross Administration Budget	5,367,802	5,130,258	6,318,920
Income allowable against the Administration Budget	(263,351)	(247,389)	(233,071)
Non-Voted expenditure within the Administration Budget	739,149	727,139	-
Net outturn against final Administration Budget	**5,843,600**	**5,610,008**	**6,085,849**

5. Reconciliation of net resource outturn to net cash requirement

		2010-11			Restated 2009-10
	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000	Prior Year Outturn £000
Net Resource Outturn	3	83,216,153	80,947,105	2,269,048	78,597,411
Capital:					
Acquisition of property, plant and equipment		296,279	317,587	(21,308)	328,050
Accruals adjustments					
Non-cash items	11(ii)	213,302	873,332	(660,030)	(353,234)
Changes in working capital other than cash		645,091	344,245	300,846	(134,411)
Changes in payables falling due after more than one year		-	-	-	-
Use of provisions		73,903	78,141	(4,238)	74,631
Prior Period Adjustments					
Accounting policy change		-	-	-	149,393
Intangible asset revaluation		-	-	-	(7,420)
Net Cash Requirement		**84,444,728**	**82,560,410**	**1,884,318**	**78,654,420**

Explanation of the variation between Estimate and outturn:

Detailed explanations of the variances are given in the Financial Overview.

6. Analysis of income payable to the Consolidated Fund

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

	Forecast 2010-11		Outturn 2010-11	
	Income	*Receipts*	Income	*Receipts*
	£000	*£000*	£000	*£000*
Operating income and receipts – excess A in A	-	-	-	-
Other operating income and receipts not classified as A in A	5,000	*5,000*	8,998	*9,031*
	5,000	*5,000*	8,998	*9,031*
Non-operating income and receipts – excess A in A	-	-	-	-
Other non-operating income and receipts not classified as A in A	-	-	-	-
Total income payable to the Consolidated Fund	**5,000**	***5,000***	**8,998**	***9,031***

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

	Note	2010-11 £000	Restated 2009-10 £000
Operating income	14	1,089,550	902,390
National Insurance Fund and other administration adjustments		1,091,425	1,053,840
Netted off gross expenditure		735,070	1,059,519
Income authorised to be appropriated-in-aid		(2,907,047)	(2,969,109)
Operating income payable to the Consolidated Fund	6	**8,998**	**46,640**

8. Consolidated Fund income

Consolidated Fund income shown in Note 6 above does not include any amounts collected by the Department where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the Department's Trust Statement published separately from, but alongside, these financial statements.

9. Staff numbers and related costs

(i) Staff costs

Staff costs comprise:

	2010-11					Restated 2009-10
	Permanently employed staff	Others	Ministers	Special Advisers	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,728,510	42,385	178	110	2,771,183	2,843,298
Employers' National Insurance	185,663	412	15	12	186,102	186,617
Superannuation and pension costs	468,927	176	-	-	469,103	465,584
Lump sum exit costs	72,082	-	-	-	72,082	3,310
	3,455,182	**42,973**	**193**	**122**	**3,498,470**	**3,498,809**
Less recoveries in respect of outward secondments	(7,615)	-	-	-	(7,615)	(8,917)
Less other recoveries of staff costs	(3,531)	-	-	-	(3,531)	(423)
Total net costs	**3,444,036**	**42,973**	**193**	**122**	**3,487,324**	**3,489,469**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Department is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2007. Details can be found in the accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

For 2010-11, employers' contributions of £466.8 million were payable to the PCSPS (2009-10 £464.8 million) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits arising during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions amounting to £42.8 million (2009-10 £44.9 million) were payable to the Civil Superannuation Vote at 31 March 2011 and are included in Trade and other payables (See Note 31).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £2,236k (2009-10 £1,876k), were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £145k (2009-10 £116k) 0.8 per cent of pensionable pay, were payable to the PCSPS 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 reporting period date were £178k. Contributions prepaid at that date were £nil.

In 2010-11, 125 persons (2009-10 126 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £234K (2009-10 £194k). These liabilities are not the responsibility of the Department but are to be paid by the Civil Superannuation Vote.

(ii) 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 Core Department as well as in Agencies and other bodies included within the consolidated Departmental Account.

	2010-11 Number					Restated 2009-10 Number
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Numbers of Staff	113,607	2,232	5	2	115,846	118,312
Total	**113,607**	**2,232**	**5**	**2**	**115,846**	**118,312**

As at 31 March 2011, 109,609 whole-time equivalent persons were employed by the Department.

(iii) Reporting of Civil Service and other compensation schemes - exit packages – 2010-11

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	-	679	679
£10,000 - £25,000	-	676	676
£25,000 - £50,000	-	606	606
£50,000 - £100,000	-	536	536
£100,000 - £150,000	-	114	114
£150,000 - £200,000	-	27	27
£200,000 - £250,000	-	6	6
£250,000 - £300,000	-	-	-
£300,000 - £350,000	-	-	-
£350,000 - £400,000	-	-	-
Total number of exit packages by type	**-**	**2,644**	**2,644**
Total resource cost £000	**-**	**92,276**	**92,276**

Reporting of Civil Service and other compensation schemes - exit packages – 2009-10

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	-	472	472
£10,000 - £25,000	-	243	243
£25,000 - £50,000	-	151	151
£50,000 - £100,000	-	38	38
£100,000 - £150,000	-	12	12
£150,000 - £200,000	-	5	5
£200,000 - £250,000	-	3	3
£250,000 - £300,000	-	1	1
£300,000 - £350,000	-	2	2
£350,000 - £400,000	-	1	1
Total number of exit packages by type	**-**	**928**	**928**
Total resource cost £000	**-**	**17,697**	**17,697**

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 when the early retirement programme becomes binding on the Department but actual dates of departure may fall in the following reporting period. 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.

From 22 December 2010, new Civil Service compensation terms were introduced for Early Release schemes. All voluntary exit costs payable by the Department are now made in the form of lump sum payments. Payments made in respect of schemes prior to this date were made as both lump sum payments and annual compensation payments. The liability in respect of these annual payments is disclosed in Note 32.

10. Other administration costs

	Note	2010-11 £000	2010-11 £000	Restated 2009-10 £000	Restated 2009-10 £000
Goods and services	10a		760,949		958,514
IT services			735,387		773,150
Non-cash items	11(i)		508,454		538,300
Accommodation costs			443,950		527,756
Finance lease charges			53,331		62,063
PFI service charges:					
Service element of on-Statement of Financial Position contracts			65,922		55,636
Rentals under operating leases:					
Hire of plant and machinery		2,134		3,492	
Other operating leases		22,287		16,298	
			24,421		19,790
Compensation payments to customers			23,048		16,118
Audit fee for HSE			131		137
Audit fee for CMEC	10b		626		637
Interest charges			-		3
Other administration costs			49,257		52,728
			2,665,476		**3,004,832**

a. Goods and Services expenditure of £761 million (2009-10 £959 million restated) includes medical services, bank and encashment costs, postage, printing and stationery, external consultancy costs, utilities and staff training.

b. The £626,000 (2009-10 £637,000) audit fee for CMEC relates to the statutory audit of the administration account and the Client Funds Account.

11. Other administration costs: non-cash items

(i) Non-cash Items

	2010-11 £000	Restated 2009-10 £000
Notional costs: auditor's remuneration	2,146	2,181
Depreciation of non-current assets	264,873	285,663
Amortisation of non-current assets	115,067	119,544
Loss/(profit) on disposal of non-current assets	55,596	4,207
Impairment of non-current assets	20,137	(1,417)
Revaluation loss/(gain)	(1,866)	(5,908)
Amortisation of prepayments	41,849	118,669
Movement in impairment of receivables	(2,326)	1,615
Provisions:		
Movement in year	13,269	11,326
Unwinding of discount	(291)	2,420
	508,454	**538,300**

(ii) Non-cash items included in the reconciliation of net resource outturn to net cash requirement in Note 5

	Note	2010-11 £000	Restated 2009-10 £000
Administration non-cash transactions	11(i)	508,454	538,300
Programme non-cash transactions	17	(1,050,097)	(113,579)
Non-cash income:			
Government Grant Reserve		(1)	(1)
Less: Non-Voted non-cash items		(331,688)	(71,486)
		(873,332)	**353,234**

12. Non-cash items

	Note	2010-11 £000	Restated 2009-10 £000
Administration costs	11(i)	508,454	538,300
Programme costs	17	(1,050,097)	(113,579)
Interest income	14	-	(5,766)
Income: Government Grant Reserve		(1)	(1)
		(541,644)	**418,954**

13. Net programme costs

	Note	2010-11 £000	Restated 2009-10 £000
Non-Supply expenditure: contributory benefits	15(i)	78,075,786	75,679,785
Current grants and other current expenditure	16	77,291,643	73,422,486
Agency payments on behalf of EU to third parties	13a	556,045	347,504
Programme overheads	17	(695,731)	262,178
Research and development expenditure		21,695	18,929
Gross programme costs		**155,249,438**	**149,730,882**
Other programme income		(127,221)	(185,122)
EU income		(664,102)	(439,467)
Net programme costs		**154,458,115**	**149,106,293**

a. EU income and payments relate to funding received and payments made from the European Social Fund (ESF), which provides European Union (EU) funding for long term programmes to help regions across Europe upgrade and modernise their workforce skills. The Department acts as a paying agent for these transactions on behalf of the EU.

14. Income

	RfR1	RfR2	RfR3	RfR4	RfR5	2010-11 Total	Restated 2009-10 Total
	£000	£000	£000	£000	£000	£000	£000
Administration							
Fees and charges to other government departments	1,733	10,614	1,496	49	63,815	77,707	80,302
Income from mortgage lenders	-	571	291	129	341	1,332	1,581
Income from outside bodies	751	5,373	592	26	9,161	15,903	9,209
Income from accommodation	-	-	-	-	4,767	4,767	6,749
Law costs from defendants	132	20	1	-	2,642	2,795	2,936
International labour organisation	-	16,233	-	-	-	16,233	15,422
Single International Programme	-	30,282	-	-	-	30,282	33,588
European Union division	-	8,159	-	-	-	8,159	5,902
Secondments	-	3,451	3,574	-	590	7,615	8,917
HSE administrative income	-	119,914	-	-	-	119,914	99,756
Development gains	-	-	-	-	-	-	317
Amortisation of government grants	-	-	-	-	1	1	1
Other miscellaneous income	795	5,078	12	7	7,627	13,519	13,121
	3,411	**199,695**	**5,966**	**211**	**88,944**	**298,227**	**277,801**
Programme							
Benefit income							
- New Deal	-	86	-	-	-	86	660
- Help for unemployed people	-	146	-	-	-	146	225
- Income Support	-	40,440	-	-	-	40,440	51,964
- Jobseeker's Allowance	-	1,994	-	-	-	1,994	2,195
- Motability receipts	-	-	-	1,003	-	1,003	1,059
Pension levy receipts	-	-	54,764	-	-	54,764	54,624
Other programme income	-	20,921	838	-	469	22,228	57,064
Fees and Charges to other government departments	-	-	2,639			2,639	-
ESF income	-	116,591	-	-	-	116,591	86,196
EU income where DWP acts as agent for payments to third parties	-	547,511	-	-	-	547,511	347,504
Interest income	-	-	-	-	-	-	5,766
Exchange rate gains	-	-	-	-	-	-	10,587
HSE programme income	-	2,455	-	-	-	2,455	4,904
	-	**730,144**	**58,241**	**1,003**	**469**	**789,857**	**622,748**
NIF income						1,466	1,841
						791,323	**624,589**
Total income						**1,089,550**	**902,390**

HSE administrative income includes licensing and safety of the nuclear industry, control of major accident hazards and offshore safety.

Other miscellaneous income mainly comprises CFER income repayable to the Consolidated Fund in respect of reduced rental charges for the Newcastle Estate of £5.0 million.

The following analysis of income from services provided to external and public sector customers is provided for fees and charges purposes and not for the purposes of IFRS 8.

	Income	2010-11 Full Cost	Surplus/(deficit)
	£000	£000	£000
Pension levy receipts	54,764	54,764	-
Licensing of nuclear installations	33,058	33,058	-
Generic design assessment	22,255	22,255	-
Enforcement of offshore safety legislation	16,150	15,430	720
Shared Services to other Government Departments	15,098	14,526	572
Biocides and plant protection	13,935	14,047	(112)
Control of major accident hazards	11,564	11,060	504
Legal services	7,520	7,520	-
Health and Safety Laboratory external customers	7,438	7,438	-
Civil nuclear security	3,553	3,553	-
IT service charges	1,734	1,734	-
	187,069	**185,385**	**1,684**

	Income	Restated 2009-10 Full Cost	(Deficit)/surplus
	£000	£000	£000
Pension levy receipts	54,624	54,624	-
Licensing of nuclear installations	30,429	32,062	(1,633)
Biocides and plant protection	14,594	15,175	(581)
Generic design assessment	13,582	14,118	(536)
Shared Services to other Government Departments	13,428	13,586	(158)
Enforcement of offshore safety legislation	12,750	13,115	(365)
Control of major accident hazards	7,530	8,461	(931)
Health and Safety Laboratory external customers	6,775	6,775	-
Legal services	6,634	6,634	-
Other miscellaneous income	4,292	4,166	126
Civil nuclear security	3,822	3,841	(19)
IT service charges	1,839	1,839	-
Shared Services to insurance companies	1,289	1,158	131
	171,588	**175,554**	**(3,966)**

The Department has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

15. Non-supply expenditure

(i) Contributory benefits

	2010-11 £000	2009-10 £000
Retirement Benefit		
Basic element	56,355,441	53,642,598
Earnings-related component	13,384,240	13,182,647
Christmas Bonus	122,263	121,182
Widows' Benefit		
Basic element	367,337	387,310
Earnings-related component	58,183	69,675
Bereavement benefits	183,582	189,355
Unemployment benefits		
Jobseeker's Allowance – contribution based	797,897	1,085,517
Employment and Support Allowance	944,649	577,071
Sickness Benefit	3	(67)
Incapacity Benefit		
Short-term and long-term	5,360,317	5,900,187
Earnings-related component	158,791	178,477
Invalidity Benefit	386	1,248
Family benefits		
Maternity Allowance	342,697	344,585
	78,075,786	**75,679,785**

(ii) Total non-supply expenditure

	Note	2010-11 £000	Restated 2009-10 £000
Contributory benefits	15(i)	78,075,786	75,679,785
NIF income	14	(1,466)	(1,841)
NIF write-offs and movement in impairment of receivables		78,097	63,184
NIF movement on CRU provision		443	143
		78,152,860	**75,741,271**

16. Current grants and other current expenditure

	2010-11	2009-10
	£000	£000
Non Contributory Benefits		
Disability Living Allowance	11,896,183	11,442,267
Income Support	7,638,479	8,255,764
Pension Credit/Minimum Income Guarantee	8,271,129	8,179,342
Attendance Allowance	5,208,464	5,095,999
Jobseeker's Allowance	3,641,322	3,578,541
Invalid Care Allowance	1,558,884	1,492,336
Severe Disablement Allowance	887,079	905,436
Industrial Injuries Disablement Benefit	852,308	807,669
Employment Support Allowance	1,249,464	677,555
Other	189,382	168,288
Social Fund Expenditure		
Winter Fuel Payments	2,757,288	2,734,653
Cold Weather Payments	435,296	298,317
Community Care Grants	141,104	140,658
Maternity Payments	130,894	138,807
Grants Paid to Local Authorities		
Housing Benefit Rent Allowances and Rebates	21,014,908	19,602,762
Council Tax Benefit	4,792,534	4,575,420
Administration Grants	578,531	115,609
Other	25,456	24,593
Employment Programmes	2,341,573	2,306,317
Other Expenditure		
Statutory Sick Pay and Statutory Maternity Pay	2,460,013	1,713,464
TV Licences for the over 75s	578,234	555,293
Independent Living Fund	340,500	342,500
Grants and Grants in Aid to External Bodies	271,005	228,704
Other	31,613	42,192
	77,291,643	**73,422,486**

Current grants and other current expenditure is the amount of expenditure incurred in year (net of overpayments) and excludes programme overheads. The expenditure analysed in Note 3 includes programme overheads.

17. Programme overheads

	Note	2010-11		Restated 2009-10	
		£000	£000	£000	£000
Programme balances written off	19		354,366		375,757
Non-cash Items:					
Movement in impairment of receivables	18	429,075		(126,575)	
Movement in other provisions		(1,892,436)		(157,249)	
Unwinding of discount	32	413,264		170,245	
			(1,050,097)		(113,579)
			(695,731)		**262,178**

18. Impairments: programme

The movement in the provision for impairment of receivables relates to the following benefits:

	2010-11	2009-10
	£000	£000
Contributory benefits	28,241	8,612
Non-contributory benefits	97,387	(58,127)
Social Fund payments	303,447	(77,060)
	429,075	**(126,575)**

19. Programme balances written off

These consist of the write-off of the following benefits:

	2010-11	2009-10
	£000	£000
Contributory benefits		
Pensions benefits	16,954	23,214
Incapacity Benefit	18,505	22,655
Other	14,397	8,703
Non-contributory benefits		
Disability benefits	39,135	37,374
Income Support (including Pension Credit)	192,551	175,003
Other	29,118	19,498
Social Fund payments		
Funeral payments	41,228	87,285
Other	2,478	2,025
	354,366	**375,757**

Small overpayments valued at £65 or less which are subject to formal write off action are included in the above figures.

20. Analysis of net operating cost by spending body

	2010-11	Restated 2009-10
	£000	£000
DWP Head Office and Corporate and Shared Services	155,202,091	149,830,276
Child Maintenance & Enforcement Commission	513,180	574,599
Jobcentre Plus	3,565,696	3,741,573
The Pension, Disability and Carers Service	841,818	955,670
Health and Safety Executive	201,049	230,015
Net operating cost	**160,323,834**	**155,332,133**

21. Property, plant and equipment

(i) Property, plant and equipment by category – 2010-11

	Note	Land and Buildings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture and Fittings	Motor Vehicles	Payments on Account and Assets Under Construction	Total
		£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2010		2,325,450	22,513	442,001	29,188	27,946	3,318	673	2,851,089
Additions	21e	18,823	960	29,607	21,408	770	931	1,244	73,743
Disposals		(65,037)	-	(132,600)	(10,433)	(4,642)	(886)	-	(213,598)
Impairments	21c	(5,629)	-	(714)	(493)	(12,002)	(63)	-	(18,901)
Reclassifications		598	-	(5,377)	74	-	-	(672)	(5,377)
Revaluations	21c	388,816	-	-	-	-	-	-	388,816
At 31 March 2011		**2,663,021**	**23,473**	**332,917**	**39,744**	**12,072**	**3,300**	**1,245**	**3,075,772**
Depreciation									
At 1 April 2010		436,819	11,275	317,642	22,334	11,304	1,426	-	800,800
Charged in year	21d	219,871	2,012	38,069	3,784	2,046	547	-	266,329
Disposals		(2,421)	-	(108,267)	(10,419)	(4,309)	(563)	-	(125,979)
Impairments	21c	-	-	(93)	(327)	(3,230)	-	-	(3,650)
Reclassifications		-	-	(2,087)	-	-	-	-	(2,087)
Revaluations	21c	(81)	-	-	-	-	-	-	(81)
At 31 March 2011		**654,188**	**13,287**	**245,264**	**15,372**	**5,811**	**1,410**	**-**	**935,332**
Net book value at 31 March 2011		**2,008,833**	**10,186**	**87,653**	**24,372**	**6,261**	**1,890**	**1,245**	**2,140,440**
Net book value at 31 March 2010		**1,888,631**	**11,238**	**124,359**	**6,854**	**16,642**	**1,892**	**673**	**2,050,289**
Asset financing:									
Owned		11,811	10,186	31,269	4,800	3,819	1,890	481	64,256
Finance leased		61,126	-	54,069	19,572	-	-	-	134,767
On-Statement of Financial Position PFI contracts		1,935,896	-	2,315	-	2,442	-	764	1,941,417
Net book value at 31 March 2011		**2,008,833**	**10,186**	**87,653**	**24,372**	**6,261**	**1,890**	**1,245**	**2,140,440**

Property, plant and equipment by category – 2009-10

	Note	Land and Buildings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture and Fittings	Motor Vehicles	Payments on Account and Assets Under Construction	Total
		£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2009 restated		2,187,787	20,042	396,274	26,583	22,180	3,436	345	2,656,647
Additions	21e	21,925	4,114	54,506	3,045	10,041	747	673	95,051
Disposals		(14,858)	(1,787)	(15,703)	(482)	(4,397)	(865)	-	(38,092)
Impairments	21c	1,423	-	-	-	-	-	-	1,423
Reclassifications		31	144	6,924	48	122	-	(345)	6,924
Revaluations	21c	129,142	-	-	(6)	-	-	-	129,136
At 31 March 2010		**2,325,450**	**22,513**	**442,001**	**29,188**	**27,946**	**3,318**	**673**	**2,851,089**
Depreciation									
At 1 April 2009 restated		237,073	9,565	254,485	21,681	12,183	1,303	-	536,290
Charged in year	21d	207,646	1,875	72,269	1,098	2,088	687	-	285,663
Disposals		(1,633)	(165)	(9,112)	(445)	(2,967)	(564)	-	(14,886)
Impairments	21c	-	-	-	-	-	-	-	-
Reclassifications		-	-	-	-	-	-	-	-
Revaluations	21c	(6,267)	-	-	-	-	-	-	(6,267)
At 31 March 2010		**436,819**	**11,275**	**317,642**	**22,334**	**11,304**	**1,426**	**-**	**800,800**
Net book value at 31 March 2010		**1,888,631**	**11,238**	**124,359**	**6,854**	**16,642**	**1,892**	**673**	**2,050,289**
Net book value at 31 March 2009		**1,950,714**	**10,477**	**141,789**	**4,902**	**9,997**	**2,133**	**345**	**2,120,357**
Asset financing:									
Owned		10,899	11,238	40,206	5,096	14,125	1,892	673	84,129
Finance leased		65,444	-	84,153	1,758	-	-	-	151,355
On-Statement of Financial Position PFI contracts		1,812,288	-	-	-	2,517	-	-	1,814,805
Net book value at 31 March 2010		**1,888,631**	**11,238**	**124,359**	**6,854**	**16,642**	**1,892**	**673**	**2,050,289**

a. Property, plant and equipment are stated at valuation, which is obtained either by professional valuation or by the use of appropriate indices. However, as permitted by the *FReM*, the Department has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful life or are of relatively low value. This therefore applies to most IT hardware, motor vehicles, plant and machinery and furniture.

b. Costs incurred during the year in respect of major refurbishment and improvement of properties have been capitalised as land and buildings or leasehold improvements depending on their nature.

c. The net increase in asset values arising from the revaluation of property, plant and equipment of £388.9 million (2009-10 £135.4 million) has been transferred to the Revaluation Reserve. The net impairment in property, plant and equipment of £15.3 million (2009-10 £1.4 million increase) has been charged to the Statement of Comprehensive Net Expenditure.

d. Total depreciation in the year was £266.3 million (2009-10 £285.7 million). This consists of £264.3 million (2009-10 £285.7 million) charged to the Statement of Comprehensive Net Expenditure and £2.0 million (2009-10 £nil million) relating to assets purchased prior to 2010-11. The in year depreciation charge for On-Statement of Financial Position PFI Contracts is £217 million (2009-10 £208.6 million). The loss on sale of property, plant and equipment charged to the Statement of Comprehensive Net Expenditure in the year is £55.6 million (2009-10 £4.2 million) (see note 11(i)).

e. Total additions in the year were £73.7 million (2009-10 £95.1 million). This consisted of £69.0 million (2009-10 £95.1 million) of capital expenditure and £4.7 million (2009-10 £0 million) of assets which had been purchased prior to 2010-11 but which had previously been charged as expenditure.

f. During the year the Department undertook a review of the fixed asset register. This review removed a number of fully depreciated assets from the register which were no longer available for use nor supported by the original supplier.

(ii) Land and buildings

Land and buildings by category – 2010-11

	Note	Land £000	Freehold Buildings £000	Leasehold Buildings £000	Total £000
Cost or Valuation					
At 1 April 2010		964,842	8,891	1,351,717	2,325,450
Additions		7,973	565	10,285	18,823
Disposals		(36,158)	-	(28,879)	(65,037)
Impairments	21c	-	-	(5,629)	(5,629)
Reclassifications		-	-	598	598
Revaluations	21c	233,122	221	155,473	388,816
At 31 March 2011		**1,169,779**	**9,677**	**1,483,565**	**2,663,021**
Depreciation					
At 1 April 2010		177,396	108	259,315	436,819
Charged in year	21d	95,628	359	123,884	219,871
Disposals		(1,216)	-	(1,205)	(2,421)
Impairments	21c	-	-	-	-
Reclassifications		-	-	-	-
Revaluations	21c	-	13	(94)	(81)
At 31 March 2011		**271,808**	**480**	**381,900**	**654,188**
Net book value at 31 March 2011		**897,971**	**9,197**	**1,101,665**	**2,008,833**
Net book value at 31 March 2010		**787,446**	**8,783**	**1,092,402**	**1,888,631**

Leasehold land is depreciated in order to write-off the value of land held under the PRIME finance lease arrangement over the remaining period of the PRIME contract.

Land and buildings by category – 2009-10

	Note	Land £000	Freehold Buildings £000	Leasehold Buildings £000	Total £000
Cost or Valuation					
At 1 April 2009 restated		929,668	8,617	1,249,502	2,187,787
Additions		5,740	1,005	15,180	21,925
Disposals		(2,797)	(8)	(12,053)	(14,858)
Impairments	21c	-	-	1,423	1,423
Reclassifications		-	23	8	31
Revaluations	21c	32,231	(746)	97,657	129,142
At 31 March 2010		**964,842**	**8,891**	**1,351,717**	**2,325,450**
Depreciation					
At 1 April 2009 restated		83,486	648	152,939	237,073
Charged in year	21d	94,221	250	113,175	207,646
Disposals		(311)	-	(1,322)	(1,633)
Impairments	21c	-	-	-	-
Reclassifications		-	-	-	-
Revaluations	21c	-	(790)	(5,477)	(6,267)
At 31 March 2010		**177,396**	**108**	**259,315**	**436,819**
Net book value at 31 March 2010		**787,446**	**8,783**	**1,092,402**	**1,888,631**
Net book value at 31 March 2009 restated		**846,182**	**7,969**	**1,096,563**	**1,950,714**

DWP Head Office and Corporate and Shared Services

The figures for leasehold land and buildings reflect independent professional valuations on a fair value basis at 31 March 2011 by DVS Valuation Office Agency, members of the Royal Institution of Chartered Surveyors (RICS). These valuations have been incorporated into the financial statements and were performed in accordance with the RICS Valuation Standards. The property inspections were completed during March 2011. The valuation signatory was Andrew Holdsworth MRICS.

Health and Safety Executive

DTZ professionally valued Redgrave Court as at 31 March 2009 with a desktop valuation completed at 31 March 2011. Jones Lang LaSalle professionally revalued all land and building assets on the Buxton site as at 31 March 2010. Additionally, the freehold property at Carlisle was independently valued at 31 March 2009 by Donaldsons, Chartered Surveyors. In each case, the valuations were in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (RICS).

(iii) Cash flow reconciliation

	2010-11 £000	2009-10 £000
Capital payables and accruals at 1 April	120,602	127,594
Movement on long-term payables	(1,218)	(1,053)
Capital additions	69,007	95,051
Capital payables and accruals at 31 March	(136,688)	(120,602)
Purchases of property, plant and equipment as per Statement of Cash Flows	**51,703**	**100,990**

22. Intangible assets

(i) Intangible assets by category

The Department's intangible assets comprise purchased software licences, development costs for websites that deliver services and internally developed software.

Intangible assets by category – 2010-11

	Note	Websites £000	Purchased Software Licences £000	Internally Developed Software £000	Payments on Account and Assets Under Construction £000	Total £000
Cost or Valuation						
At 1 April 2010 restated		24,417	147,736	501,805	126,770	800,728
Additions	22a	24	21,163	3,129	168,742	193,058
Disposals		-	(13,158)	(7,748)	-	(20,906)
Impairments	22b	-	(15,410)	(2,739)	(468)	(18,617)
Reclassifications		14,618	748	35,111	(45,100)	5,377
Revaluations	22b	(181)	(12,523)	(16,712)	-	(29,416)
At 31 March 2011		**38,878**	**128,556**	**512,846**	**249,944**	**930,224**
Amortisation						
At 1 April 2010 restated		2,107	67,059	257,332	-	326,498
Charged in year	22c	1,280	21,725	93,690	-	116,695
Disposals		-	(13,138)	(7,423)	-	(20,561)
Impairments	22b	-	(12,254)	(1,297)	-	(13,551)
Reclassifications		7,665	-	(5,578)	-	2,087
Revaluations	22b	38	(5,320)	(9,388)	-	(14,670)
At 31 March 2011		**11,090**	**58,072**	**327,336**	**-**	**396,498**
Net book value at 31 March 2011		**27,788**	**70,484**	**185,510**	**249,944**	**533,726**
Net book value at 31 March 2010 restated		**22,310**	**80,677**	**244,473**	**126,770**	**474,230**

Intangible assets by category – 2009-10

	Note	Websites £000	Purchased Software Licences £000	Internally Developed Software £000	Payments on Account and Assets Under Construction £000	Total £000
Cost or Valuation						
At 1 April 2009 restated		32	80,326	404,507	72,230	557,095
Additions	22a	36	37,133	13,308	150,586	201,063
Disposals		-	-	-	-	-
Impairments	22b	-	-	-	-	-
Reclassifications		24,349	10,876	53,897	(96,046)	(6,924)
Revaluations	22b	-	19,401	30,093	-	49,494
At 31 March 2010 restated		**24,417**	**147,736**	**501,805**	**126,770**	**800,728**
Amortisation						
At 1 April 2009 restated		447	38,232	150,533	-	189,212
Charged in year	22c	1,660	21,418	95,865	-	118,943
Disposals		-	-	-	-	-
Impairments	22b	-	-	-	-	-
Reclassifications		-	-	-	-	-
Revaluations	22b	-	7,409	10,934	-	18,343
At 31 March 2010 restated		**2,107**	**67,059**	**257,332**	**-**	**326,498**
Net book value at 31 March 2010 restated		**22,310**	**80,677**	**244,473**	**126,770**	**474,230**
Net book value at 31 March 2009 restated		**(415)**	**42,094**	**253,974**	**72,230**	**367,883**

a. Total additions in the year were £193.1 million (2009-10 £201.1 million restated). This consisted of £186.3 million (2009-10 £201.3 million restated) of capital expenditure and £6.8 million (2009-10 £(0.2) million) of assets which had been purchased prior to 2010-11 but which had previously been charged as expenditure.

b. The net decrease in asset values arising from the revaluation of intangibles of £ (14.7) million (2009-10 £31.2 million increase restated) has been transferred to the Revaluation Reserve. The impairment in intangible assets arising from the permanent decrease in value of £ (5.1) million (2009-10 £0 restated) in excess of previous revaluation has been charged to the Statement of Comprehensive Net Expenditure.

c. Total amortisation in the year was £116.7 million (2009-10 £118.9 million restated). This consisted of £115.0 million (2009-10 £119.5 million restated) charged to the Statement of Comprehensive Net Expenditure and £1.7 million (2009-10 £ (0.6) million) relating to assets purchased prior to 2010-11 charged to the General Fund.

d. The Department has assessed some of its software licences as indefinite life assets. The Central Payment System will be an integrated part of the Department's infrastructure for making payments to customers, providing the accounting and payment link between its entitlement decision systems and its payment engines. This is an ongoing requirement that is not likely to diminish in its usage or priority. The Oracle system that the Central Payment System uses is supported by a global provider and there is a fully identified upgrade path to prevent obsolescence and maintain current functionality through the provision of maintenance contracts and funding for testing environments for the foreseeable future. Additionally, these license assets are held in perpetuity, their usefulness entirely independent of any hardware upgrades and there are no plans to decommission the systems to which they relate. The net book value of these assets at 31 March 2011 was £9.1 million. A further £0.6 million of software licences held by the Department have also been determined as indefinite life assets.

e. The carrying amount that would have been recognised had the revalued classes of intangible assets been measured after recognition using the cost model is £533.4 million.

(ii) Cash flow reconciliation

	2010-11	Restated 2009-10
	£000	£000
Capital payables and accruals at 1 April	-	-
Capital additions	186,315	201,063
Capital prepayments at 31 March	-	-
Capital payables and accruals at 31 March	-	-
Purchases of intangible assets as per Statement of Cash Flows	**186,315**	**201,063**

23. Non-current assets: impairment

	Note	2010-11 £000	Restated 2009-10 £000
Charged to Statement of Comprehensive Net Expenditure			
Property, plant and equipment	21	15,251	(1,423)
Intangible assets	22	5,066	-
Transferred from Revaluation Reserve			
Property, plant and equipment		-	6
Intangible assets		(180)	-
Total	11(i)	**20,137**	**(1,417)**

24. Financial instruments

(i) Financial instruments by category

	Note	31 March 2011 Loans and Receivables £000	Available for Sale £000	Total £000
Financial assets				
Working Links investment	25(i)	-	2,589	2,589
Loan to National Employment Savings Trust Corporation	25(ii)	119,957	-	119,957
Loan to HP Enterprise Services		7,824	-	7,824
Trade receivables	28(i)	27,695	-	27,695
Amounts due from other government departments	28(i)	42,510	-	42,510
Other receivables		94,869	-	94,869
Deposits and advances		3,019	-	3,019
Cash and cash equivalents	29	375,448	-	375,448
Benefit overpayments		1,181,170	-	1,181,170
Social Fund		700,089	-	700,089
European Social Fund & Other EU receivables		765,822	-	765,822
Total		**3,318,403**	**2,589**	**3,320,992**

	Restated 31 March 2010			Restated 1 April 2009		
	Loans and Receivables	Available for Sale	Total	Loans and Receivables	Available for Sale	Total
	£000	£000	£000	£000	£000	£000
Financial assets						
Working Links investment	-	2,588	2,588	-	1,816	1,816
Assets held for sale	-	725	725	-	-	-
Loan to National Employment Savings Trust Corporation	41,059	-	41,059	5,623	-	5,623
Loan to HP Enterprise Services	5,642	-	5,642	3,437	-	3,437
Trade receivables	28,262	-	28,262	44,495	-	44,495
Amounts due from other government departments	47,513	-	47,513	61,077	-	61,077
Other receivables	66,225	-	66,225	131,624	-	131,624
Deposits and advances	3,401	-	3,401	7,780	-	7,780
Development gains receivable	-	317	317	-	13,400	13,400
Cash and cash equivalents	499,517	-	499,517	314,598	-	314,598
Benefit overpayments	1,035,050	-	1,035,050	821,776	-	821,776
Social Fund	885,687	-	885,687	720,701	-	720,701
European Social Fund & Other EU receivables	577,611	-	577,611	519,618	-	519,618
Total	**3,189,967**	**3,630**	**3,193,597**	**2,630,729**	**15,216**	**2,645,945**

	Note	31 March 2011 Financial liabilities at amortised cost £000	Restated 31 March 2010 Financial liabilities at amortised cost £000	Restated 1 April 2009 Financial liabilities at amortised cost £000
Financial liabilities				
Trade payables		114,885	82,557	71,902
Accruals	31(i)	622,546	655,006	557,609
Bank overdraft and cash with paying agents	29	86,565	59,927	54,829
Amounts due to other government departments	31(i)	16,918	11,028	25,175
Other payables	31(i)	477,986	75,282	84,348
European Social Fund & Other EU payables	31(i)	780,169	693,426	573,602
Total		**2,099,069**	**1,577,226**	**1,367,465**

(ii) Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair value. The book values of the Department's financial assets and liabilities at 31 March 2011 are not materially different from their fair values. They have accordingly not been shown separately.

(iii) Exposure to risk

Due to the largely non-trading nature of its activities and the fact that the cash requirements of the Department are met through the Estimates process, the Department is not exposed to the degree of financial risk faced by commercial business entities. Moreover, financial instruments play a much more limited role in creating or managing risk than would apply to a non-public sector body of a similar size. The Department is therefore exposed to little credit, liquidity or market risk.

a. Credit risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Minimal deposits are held with commercial banks.

The Department's exposure to credit risk is limited due to the majority of administrative related receivables being with other government departments. There is also the risk of non-payment in relation to benefit overpayment and Social Fund receivables. This risk is limited to the extent that the receivable can be recovered from benefit payments (ultimately the universal State Pension) and even from the estate on death. Some risk still remains as the level that can be recovered from each benefit payment is small to avoid causing poverty, and customers do not always have sufficient funds in their estate to cover the receivable. However, the Department has an active recovery process in place, in order to maximise the amounts recovered.

b. Liquidity risk

Each financial year, Parliament makes provision for the use of resources by the Department for revenue and capital purposes in the annual Appropriation Act (the Act). Resources may be used only for the purposes specified and up to the amounts specified in the Act. The Act also specifies an overall cash limit for the financial year. The Estimates process offers further opportunities throughout the year to amend funding levels and purposes. The Department is not, therefore, exposed to significant liquidity risks.

c. Market risk

The Department has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Department in achieving its objectives.

d. Interest rate risk

The Department has no significant interest-bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates. The interest profile of the Department's financial assets and liabilities has therefore not been disclosed.

e. Foreign currency risk

Due to the time delay between preparation of claims and receipt of funds in respect of the European Social Fund, the Department is exposed to movements in the Euro/Sterling exchange rate. Other than in this the Department's exposure to foreign currency risk is not significant.

(iv) Aged analysis of financial assets

Financial assets that are past due but not impaired are analysed below:

	0-30 days past due	30-60 days past due	60-90 days past due	90-180 days past due	180-360 days past due	Total
	£000	£000	£000	£000	£000	£000
Trade receivables	4,826	5,490	514	1,938	396	**13,164**
Amounts due from other government departments	4,798	189	1,083	473	766	**7,309**
Other receivables	59	14	9	26	76	**184**
As at 31 March 2011	**9,683**	**5,693**	**1,606**	**2,437**	**1,238**	**20,657**

The above table relates to administration receivables only.

25. Financial assets

(i) Working Links (Employment) Limited

	2010-11	2009-10
	£000	£000
Balance at 1 April	2,588	1,816
Additions	-	-
Disposals	-	-
Revaluations	1	772
Balance at 31 March	**2,589**	**2,588**

The only investment held by the Department for Work and Pensions at the end of the reporting period comprised 100 Ordinary Shares, with a nominal value of £1 each, in Working Links (Employment) Limited, a joint venture with Manpower plc, Capgemini UK plc and Mission Australia. The valuation is based on the one-third share that the Department has of the company's net assets based on its last set of audited accounts as at 31 March 2010. There has been no change in the number of shares owned by the Department during the year.

The net assets and results of the above body as stated in the accounts for 2009-10 are summarised below.

	2009-10
	£000
Net assets at 31 March	7,764
Surplus for the year (before financing)	2,291

(ii) Loan to National Employment Savings Trust Corporation (NEST)

	2010-11	2009-10
	£000	£000
Balance at 1 April	41,059	5,623
Additions	78,898	35,436
Loan repayments	-	-
Loans repayable within 12 months transferred to receivables	-	-
Balance at 31 March	**119,957**	**41,059**

On 5 July 2010 the National Employment Savings Trust Corporation (NEST), the trustee body responsible for overseeing the National Employment Savings Trust, took over the responsibilities of the Personal Accounts Delivery Authority (PADA), which was wound up. NEST also took on the existing loan liabilities of PADA.

NEST is initially loan funded through the Department. This loan is provided for the purposes of set up and administration of the Scheme. The loan will be repaid from revenues raised from charges to Scheme members and will be governed through the terms of the loan agreement signed in November 2010. Interest is charged on the loan at a commercial rate, payable every 6 months. Following the European Commission's ruling, state aid (Public Service Obligation Offset Payment) will be payable to NEST Corporation to reduce the rate to the Government of borrowing once the public service duty commences with the first wave of members.

(iii) Loan to HP Enterprise Services Limited

	2010-11	2009-10
	£000	£000
Balance at 1 April	5,642	3,437
Additions	2,415	2,250
Loan repayments	(339)	-
Revaluations	106	(45)
Loans repayable within 12 months transferred to receivables	(4,644)	-
Balance at 31 March	**3,180**	**5,642**

The Department has made total loans to HP Enterprise Services Limited amounting to £8,414,520 of which £339,500 has been repaid. No interest is chargeable on the loan. The loan has been disclosed at fair value.

26. Assets held for sale

	2010-11	2009-10
	£000	£000
Balance at 1 April	725	-
Additions		725
Disposals	**(725)**	-
Balance at 31 March	**-**	**725**

The Department has transferred one of its freehold buildings (Alfreton Tannery House) to Telereal Trillium for a value of £0.725 million. The property was a replacement for an ex-Employment Services building that was held by the Department at the time that the former estate was transferred to Trillium as part of the TIES contract. As Alfreton was under construction, it was not included in the bulk transfer of the estate at that time.

27. Inventories

	31 March 2011	31 March 2010	1 April 2009
	£000	**£000**	**£000**
Work in progress	705	555	664
Finished inventories for sale	276	558	792
	981	**1,113**	**1,456**

Inventories consist of publications, stationery and protective clothing in relation to the Health and Safety Executive.

28. Trade and other receivables

(i) Analysis by type

Administration receivables

	Note	31 March 2011	Restated 31 March 2010	Restated 1 April 2009
		£000	**£000**	**£000**
Amounts falling due within one year				
Trade receivables		27,695	28,262	44,495
Deposits and advances	28a	2,473	2,783	7,037
Amounts due from other government departments		42,510	47,513	61,077
Other receivables		89,644	57,969	130,913
Gross receivables		**162,322**	**136,527**	**243,522**
Less: provision for impairment		(25,424)	(26,847)	(38,727)
Net receivables		**136,898**	**109,680**	**204,795**
VAT		72,534	84,919	57,612
Prepayments and accrued income		174,831	120,312	70,347
Early departure prepayment	32(i)	-	-	6
TREDSS prepayment		-	41,849	115,100
Current part of HP loan	25(iii)	4,644	-	-
Amounts due from the Consolidated Fund		87,789	-	-
		476,696	**356,760**	**447,860**
Amounts falling due after more than one year				
Deposits and advances	28a	546	618	743
Prepayments and accrued income	28f	96	38	75
TREDSS prepayment		-	-	45,418
		642	**656**	**46,236**

Programme receivables

	Note	Gross Receivables £000	31 March 2011 Fair Value Adjustment £000	Net Receivables £000	31 March 2010 Net Receivables £000	Restated 1 April 2009 Net Receivables £000
Amounts falling due within one year						
Benefit overpayments						
Contributory benefits	28b	19,549	(3,703)	15,846	13,969	16,404
Non-contributory benefits	28b	159,861	(26,637)	133,224	130,247	113,522
Housing Benefit and Council Tax Benefit	28c	283,128	-	283,128	179,790	105,967
Social Fund		666	(168)	498	567	609
Prepayments						
Contributory benefits		278,686	-	278,686	320,373	369,839
Non-contributory benefits		146,318	-	146,318	166,513	147,735
Local authorities		20,250	-	20,250	20,250	48,558
Social Fund						
Funeral payments		11,505	(10,456)	1,049	2,132	484
Other loans		365,103	(1,307)	363,796	436,261	411,102
European Social Fund & other EU receivables		775,302	(9,480)	765,822	577,611	519,618
Other programme receivables	28d	5,225	-	5,225	7,545	-
		2,065,593	**(51,751)**	**2,013,842**	**1,855,258**	**1,733,838**
Amounts falling due after more than one year						
Benefit overpayments						
Contributory benefits	28b	223,919	(158,767)	65,152	70,710	59,230
Non-contributory benefits	28b	1,725,112	(1,041,790)	683,322	639,767	526,044
Social Fund loans	28e	866,153	(530,909)	335,244	447,294	309,115
Other programme receivables	28d	711	(711)	-	711	711
		2,815,895	**(1,732,177)**	**1,083,718**	**1,158,482**	**895,100**
Total trade and other receivables				**3,574,898**	**3,371,156**	**3,123,034**
Of which						
Due within one year				2,490,538	2,212,018	2,181,698
Due after one year				1,084,360	1,159,138	941,336

a. Deposits and advances due within one year includes £0.1 million (2009-10 £0.1 million) of house purchase advances due from 95 (2009-10 116) members of staff. Those due after more than one year include £ 0.5 million (2009-10 £0.6 million) due from 82 (2009-10 108) members of staff.

b. Included in Contributory Benefits overpayments is an amount of £3.7 million (2009-10 £3.2 million) in respect of Compensation Recovery Unit receivables. The amount included within non-contributory benefit overpayments is £15.9 million (2009-10 £15.4 million).

c. The Department makes monthly payments of Housing Benefit and Council Tax Benefit subsidy to local authorities based on estimated liabilities. The District Auditor validates the final claim from each local authority. The Accounts include estimates of amounts due from and to local authorities based on pre-audited claims submitted by local authorities. The Department recognises that the basis of the estimate is subject to uncertainty and may need adjustment in a subsequent year of account on receipt of final audited claims (see also Note 31).

d. Other programme receivables consist of balances due from other government departments and external bodies.

e. Social Fund Loans mainly consist of Budget Loans, Crisis Loans and Funeral Payments, which have been included at fair value, calculated by the discounting of future cash flows using the real discount rate of 3.5 per cent set by HM Treasury.

f. Accrued interest on the loan made to the National Employment Savings Trust Corporation (see note 25(ii)) has been included in prepayments and accrued income.

(ii) Intra-Government balances

The following tables analyse total trade and other receivable balances across the categories shown:

		Amounts falling due within one year		
		31 March 2011	Restated 31 March 2010	Restated 1 April 2009
	Note	**£000**	**£000**	**£000**
Balances with other central government bodies		231,868	136,917	146,977
Balances with local authorities		287,851	204,984	163,439
Balances with NHS Trusts		71	741	240
Balances with public corporations and trading funds		20,940	2,603	5,733
Intra-government balances		540,730	345,245	316,389
Balances with bodies external to government		1,949,808	1,866,773	1,865,309
Total receivables at 31 March/1 April	28(i)	**2,490,538**	**2,212,018**	**2,181,698**

		Amounts falling due after one year		
		31 March 2011	31 March 2010	Restated 1 April 2009
	Note	**£000**	**£000**	**£000**
Balances with local authorities		-	-	701
Intra-government balances		**-**	**-**	701
Balances with bodies external to government		1,084,360	1,159,138	940,635
Total receivables at 31 March/1 April	28(i)	**1,084,360**	**1,159,138**	**941,336**

29. Cash and cash equivalents

	Note	**2010-11 Total**	**2009-10 Total**	**Restated 2008-09 Total**
		£000	**£000**	**£000**
Balances at 1 April		439,590	259,769	53,059
Net change in cash and cash equivalent balances		(150,707)	179,821	206,710
Balances at 31 March		**288,883**	**439,590**	**259,769**
Represented by:				
Cash and cash equivalents		375,448	499,517	314,598
Bank overdraft and paying agent balances reported in trade and other payables and cash with paying agents	31	(86,565)	(59,927)	(54,829)
		288,883	**439,590**	**259,769**

The following balances at 31 March were held at:	Note	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Government Banking Services	29a	211,133	367,983	276,100
Commercial banks and cash in hand		16,524	12,678	10,300
Cash with paying agents		61,226	58,929	(26,631)
		288,883	**439,590**	**259,769**

a. Government Banking Services are provided by Citibank and Royal Bank of Scotland.

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

30. Reconciliation of net cash requirement to increase/ (decrease) in cash

	Note	31 March 2011 £000	31 March 2010 £000
Net cash requirement	5	(82,560,410)	(78,654,420)
From the Consolidated Fund (Supply) – current year		82,462,377	78,805,092
Amounts due to the Consolidated Fund received and not paid over		3,096	33,171
Amounts due to the Consolidated Fund received in prior year and paid over		(60,360)	(32,538)
Amounts due to the Consolidated Fund – excess A in A		-	13,469
Transfer of functions		-	(31,809)
Non-voted cash movements		4,590	46,856
(decrease) / Increase in cash	**29**	**(150,707)**	**179,821**

31. Trade and other payables

(i) Analysis by type

	Note	31 March 2011	Restated 31 March 2010	Restated 1 April 2009
		£000	£000	£000
Administration payables				
Amounts falling due within one year				
Taxation and social security		61,004	64,188	57,833
Superannuation		42,781	44,853	46,399
Trade payables - non capital		114,352	81,496	71,533
- capital		533	1,061	369
Amounts due to other government departments		16,918	11,028	25,175
Other payables		9,385	13,064	31,802
Accruals and deferred income		622,546	655,006	557,609
Capital accruals		28,286	10,454	17,085
Bank overdrafts	29	86,565	59,927	28,198
Imputed finance lease element of on-Statement of Financial Position PFI contracts		1,320	1,218	1,055
Finance lease obligations		136,114	135,368	132,659
Amounts issued from the Consolidated Fund for Supply but not spent at year end		-	10,244	185,993
CFERs due to be paid to the Consolidated Fund - received		3,094	14,763	2,815
CFERs due to be paid to the Consolidated Fund - receivable		3	38	36
Excess A in A due to the Consolidated Fund		-	69	36,712
		1,122,901	**1,102,777**	**1,195,273**
Amounts falling due after more than one year				
Imputed finance lease element of on-Statement of Financial Position PFI contracts		106,549	107,869	109,085
Finance lease obligations		806,629	938,884	1,031,331
Other payables		1,600	2,365	4,643
		914,778	**1,049,118**	**1,145,059**
Programme payables				
Amounts falling due within one year				
Accruals				
Contributory benefits		1,804,292	1,594,394	1,369,494
Non-contributory benefits		778,860	673,503	625,425
Social Fund benefits		4,376	1,283	4,961
Local authorities	28c	354,809	759,056	678,283
European Social Fund		197,115	161,560	240,914
Cash with paying agents	29	-	-	26,631
CFERs due to be paid to the Consolidated Fund - received		2	39,571	259
CFERs due to be paid to the Consolidated Fund - receivable		-	-	-
Third party payments	31a	49,562	89,455	47,886
Other programme payables		467,001	59,853	47,903
European Social Fund & other EU payables	31b	601,706	519,808	456,618
		4,257,723	**3,898,483**	**3,498,374**
Amounts falling due after more than one year				
European Social Fund	31c	178,463	173,618	116,984
		178,463	**173,618**	**116,984**
Total trade and other payables		**6,473,865**	**6,223,996**	**5,955,690**
Of which				
Due within one year		5,380,624	5,001,260	4,693,647
Due after one year		1,093,241	1,222,736	1,262,043

a. Third Party Payments represent amounts deducted from benefit payments and due to external bodies such as utility companies and mortgage lenders.

b. The Department makes payments from the European Social Fund upon receipt of a valid declaration from applicants stating project spend to date. Until the declaration is received from the applicant, the Department cannot accurately quantify its liabilities and related accrued income. The Accounts include an estimate of these amounts at the year-end and this is based on a comparison between the agreed spend profiles provided by the applicants and payments made to date. The accruals have been adjusted to reflect the fact that over the life of a project the applicant does not claim the full value stated in the forecast. However, the Department recognises that the basis of the calculation is subject to uncertainty and may need adjustment in a subsequent year of account.

c. Balances due over one year of £178.5 million (31 March 2010 £173.6 million) consist of monies paid to the Department by the EU relating to European Social Fund. These advances are due to be paid back when final claims are agreed for the 2007-13 Programme which is expected to be in 2015-16.

d. Included within the Statement of Financial Position is a credit balance of £1,501.6 million (31 March 2010 £1,241.5 million) which represents the current account balance with the NIF. This is held within several ledger balances due to the nature of the relationship between the Department and the NIF.

(ii) Intra-Government balances

The following tables analyse total payables balances across the categories shown:

		Amounts falling due within one year		
	Note	31 March 2011 £000	Restated 31 March 2010 £000	Restated 1 April 2009 £000
Balances with other central government bodies		616,532	395,419	382,153
Balances with local authorities		361,445	768,648	701,889
Balances with NHS Trusts		179	73	10,539
Balances with public corporations and trading funds		19,594	22,789	4,019
Intra-government balances		997,750	1,186,929	1,098,600
Balances with bodies external to government		4,382,874	3,814,331	3,595,047
Total payables at 31 March/1 April	31(i)	**5,380,624**	**5,001,260**	**4,693,647**

		Amounts falling due after one year		
	Note	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Balances with bodies external to government		1,093,241	1,222,736	1,262,043
Total payables at 31 March/1 April	31(i)	**1,093,241**	**1,222,736**	**1,262,043**

32. Provisions for liabilities and charges

(i) Analysis by type

	31 March 2011 £000	31 March 2010 £000	Restated 1 April 2009 £000
Early departure provision (gross)	67,333	79,706	100,554
Other administration provisions	8,392	16,027	21,504
Programme provisions	2,701,300	4,223,516	4,244,705
	2,777,025	**4,319,249**	**4,366,763**

Early departure and pension commitments

	Gross Provision		Prepayment Note 28(i)		Net Provision	
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010		79,706		-		79,706
Provided in year						
New early retirees	12,469		-		12,469	
Uplift	910		-		910	
Other	613		-		613	
		13,992		-		13,992
Provisions not required written back		(56)		-		(56)
Provisions utilised in year		(26,394)		-		(26,394)
Unwinding of discount		85		-		85
Interest received on pre-funding		-		-		-
Balance at 31 March 2011		**67,333**		**-**		**67,333**

Early departure and pension commitments

	Gross Provision		Prepayment Note 28(i)		Net Provision	
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009 restated		100,554		(6)		100,548
Provided in year						
New early retirees	3,583		-		3,583	
Uplift	1,669		-		1,669	
		5,252		-		5,252
Provisions utilised in year		(28,446)		8		(28,438)
Unwinding of discount		2,346		-		2,346
Interest received on pre-funding		-		(2)		(2)
Balance at 31 March 2010		**79,706**		**-**		**79,706**

a. In accordance with guidance issued by HM Treasury, the early departure provision and prepayment have not been offset but are instead shown separately. The prepayment is included within trade and other receivables - see Note 28(i). The discount rate used is 2.9 per cent (2009-10 1.8 per cent).

b. Other administration provisions have been made in respect of the following:

Other administration provisions

	Industrial Injuries (Note 32c)	Other (Note 32d)	Total
	£000	£000	£000
Balance at 1 April 2010	3,817	12,210	16,027
Provided in year	305	979	1,284
Provisions not required written back	(230)	(1,376)	(1,606)
Utilised in year	(173)	(6,765)	(6,938)
Unwinding of discount	(420)	45	(375)
Balance at 31 March 2011	**3,299**	**5,093**	**8,392**

Other administration provisions

	Industrial Injuries	Other	Total
	£000	£000	£000
Balance at 1 April 2009	3,439	18,065	21,504
Provided in year	476	5,729	6,205
Provisions not required written back	-	(2,972)	(2,972)
Utilised in year	(172)	(8,612)	(8,784)
Unwinding of discount	74	-	74
Balance at 31 March 2010	**3,817**	**12,210**	**16,027**

c. This provision represents the expected future costs of Industrial Injuries Benefit permanent allowance payments to Departmental employees injured at work and unable to perform their job as a result. The amount provided for each individual is based on life expectancy taken from the Interim Life tables produced by the Government Actuary's Department, and discounted at the HM Treasury discount rate of 2.9 per cent (2009-10 1.8 per cent) in real terms.

d. Other administration provisions relate mainly to onerous contracts and refurbishment work required on vacation of leased properties and to termination costs in respect of other contracts.

Programme provisions

	Compensation Recovery Unit (Note 32e)	FAS (Note 32f)	DLA Provision (Note 32g)	Other Provisions (Note 32h/32i/32j)	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2010	2,818	4,166,866	43,280	10,552	4,223,516
Provided in year	1,618	-	-	6,391	8,009
Provisions not required written back	-	(1,849,091)	(39,037)	(10,552)	(1,898,680)
Utilised in year	-	(44,809)	-		(44,809)
Unwinding of discount	-	413,264	-		413,264
Balance at 31 March 2011	**4,436**	**2,686,230**	**4,243**	**6,391**	**2,701,300**

Programme provisions

	Compensation Recovery Unit	FAS	DLA Provision	Other Provisions	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2009	2,642	4,238,052	-	4,011	4,244,705
Provided in year	176	-	43,280	7,475	50,931
Provisions not required written back	-	(208,181)	-	-	(208,181)
Utilised in year	-	(33,250)	-	(934)	(34,184)
Unwinding of discount	-	170,245	-	-	170,245
Balance at 31 March 2010	**2,818**	**4,166,866**	**43,280**	**10,552**	**4,223,516**

e. Compensation Recoveries – the Department recognises that it is likely to collect recoveries from insurance companies in respect of on-going compensation claims made by benefit recipients. Once insurance companies have paid they have the right to appeal within one month. If the appeal is successful recoveries are refunded to the insurance company.

f. The Financial Assistance Scheme (FAS) was announced in 2004 to provide assistance to members of defined benefit occupational pension schemes that wound up under-funded when their employers became insolvent during the period 1 January 1997 to 5 April 2005, before the introduction of the Pension Protection Fund. Since 2004, the scope of the scheme and the levels of assistance have been expanded through additional legislation. The value of the provision as at 31 March 2011 has been impacted by changes in the FAS modelling and data set which shows that members who receive FAS in the future have a higher asset share and so will cost less than previously forecast.

Regulations came into force in April 2010 to allow for remaining assets to be transferred from FAS qualifying schemes to Government. The liabilities for the FAS payments associated with these asset transfers will eventually be added to this provision but only when the assets are actually received by Government. As at 31 March 2011, £49.5 million of FAS assets and equivalent liabilities had transferred to Government.

A discount rate of 2.2 per cent has been used.

g. A decision made on 18 October 2007 by the European Court of Justice means that certain UK disability benefits are to be considered to be sickness benefits and consequently will be paid to some people who leave the UK to live in another European Economic Area (EEA) state or Switzerland providing they meet certain eligibility criteria. A provision was made as at 31 March 2011 of £4.2million (2009-10 £43.3 million) in respect of claim forms received but not yet processed. A subsequent review revealed that approximately £39.0 million of the 2009-10 provision was not required and has therefore been written back.

h. Following Judicial Review on 23 June 2010 the High Court decided that the Department did not have a right to recover debt during the moratorium period of a Debt Relief Order (DRO). The Court therefore ordered the Department to repay the amounts deducted from benefits.

On 13 April 2011, the Supreme Court granted permission to appeal. Should the Department lose the appeal, refunds will have to be made to those customers subject to DRO's where recovery had been made during the moratorium period. It is estimated that refunds of approximately £2.2 million will be required. Further details are included in Note 40.

i. In June 2007, the Child Poverty Action Group (CPAG) challenged the practice of the Department to recover overpayments of benefit in cases where the overpayment arose due to "official error". The Department challenged initial rulings but, on 25 October 2010, the Supreme Court upheld the judgment that the Department has no right to recover overpayments arising due to official error, where the error arose pursuant to an award of benefit.

Approximately 42,000 cases are still to be investigated and refunds made where appropriate. The value of estimated refunds in relation to the remaining cases is approximately £3.74 million. Further disclosures are included in Note 40.

j. Home Responsibilities Protection (HRP). This provision represents the expected future costs of compensation costs arising from the HRP correction exercise. HRP was introduced in 1978 and reduces the number of qualifying years required in order to receive a full basic State Pension. A dedicated correction team is in place to correct historical HRP 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. During 2010-11, compensation of £6.7 million was paid with State Pension arrears of £63.0 million paid since the start of the correction exercise. In total, 271,007 of the 312,000 cases identified have now been reviewed, with an error rate of 7.6 per cent reported. It is estimated that the remaining cases, which are expected to be resolved during the year ending 31 March 2012, will result in compensation payments of £0.5 million and Programme arrears of £5.0 million. The estimates, based on the review of cases to date, are considered to be a reliable representation of outstanding cases.

k. Due to the nature of each of the provisions there is uncertainty over the actual amounts which will become payable.

(ii) Analysis of expected timing of discounted flows

	Early Departure Provision	Other Administration provisions	Programme provisions	Total
	£000	£000	£000	£000
Not later than one year	22,472	5,096	57,245	84,813
Later than one year and not later than five years	41,738	787	316,739	359,264
Later than five years	3,123	2,509	2,327,316	2,332,948
Balance at 31 March 2011	**67,333**	**8,392**	**2,701,300**	**2,777,025**

33. Pension liabilities

Provision for retired chairs of HSE

Provision has been made for retired chairs' pensions in HSE's accounts as if they were members of PCSPS. The current Chair receives a contribution towards a private pension and is not included in the provision.

The provision reflects the valuation made by the Government Actuaries Department (GAD) at 31 March 2011.

The results of the actuarial assessment are shown below:

	31 March 2011		31 March 2010		1 April 2009	
	£000	%	£000	%	£000	%
Financial assumptions*						
The RPI inflation rate assumptions		-		2.75		2.75
The CPI inflation rate assumptions		2.65				
The rate of increase in salaries		4.90		4.29		4.29
The rate of increase for pensions in payment and deferred pensions		2.65		2.75		2.75
The rate used to discount scheme liabilities		5.60		4.60		6.04
Amounts charged to Statement of Comprehensive Net Expenditure						
The current service cost (net of employee contributions)	-		-		-	
Any past service costs	(128)		-		-	
Interest cost	59		67		70	
	(69)		**67**		**70**	
Actuarial gains and losses during year:						
Experience losses (gains)	18		52		(42)	(3.7)
Effect of changes in assumptions underlying the present value of the scheme's liabilities	(71)		251		(105)	-
Total actuarial losses (gains)	**(53)**		**303**		**(147)**	
Liability						
Deferreds	-		-		-	
Pensioners and dependant pensioners	1,235		1,434		1,140	
Total present value of the scheme liabilities	**1,235**		**1,434**		**1,140**	

*Amounts are expressed as a percentage of the present value of the scheme liabilities as at the Statement of Financial Position date.

The past service and interest cost elements are a charge to HSE expenditure. Actuarial gains and losses since 1 April 2005 have been as follows:

	(Gain)/ loss £'000
Year to 31 March 2006	504
Year to 31 March 2007	157
Year to 31 March 2008	97
Year to 31 March 2009	(147)
Year to 31 March 2010	303
Year to 31 March 2011	(53)
Total actuarial loss	861

HSE complies with IAS 19 and used longevity assumptions based on appropriate life expectancies advised by GAD.

34. Capital commitments

Contracted capital commitments at 31 March and 1 April not otherwise included in these financial statements are set out in the table below.

	31 March 2011	31 March 2010	1 April 2009
	£000	£000	£000
Property, plant and equipment	13,290	36,288	29,346
Intangible assets	16,715	239	5,873
	30,005	**36,527**	**35,219**

35. Commitments under non- PFI leases

(i) Operating leases

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

	31 March 2011			Restated 31 March 2010		
	Land	Buildings	Other	Land	Buildings	Other
	£000	£000	£000	£000	£000	£000
Not later than 1 year	656	7,823	8,726	674	1,876	9,943
Later than 1 year and not later than 5 years	2,348	4,846	6,839	2,348	2,659	12,827
Later than 5 years	9,564	11,582	-	10,151	1,815	-
	12,568	**24,251**	**15,565**	**13,173**	**6,350**	**22,770**

	Restated 1 April 2009		
	Land	Buildings	Other
	£000	£000	£000
Not later than 1 year	670	1,075	10,287
Later than 1 year and not later than 5 years	2,348	2,901	15,016
Later than 5 years	10,738	8,473	-
	13,756	**12,449**	**25,303**

Details of the most significant contracts assessed under IAS 17 *Leases* and determined as operating leases are provided below.

Photocopiers

The Department has a contract in place with Ricoh UK Ltd for the use and maintenance of photocopiers over a three year rental period. Throughout 2010-11 photocopiers have been replaced with multi-function devices on a rolling basis, within the Sustainable Print Services (SPS) Project. The contract with Ricoh UK Ltd was temporarily extended to cover the rollout period. The figures included above reflect the reduced commitments as photocopiers are removed from the estate. The SPS rollout was completed in May 2011 with a Project completion date of 26 May 2011. It is anticipated that all remaining costs associated with the Ricoh UK Ltd contract will be brought to account by July 2011.

Fleet contract

The Department has a contract with Inchcape for the use and associated maintenance of motor vehicles which has been assessed under IAS 17 *Leases* and determined as an operating lease. The contract covers a period of five years until August 2012.

(ii) Finance leases

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

	31 March 2011		31 March 2010		Restated 1 April 2009	
	Buildings	**Other**	**Buildings**	**Other**	**Buildings**	**Other**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Gross liabilities						
Not later than 1 year	8,206	37,673	8,206	41,881	8,256	46,828
Later than 1 year and not later than 5 years	32,825	31,620	32,825	49,281	33,025	56,313
Later than 5 years	142,525	-	150,731	-	159,628	-
Total gross liabilities	**183,556**	**69,293**	**191,762**	**91,162**	**200,909**	**103,141**
Less: interest element	(106,571)	(4,659)	(112,727)	(7,215)	(119,534)	(7,690)
Present value of obligations	**76,985**	**64,634**	**79,035**	**83,947**	**81,375**	**95,451**

	31 March 2011		31 March 2010		Restated 1 April 2009	
	Buildings	**Other**	**Buildings**	**Other**	**Buildings**	**Other**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Present value of obligations						
Not later than 1 year	2,243	34,936	2,079	37,801	1,936	41,853
Later than 1 year and not later than 5 years	10,890	29,698	22,732	46,146	23,581	53,598
Later than 5 years	63,852	-	54,224	-	55,858	-
	76,985	**64,634**	**79,035**	**83,947**	**81,375**	**95,451**

The transactions arising out of the following significant arrangements have been assessed under IFRIC 4 *Determining whether an Arrangement contains a Lease* and IAS 17 *Leases* and have been accounted for in accordance with the *FReM*. Related assets are recognised as non-current assets in the Statement of Financial Position and the liability to pay for these assets is accounted for as a finance lease. Contract payments are attributable to either the service charge element or the capital repayment and interest element of the contract.

Newcastle Estates accommodation

The Department entered into an arrangement for the provision of accommodation on the Newcastle Estate from 1 April 1999. The arrangement has been effected via a Memorandum of Terms of Occupation (MOTO) between HM Revenue and Customs and the Department which governs the shared occupation of the Estate until expiry in 2029. The agreement been assessed against IFRIC 12 and IAS 17 and it has been determined that the terms of occupation of the buildings constitute a finance lease. As such, the share of the buildings occupied by the Department is therefore recognised as non-current assets in the Statement of Financial Position in accordance with IFRIC 12 which, according to the guidance, takes priority. IFRIC 12 is met essentially because DWP and HMRC are treated as one for the purposes of assessment and, in reality, the Department has control over its continued occupation of the properties.

Occupation of the land was determined, in accordance with IAS17, to constitute an operating lease. Commitments in respect of land are therefore included within the operating lease table in section (i) of this note.

TREDSS

The Department has a contract with Hewlett Packard Enterprise Services (HPES - formerly EDS) for the provision of a wide range of IT hardware, software and associated maintenance services. The contract commenced in August 2005 to run for an initial period of five years with options to extend (see Note 37). The contract consists of five towers: Desktop Services, Hosting Services, Application Development, Application Maintenance and Support, and Service Integration and Management (SIAM). The Department is of the opinion that certain assets used to deliver services within the Desktop and Hosting towers should be recognised in the Statement of Financial Position and the related liability accounted for as a finance lease under IAS 17 *Leases*.

Integrated Communications Network Services (ICONS)

The Department has a contract with BT Global Services for its fully serviced IT and telephony network. The contract commenced on 1 October 2005 and continued until 31 March 2011. This was extended in February 2010 to run until March 2014. The Department is of the opinion that the contract meets the definition of a service concession and therefore certain assets are recognised in the Statement of Financial Position.

Sustainable Print Project

The Department entered into a contract with Xerox for the supply of multi-function devices that replaced the current photocopiers and printers in place across the Department on a rolling basis by 26 May 2011. The contract runs from January 2010 until the end of June 2014. The Department has determined that the multi-function devices are to be recognised as non-current assets in the Statement of Financial Position.

36. Commitments under PFI contracts and other service concession arrangements

(i) On-Statement of Financial Position

Private sector Resource Management of the Estate (PRIME)

The Department has a PFI Partnership Agreement under which the former Department of Social Security transferred ownership and management of its estate to a private sector partner, in exchange for the provision of fully serviced accommodation. The contract runs from 1 April 1998 to 31 March 2018. The arrangement was expanded in December 2003 when the former Employment Services Estate was also transferred to the private sector partner.

The transactions arising out of this contract have been assessed under IFRIC 12 *Service Concession Arrangements* and have been accounted for in accordance with the *FReM*. As the balance of control of the PFI property is borne by the Department, rather than the PFI provider, Telereal Trillium, the land and buildings provided under the contract are recognised as non-current assets in the Statement of Financial Position and the liability to pay for these assets is accounted for as a finance lease. Contract payments are attributable to either the service charge element or the capital repayment and interest element of the contract.

HSE Merseyside Headquarters – Redgrave Court

Health & Safety Executive (HSE) has signed a 30 year contract with Kajima Development (Bootle Accommodation Partnerships) Ltd for the provision of fully serviced accommodation in Bootle, Merseyside. The contract runs from May 2005 to May 2035. The transactions arising out of this contract have been accounted for in accordance with the *FReM* and as the balance of risks and rewards of ownership of the PFI property is borne by HSE, rather than the PFI provider, the buildings are recognised as non-current assets on HSE's Statement of Financial Position and the liability to pay for these assets is accounted for as a finance lease. Contract payments are therefore attributable to either the service charge element or the capital repayment and interest element of the contract.

HSL accommodation

With effect from 28 October 2004, Health and Safety Laboratories (HSL) took occupation of serviced accommodation for laboratory and support functions provided under a 32 years and 29 weeks term, ‘design, build, finance and operate’ contract with Investors in the Community (Buxton)(ICB) Ltd, 2 years and 29 weeks being the design and build period prior to occupation. As part of the PFI contract, HSL disposed of all the land and buildings at the Sheffield site to ICB Ltd, and their fair value of £4.6 million, as determined by the contract, has been accounted for as a contribution towards the capital repayment element of the contract at the commencement of the PFI contract occupation period.

The transactions arising out of this contract have been accounted for in accordance with the *FReM*. As the balance of risks and rewards of ownership of the PFI property is borne by HSL, rather than the PFI provider, ICB Ltd, the buildings and furniture provided under the contract are recognised as non-current assets on HSL’s Statement of Financial Position and the liability to pay for these assets is accounted for as a finance lease. Contract payments are attributable to either the service charge element or the capital repayment and interest element of the contract.

HSE IT services

HSE has streamlined the management of its IT service by placing all of its IT services with a single strategic partner who has responsibility for delivery and end-to-end service. In June 2001, HSE signed a ten-year contract with a partner (LogicaCMG with Computacenter as the key subcontractor) for the provision of information and communications technology (ICT) and information strategy (IS) service across all HSE sites and to all HSE users. The contract term commenced 17 October 2001. HSE is seeking to re-tender these services in accordance with the current Central Government Procurement processes. The transactions arising out of this contract have been accounted for in accordance with the *FReM* and as the balance of risks and rewards under the contract is borne by HSE the assets are recognised on HSE’s Statement of Financial Position and the liability to pay for these assets is accounted for as a finance lease. Contract payments are attributable to either the service charge element or the capital repayment and interest element of the contract.

Imputed finance lease obligations under on-Statement of Financial Position PFI contracts

Total obligations under on-Statement of Financial Position PFI contracts for the following periods comprise:

	31 March 2011	31 March 2010	Restated 1 April 2009
	£000	£000	£000
Not later than 1 year	146,783	149,359	147,340
Later than 1 year and not later than 5 years	587,342	597,505	589,641
Later than 5 years	477,251	631,904	773,538
Total gross obligations	**1,211,376**	**1,378,768**	**1,510,519**
Less interest element	(304,211)	(358,412)	(413,214)
Present value of obligations	**907,165**	**1,020,356**	**1,097,305**

	31 March 2011	31 March 2010	Restated 1 April 2009
	£000	£000	£000
Present value of obligations			
Not later than 1 year	99,472	96,297	89,659
Later than 1 year and not later than 5 years	474,375	459,114	430,422
Later than 5 years	333,318	464,945	577,224
	907,165	**1,020,356**	**1,097,305**

(ii) Off-Statement of Financial Position

The Department does not have any off-Statement of Financial Position PFI arrangements in place.

(iii) Charge to the Statement of Comprehensive Net Expenditure and future commitments

Contingent rent is included of £44.3 million (2009 -10 £34.6 million). The contingent rent figures as at the 31 March are based on a 5 per cent per annum increase of the 31 March 2010 rental figure as the rental payments within the PRIME lease contract are linked to the RPI.

37. Other financial commitments

The Department has entered into the following non-cancellable contracts (which are not leases or PFI contracts).

TREDSS

The Department has a contract with Hewlett Packard Enterprise Services for the provision of a wide range of IT hardware, software and associated maintenance services. The contract consists of five towers: Desktop Services, Hosting Services, Application Development, Application Maintenance and Support, and Systems Integration and Management. The contract commenced in August 2005 to run for a period of five years with options to extend.

The following extensions to the contract have been agreed:
- Hosting Services to 2015
- Service Integration and Management to February 2015
- Application Maintenance and Support to February 2016
- Application Development to February 2016.

The contract includes minimum income commitments. These commitments are disclosed below and are net of the implicit finance lease liabilities.

Other contracts

In addition to TREDSS, the Department also has other non-cancellable contracts which are included in the table below.

Future commitments

The payments to which the Department is committed are as follows:

	31 March 2011	Restated 31 March 2010	Restated 1 April 2009
	£000	£000	£000
Not later than 1 year	274,238	272,340	279,981
Later than 1 year and not later than 5 years	273,409	661,556	250,638
Later than five years	-	-	-
	547,647	**933,896**	**530,619**

38. Financial guarantees, indemnities and letters of comfort

Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees or indemnities or by giving letters of comfort. None of these are a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39.

Managing Public Money requires that the full potential costs of such contracts be reported to Parliament. These costs are reproduced in the table below.

	1 April 2010	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2011	Amount reported to Parliament by Departmental Minute
	£000	£000	£000	£000	£000	£000
Guarantees	-	-	-	-	-	-
Indemnities	-	-	-	-	-	-
Intentions to proceed	-	-	-	-	-	-
Letters of comfort and Letters of intent	42,210	2,445	-	42,330	2,325	-
	42,210	**2,445**	**-**	**42,330**	**2,325**	**-**

Explanation of movements

The items comprising these figures are reported as Contingent Liabilities for internal reporting purposes only and refer to instances where commercial cover has been provided to a supplier prior to contract signature. They have arisen within the normal course of business.

Prior to contract signature, a common instrument used by the Department to provide commercial cover to a supplier for work to proceed is a Letter of Comfort (LOC). When the contract is subsequently signed, the LOC is superseded by the contract and the LOC lapses. This was the case with all such LOCs that ended during 2010-11, which have been categorised above as Obligations expired in year. Had contracts not been signed, the Department would have been required to pay the supplier concerned under the appropriate LOC, in which case the liability would be said to have crystallised. This did not occur in any instance.

As at the 31st March 2011 there are a number of LOC in place. There are three new LOC at 31 March 2011 for CMEC. Two are with Experian and one is with Vertex Data Science Limited.

The first Experian LOC was issued on 11 March 2011. It agreed to pay for some work that Experian had carried out at risk before a contract to build and operate a credit referencing interface was signed, and provided cover of up to £50k for further work to be carried out whilst the final terms of the contract were negotiated. The total value of the LOC was £224k.

The second Experian letter was issued on 24 March 2011. It had come to light during March that the licence agreement to use Experian's 'Tallyman' product may have been breached, as a result of more cases than had been anticipated having been loaded. CMEC issued a LOC to cover incremental licence costs up to 31 March 2011 of £130k plus ongoing maintenance costs of £20k, whilst the position was investigated by both parties.

The Vertex LOC was for £1.951 million. It provided cover for Vertex to continue offering its standard service to CMEC whilst the final details of a new contract were agreed; the contract to process CMEC's clerical cases was tendered in early 2011 and Vertex, the incumbent supplier, was the successful bidder. The old contract expired on 31 March 2011; the letter of comfort covers the month of April 2011.

The Xerox LOC for £120k was issued during 2010-11 and expired during 2010-11. Its purpose was to provide Xerox with a guarantee of payment in the event of their having to perform preliminary work on CMEC's future scanning and storage solution. In the event, the work was not required.

There were no liabilities reported to Parliament during the course of the year as all contingent liabilities arose during the normal course of business and hence there was no requirement for these to be reported.

39. Contingent liabilities disclosed under IAS 37

Remploy Limited

The Secretary of State for Work and Pensions has given formal guarantee in respect of Remploy Limited, an Executive Non-Departmental Public Body. In the event of Remploy Limited becoming insolvent, the Secretary of State has agreed to pay Remploy Limited a sum equal to any and all of its remaining debts for example the excess of its liabilities over and above the proceeds from realisation of its assets. In addition to this guarantee over Remploy's net liabilities, the Department also guarantees to cover any shortfall in its pension provision.

European Social Fund (ESF) repayments

As Managing Authority of the European Social Fund (ESF) in England and Gibraltar, the Department has a potential liability in respect of ineligible claims for ESF programmes. The Department has included an impairment provision of £9.5 million in its accounts against non-recovery of overpayment debt from specific ESF providers it contracted with in the 2000-06 ESF programme. The ESF Audit Authority produced a closure statement for each ESF 2000-06 programme which assessed the standard of financial management and control and the underlying level of error. All financial liabilities associated with those closure statements, which amounted to £32.4 million, have been repaid during 2010-11. However, the programmes have not yet been formally closed by the European Commission (EC) so there is a residual risk of additional financial corrections. Additional liabilities are not anticipated by the Department although the likelihood and possible magnitude of the risk cannot be assessed with any certainty.

There is no provision in the Department's accounts to cover financial corrections or unrecoverable ineligible expenditure in the 2007-13 ESF programme. The Audit Authority produces an annual control report and opinion for the EC. The opinion is largely based on the amount of error found during checks of claims submitted by the Managing Authority to the EC over a calendar year. If this exceeds the EC's defined 2 per cent tolerable error the opinion is likely to be qualified, with the risk that the EC would impose a financial correction, which may not be recoverable. The 2010 annual opinion was unqualified but it is possible that future years may be qualified.

Due to the complexity of European Regulations governing ESF there is an ongoing risk that unforeseen liabilities could arise in future which cannot be recovered by the Department. The risk and amount of any unforeseen future liabilities cannot be assessed with any degree of certainty at this stage.

European Social Fund

European Social Fund (ESF) grant enables Jobcentre Plus to add value or fund additional places to domestically funded projects. Grant claims are submitted through a local Government Office, which administers ESF on behalf of the European Community. The grant is based on payments to contracted providers. Shortfalls arise if a grant cannot be claimed on expenditure incurred. If this expenditure cannot be recovered from the provider, the Department incurs the cost. Because of the timescales involved for deriving any such shortfalls, specific amounts cannot be ascertained.

Financial Assistance Scheme (FAS)

In December 2007, the Government announced its intention for the Financial Assistance Scheme to take over payments of some fully funded pensions and other associated benefits in qualifying schemes and, in return, to take the assets of those pension schemes into Government (the FAS Review of Assets estimated the value of these assets to be £1.7 billion).

Further regulations came into force on 2 April 2010 which enables the transfer of assets, remaining in FAS qualifying schemes, to Government. As a result, the liabilities associated with FAS will increase as the assets transfer from individual schemes to Government. The provision (note 32) has increased by £49.5 million for liabilities associated with the assets transferred in 2010-11.

Bridge Trustees

The Imperial Home Décor Pension Scheme offered both final salary and 'cash balance' benefits to members with notional interest added annually to each members 'pot', the value of which was guaranteed. The rate of member’s pensions was determined by the application of actuarial factors.

As the scheme was in substantial deficit the Trustees sought a direction as to the statutory priority order to be applied on winding up, specifically in relation to the definition of "money purchase benefits" in s181 of the Pension Schemes Act 1993.

The Department challenged the judgment in the Court of Appeal considering it to be not in accordance with the Department’s interpretation of relevant legislation. The Supreme Court hearing took place in June 2011 with judgment expected several months later.

The Department has agreed to indemnify the costs of two out of the three Respondents in the appeal proceedings, the estimated cost of which is £500,000 - £600,000.

Vaccine Damage Payments

Important changes to the Vaccine Damage Payments Scheme came into force on 16 June 2002. The level of disablement that is defined as severe was reduced from 80 per cent to 60 per cent and the period of time during which a claim can be made was extended.

These changes mean that some people who have been disallowed in the past may be able to make another claim under these new rules. These further claims had to be received by 16 June 2005 and 399 claims were received by this deadline. Of these, 310 still have the right to request an appeal any time in the future should they wish to do so.

Currently there are approximately 3,100 Vaccine Damage Payment claims (including those detailed above) which have existing appeal rights. As there is no time limit for requesting Vaccine Damage Payment Appeals there is no means of establishing if, or when, these appeal rights may be exercised. It is therefore not currently possible to estimate the value or success of these claims and so no provision has been made in these accounts.

Incorrect payment of Disability Living Allowance or Attendance Allowance

During 2010, the Agency identified 40,000 customers in receipt of both Disability Living Allowance (DLA) or Attendance Allowance (AA) and State Pension where the potential existed for an incorrect combined payment (i.e. where a single payment is made for both benefits) to be in payment. Results from a small pilot involving 500 customers indicated that further investigation of remaining cases was required with payment errors expected in approximately 57 per cent of cases, resulting in underpayments, overpayments and special payments.

These errors occurred due to a breakdown in communication between Pension Centres and Disability Centres and, in particular, reliance on a clerical combined payment notification process. Steps have been taken to rectify the weaknesses.

The pilot exercise, undertaken during 2010 corrected a small sample of the incorrect cases, for which agreement was obtained from HMRC. This resulted in arrears payments to 191 customers of £1.2 million, together with £90,143 of special payments. In addition, programme losses of £372,854 were reported. In March 2011 Ministers agreed that the remaining cases should also be reviewed and corrected where appropriate. Updated analysis suggests that 34,886 cases remain outstanding.

Based on such a small sample, it is not possible to accurately estimate the total benefit arrears, potential overpayments, resulting compensation payments and interest to be payable in the future, due to the significant element of uncertainty at this early stage of the correction exercise.

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.

Additional Pension Exercise

Following work done to correct erroneous up-rating of Guaranteed Minimum Pensions (GMP) in public sector schemes, HM Revenue and Customs have requested further checks on cases suspected of having further errors in the calculation of GMP. It is estimated from scans produced that 256,000 customer records could be affected and initial analysis of approximately 3,000 cases has shown 5 scenarios where the error rate increased from an initial average 3 per cent to 30 per cent. Correction activity will initially focus on the 5 scenarios more prone to overpayment error.

The project will be monitoring results to ensure that the current targeted approach will be continually verified and refined where possible; therefore, the percentage of cases prone to error is subject to change.

The size of the Additional Pension caseload and the initial estimates of the monetary value of error prompted a review of all cases identified. The review started in August 2010. During 2010-11, special payments were made to customers totalling £2.5 million.

Again, it is not possible to accurately estimate the amounts payable in the future due to inconsistency within the population causing a significant element of uncertainty at this early stage of the correction exercise.

DLA Exportability

A decision made on 18 October 2007 by the European Court of Justice means that certain UK disability benefits are considered to be sickness benefits and consequently will be paid to some people who leave the UK to live in another European Economic Area (EEA) state or Switzerland providing they meet certain eligibility criteria. A provision was originally created during 2009-10. During 2010-11 1,268 claims have been received and it is calculated that a provision for £4.2 million is appropriate to cover cases where individuals who have met the eligibility criteria have submitted a claim. However, the Department has no way of knowing at this stage how many potential customers will become eligible. Initial estimates suggest that the possible liability for individuals who have not yet submitted a claim could be in the order of £12.4 million, but there remains a significant element of uncertainly in respect of the number of invitees who may respond.

Overpayments of Housing Benefit/Council Tax benefit from State Pension Correction Exercise

The Pension Disability and Carers Service has identified errors in payments of Home Responsibilities Protection (HRP) and Additional Pension payments. As a result of the failure by the Department to record HRP and Additional Pension payments correctly there has been an underpayment of State Pension.

For Housing Benefit (HB) and Council Tax Benefit (CTB) assessment purposes, the customer's income calculation excluded the correct State Pension element and was assessed at a lower level, thereby understating income. As a direct result of the error in State Pension, HB/CTB has been calculated at higher levels than the customers should actually have been entitled to, thereby resulting in a retrospective overpayment of HB/CTB, at the point the State Pension underpayment is corrected through the payment of arrears. These overpayments are irrecoverable under the prevailing legislation.

The Department estimates that the total number of State Pension underpayment cases impacting HB/CTB is in the region of 6,400. The total value of HB/CTB losses is estimated to be in the order of £17–18 million.

Lump sum compensation payments in respect of pneumoconiosis and certain other dust related diseases

The Department was accountable for lump sum compensation payments in relation to pneumoconiosis and certain other dust related diseases.

Payments due under the Pneumoconiosis etc. (Workers' Compensation) Act 1979 compensate those suffering from certain dust diseases where, at the time of submitting their claim to the scheme, they are unable to claim compensation by way of civil action in the courts. Award of Industrial Injuries Disablement Benefit (IIDB) is a precondition for payments to all sufferers and most dependants under this scheme.

Compensation payments due under the Child Maintenance and Other Payments Act 2008 are made through the Mesothelioma Scheme (2008). This scheme was introduced on 1 October 2008 and compensates sufferers from mesothelioma who are not eligible for help from the 1979 Act. Payments made under this scheme are financed by recovery from civil damages paid to sufferers claiming under both schemes, and the expectation is that the net cost of this scheme to the Department will be £nil.

The diseases covered by both schemes have a long latency period which makes the number of years over which claims will continue to be made unclear. No reliable estimate of the financial effect can therefore be given.

Personal injury claim

The Health and Safety executive (HSE) is currently defending a claim for personal injury concerning a past employee who claims to have contracted mesothelioma as a result of his employment with HSE.

Compensation claims

The Department has contingent liabilities arising from possible compensation payments that may become due as a result of compensation claims against the Department by staff and members of the public. Claims relate to employment tribunal, personal injury and Civil Service Appeals Board cases. There is significant uncertainty surrounding the estimated liability and the timing of payments, which can fluctuate based on various factors such as medical evidence received, witness statements and whether claims proceed to trial or are settled early.

Bearer connection charges

A contingent liability exists in respect of bearer connection charges incurred by British Telecom. These costs will only become payable by the Department if a site closes within three years of connection. At 31 March 2011 the total potential liability is £543,169.

Fujitsu contract

The Department terminated its desktop contract with Fujitsu on 11th March 2011. Discussions with Fujitsu are on-going, and the Department has not disclosed the information usually required by IAS 37 because the Department believes that to do so would seriously prejudice the outcome of these discussions.

Employment programmes

During the year the Department terminated contracts with providers in respect of the Flexible New Deal programme. The Department has recognised in the accounts its best estimate of the known termination costs, but there may be additional costs arising from the termination that cannot yet be measured with any certainty.

40. Losses and special payments

(i) Summary of losses and special payments

Losses	2010-11		2009-10	
	£000	Cases	£000	Cases
Benefit related losses				
Vote				
Fraud	408	33	943	1,142
Specific benefit losses	1,951	59,357	5,003	83,016
General losses	261,292	1,097,126	224,484	1,060,287
Missing payments	691	7,573	1,731	-
National Insurance Fund				
Fraud	122	8	64	47
Specific benefit losses	18,966	10,747	-	-
Missing payments	171	1,584	489	-
Other general losses	50,510	267,889	54,967	330,590
Social Fund				
Funeral payments	41,723	33,952	85,344	69,316
Irrecoverable overpayments/loans	2,476	11,732	2,079	20,902
Other general losses	30	109	27	131
European Social Fund	37,667	14	-	-
Housing Benefit				
Housing Benefit/Council Tax Benefit	5,590	208	2,744	120
Fraud	-	-	75	78
Total benefit related losses	**421,597**	**1,490,332**	**377,950**	**1,565,629**
Administration losses				
Cash losses	18,453	39,592	33,875	105,191
Claims waived or abandoned	199	211	541	160
Stores losses	1,238	1,342	1,727	1,645
Fruitless payments	89,520	46	6	24
Constructive losses	29,511	24	-	-
Losses from failure to make adequate charges	4,110	10	-	-
Other Losses	-	-	5,386	28
Total administration losses	**143,031**	**41,225**	**41,535**	**107,048**
Total Losses	**564,628**	**1,531,557**	**419,485**	**1,672,677**

Special Payments	2010-11		2009-10	
	£000	Cases	£000	Cases
Benefit related Special Payments				
Extra-statutory payments	27	1	264	1
Administration Special Payments				
Payments to staff & members of the public	25,842	57,990	18,648	54,202
Total Special Payments	**25,869**	**57,991**	**18,912**	**54,203**

(ii) Benefit related losses statement

Details of cases over £250,000	2010-11 £000	2009-10 £000
General losses		
General Losses are cash losses, mainly due to non recoverable overpayments of benefit which are written off during the year, as well as other losses to the Department where monies cannot be recovered and are therefore written off.		
The overall General Losses for Contributory / Non Contributory benefits for 2010-2011 amounts to £311.8 million, an increase of £32 million over 2009-2010 figures.		
This increase can be attributed to the Supreme Court ruling that some Official Error debts were irrecoverable. The Department has utilised additional resources in identifying and writing off outstanding debts within the accounts.	311,832	279,478
Organised & serious fraud under £250,000		
A national team of specialised officers within the Fraud Investigation Service conducts investigations into organised and systematic abuse of the benefits system. For 2010-11, data has been collected in the Fraud Referral and Information Management System, which replaced manual returns in 2009-10. This system does not hold complete losses data and therefore the amounts cannot accurately be quantified for disclosure purposes.	-	407
DLA or AA in payment with no live claim		
Following a thorough review of data matching activities by the Pensions, Disability and Carers Service, a control weakness was identified in the interface between the former Disability and Carers and the Pensions computer systems. This resulted in customers being paid Disability Living Allowance (DLA) or Attendance Allowance (AA) combined with their State Pension, yet no live claim for DLA or AA was held. Clerical records held have been used to establish why entitlement should have ended and from what date. This exercise has now been completed with £942,070 recorded as a loss.	942	910
Incorrect payment of Disability Living Allowance or Attendance Allowance		
During 2010, PDCS completed a review of customers in receipt of both Disability Living Allowance (DLA) or Attendance Allowance (AA) and State Pension, which identified in some cases an incorrect combined payment (i.e. where a single payment is made for both benefits). In respect of the cases now corrected, 191 customers had been underpaid, resulting in arrears of £1,228,577. In addition, special payments to customers of £90,143 were paid out in 180 cases. Programme losses in respect of overpayments on 96 cases amount to £372,854.		
Work is now expected to commence on the main exercise which will examine the remaining 34,886 cases.	373	-
Widows Benefit		
An error has occurred in the calculation of some Widow's Benefit cases where a woman has chosen to receive Widow's Benefit beyond state pension age and Guaranteed Minimum Pension has not been deducted. During 2010-11 975		

overpayments were identified totalling £2.3 million.	2,360	-
Notional State Pension		
An exercise commenced in 2006 to invite customers to claim State Pension who had not been previously invited. Some 172,000 customers were identified as being in receipt of Pension Credit but not State Pension. Work started at Walsall Pension Centre to invite these customers to claim State Pension. The awards of State Pension have resulted in changes in Pension Credit and subsequent overpayments of £1.7 million for 2010-11 & £2.6 million for 2009-10 have been recorded.	4,321	-
Additional Pension Exercise		
Following work by both HM Revenue and Customs and Pensions Disability and Carers Service it was identified that a number of State Pension cases were incorrect due to an error in calculation. As a result of the exercise, overpayments of State Pension amounting to £12.3 million have been identified and recorded as a loss.	12,285	-
Internal fraud		
Investigations into suspected frauds or abuse by staff are conducted by a dedicated national team within the Department's Risk Assurance Division. In 2010-11 42 investigations were completed that involved a loss to public funds of £529,770.	530	675
Duplicate Christmas Bonus		
Duplicate Christmas Bonus payments arise because, although a customer can qualify for only one Christmas Bonus payment each year, more than one benefit system may generate that payment. The design of any future benefit systems should prevent duplicate payments.	636	679
Missing dispatches		
There are instances of cheques claimed by Post Offices as being cashed, which are not received at Santander. The value of these "missing dispatches" is allowed pending investigations by both the Post Office and Santander. Following these investigations, those cheques treated as encashments are reported as "Post Office Losses." Any cheques previously settled as "Post Office Losses" but subsequently received at Santander are offset against the existing "Post Office Losses" balance.	683	1,957
Housing and related benefits		
The Secretary of State, in accordance with provision in section 140C (3) of the Social Security Administration Act 1992, may exercise his discretion in deciding as to whether, and if so, how much of Housing Benefit and Council Tax Benefit (HB/CTB) overpaid subsidies to recover from local authorities. In the exercise of his discretion the Secretary of State has, in relation to 208 local authorities, decided to waive recovery of overpaid HB/CTB subsidy estimated at £5,589,965 in respect of subsidy claims from 2005-06 to 2008-09 inclusive.	5,590	2,744
Social Fund		
Recoverable loans impracticable to pursue (volume 5,652)	1,333	1,629

Claims for recoverable funeral expenses abandoned due to insufficient estate (volume 20,092)	25,424	53,845
Claims for recoverable funeral expenses abandoned because they are impossible/unreasonable to pursue (volume 13,860)	16,299	31,499
Losses due to irrecoverable overpayments (non loans) recorded during the year (volume 6,080)	1,143	450
ESF Losses from 2000-06 Programme		
The Department is co-financing organisation for the European Social Fund (ESF), administering the fund on behalf of the Managing Authority.		
In December 2009 the reconciliations of the ESF for the 2000-06 programme revealed that the level of disallowed payments made by the Department on behalf of the Managing Authority was £4.95 million. This sum was written off in 2009-10. A subsequent reconciliation of debtor balances in December 2010 revealed a further sum of £323,000 relating to the ESF 2000-06 programme that had gone undetected in the previous year. This has been written off in 2010-11.		
The ESF Audit Authority has produced a closure statement for each ESF 2000-06 programme which assessed the standard of financial management and control and the underlying level of error. During 2010-11, the Department paid £32.4 million in respect of these closures and approval has been received from HM Treasury to record these amounts as a loss.		
A new programme under the European Social Fund, the 2007-13 programme, is now in operation and governance of this programme has been tightened to prevent a recurrence of similar incidents. The fund is fully reconciled on a monthly basis to ensure erroneous items are identified and removed and documentation relating to the fund is maintained centrally by a dedicated team in the Department.	37,667	-

(iii) Administration related losses statement

Details of cases over £250,000	**2010-11** **£000**	**2009-10** **£000**
<u>Cash losses</u>		
Administration debt losses		
During 2010-11 the Department has completed a review of administration debt related to overpayments made to employees or former employees. Activity to review each case was undertaken and information has been collated on an individual case basis. There are also a number of other small administration debt balances identified during the course of the year that require to be written off. The majority of these balances are over one year old.		
As a result, the Department has identified 1,435 cases with a total value of £1.4 million that it is no longer able to pursue and for which it has received approval from HM Treasury for write-off.		
On an ongoing basis, the Department is to undertake a quarterly review of administration debt balances in order to identify any further required write-offs in order to notify and seek agreement from HM Treasury for write-off.	1,390	10,455

Overpayments for part-time staff		
HR Policy states that part-time individuals should claim payment up to conditioned hours i.e. a standard full-time working week at a flat rate before they can claim overtime. The Department has identified that a number of part-time staff have been overpaid as a result of underlying system and process flaws compounded by compliance issues. HM Treasury have been notified of these overpayments, estimated at a value of £1.6 million, which have been treated as an isolated write-off due to the prohibitive costs of collection. Existing processes have been strengthened ensuring no further incorrect claims and enhanced controls are in place to address any ongoing compliance issues.	1,623	-
Reimbursement of Child Maintenance overpayments		
Reimbursements arise where a non-resident parent has a change in circumstances which has been notified to the Child Maintenance and Enforcement Commission and a delay has occurred in implementing the new maintenance assessment, leading to an overpayment. In these circumstances, overpayments are not recovered from the parent with care but the Commission makes a refund to the non-resident parent. 15,251 cases amounting to £8.5 million occurred in 2010-11.	8,507	9,700
Mortgage Interest Direct scheme		
The Department administers a scheme to cover the cost of Mortgage Interest payments for individuals in receipt of certain state benefits. The cost of administering the scheme is recovered from the banks and building societies.		
A change to the process in 2006 resulted in data errors which prevented charges being matched to mortgage accounts. Small individual values (below £0.50 each) and high volumes (100,000 items per month) caused significant delays in the recovery of costs. Further investigation revealed that the Department and the financial institutions no longer held the necessary records to substantiate the amounts outstanding and related transactions. As a result, the Department has written off non-recoverable debts amounting to £221,266 following discussion with HM Treasury. Corrective action has now been taken to change the charging mechanism going forward to prevent a recurrence.	221	-
CFER overpayment		
A CFER overpayment in May 2010 for £2.6 million was written off in November 2010. The overpayment was not detected until after the 2009-10 accounts had been certified and was therefore not recoverable from HM Treasury.	2,600	-
Department of Health invoice write off		
The Department invoices the Department of Health for its occupation of Quarry House in Leeds. Due to errors made in processing remittances from Department of Health, two invoices totalling £260k were approved for write-off in 2010-11.	260	-

Loss of accountable stores		
Write down of publications		
The Health & Safety Executive incurred a loss of £390,000 due to the write down in value of priced publications.	390	-
Constructive losses		
Impairment of Newcastle Estate		
The Department also incurred an impairment loss of £5.6 million relating to an exercise to state the Newcastle Estates property assets at fair value, in accordance with professional valuation.	5,600	-
Impairment of pooled furniture, network assets, licences and decommissioning of project		
The Department has incurred a loss of £2.9 million in relation to: impairment of pooled furniture (£528,000); impairment of network assets (£573,000); decommissioning of the Customer Management Services project (£1.3 million) and impairment of licences (£500,000).	2,901	-
Impairment of CURAM licences		
Jobcentre Plus incurred a loss of £13.2 million in relation to CURAM software licences, after an impairment review identified that the licences were surplus to requirements. The loss represents the total original cost of the licences.	13,160	-
Closure of software development projects		
Jobcentre Plus incurred a loss of £7.3 million after a Cabinet Office review of all ICT initiatives resulted in the closure of 7 software development and enhancement projects. The loss represents the costs incurred on these projects up to 31 March 2011.	7,308	-
Fruitless payments		
Flexible New Deal accrual		
In September 2010 the Department cancelled a number of contracts with Flexible New Deal providers. This was a result of a decision to replace the Flexible New Deal Programme with the Work Programme. Under the terms of the Flexible New Deal contracts the Department is required to pay termination costs to providers who were not successful in bidding for the Work Programme contracts. These costs were mitigated as a number of providers were successful in bidding for the Work Programme contracts. The Department estimates that it will pay £89.34 million in exit costs to providers.	89,340	-
Losses arising from failure to make adequate charges		
VAT on legal services		
The Department has for several years provided legal services to the Department of Health (DH) and a number of other smaller bodies with current or historical links to DH. Following an internal audit review it was identified that invoices raised for these services had not included VAT when, in fact, standard		

rate VAT was chargeable. Following discussion with HM Revenue and Customs about time limits, the Department made a voluntary declaration and paid £4.1 million arrears to HM Revenue and Customs which represented four years of under-collected tax. Discussions are continuing with customer departments about whether they will repay the chargeable VAT. However, it is unlikely that this amount will be recovered.	4,110	-

(iv) Administration related Special Payments statement

Details of cases over £250,000	**2010-11**	**2009-10**
	£000	£000
Payments to staff & members of the public	25,842	18,648

Special Payments general

Treasury Guidance within Managing Public Money provides public sector organisations with direction and guidance on the role of special payments in seeking to provide remedy for maladministration.

Parliament makes no provision for special payments when voting money, nor has it put in place legislation governing special payments. As such there is no statutory framework for making such payments. Due to their exceptional nature, special payments are made on a discretionary, 'ex gratia' or 'extra-statutory' basis. This means that deciding whether to make a payment (in any case or situation) and, if so, how much is a matter of judgement. The Department has delegated authority to administer a special payments scheme.

There are three main special payment categories:

1. **Interest for delay:** Interest for delay may be payable in cases where delay amounted to, or resulted from, maladministration. Consideration can be given to special payments following delay in the payment of benefit and/or benefit arrears or in the award of qualifying benefit.

2. **Actual financial loss:** Actual financial loss can be considered where maladministration has resulted in an individual incurring additional expenditure or losing entitlement to benefit (loss of statutory entitlement).

3. **Consolatory payments**: ex gratia consolatory payment can be considered where the customer (or a third party) has suffered injustice or hardship arising from maladministration. Consolatory payments are considered regardless of whether or not any other form of financial redress has been/is to be made.

Special Exercises (Values included in the above figure but shown separately for information only):

Underpayments of Extra Amount for Severe Disability (EASD) Exercise

An exercise has been carried out to correct Pension Credit cases which should have been awarded an "extra amount for severe disability" (EASD) because Disability Living Allowance or Attendance Allowance is in payment. In total it was identified that £33.1 million was underpaid and £1.2 million was paid out in special payments to customers.	1,244	-

Home Responsibilities Protection Error Initiative		
An exercise commenced in July 2009 to correct State Pension awards for women and is due to be completed in July 2011. Work has continued throughout 2010-11 and some 271,007 cases had been reviewed as at 31 March 2011. Total compensation payments resulting from this exercise have been authorised in 23,130 cases and amount to £6.7 million.	6,742	-
Additional Pension Exercise		
Following work by both HM Revenue and Customs and Pensions Disability and Carers Service it has been identified that a number of State Pension cases are incorrect due to an error in calculation. As a result of the exercise, these customers are being awarded additional State Pension and compensation payments of £2,525,833 were made to 3,380 customers during 2010-11.	2,526	-
Deficiency Notices		
Customers who have not paid, or been credited with, enough National Insurance contributions to provide entitlement towards State Pension for any given year are invited to pay voluntary contributions in order to make up any deficiency. A special exercise has been ongoing to contact customers who were not contacted between 1996-97 and 2001-02, to invite them to consider paying voluntary contributions, providing them with the opportunity to improve their basic State Pension or qualify for the first time.		
This exercise was substantially complete by the end of March 2011, with 62 cases remaining. To date 500,624 customers were contacted, and following reviews of their payments, 104,181 customers have benefited, with State Pension Arrears of £26.2 million being paid out in 2010-11. In addition to this, additional interest payments of £4.4 million have also been paid to affected customers.	4,356	-
IIDB "Cohen" Exercise		
Following the Department's failure to apply a reinterpretation of the law following a commissioner's decision in the case of Cohen, an exercise was conducted to identify similar Industrial Injuries Disablement Benefit cases and provide redress.		
315 payments for interest authorised amounting to £833,192	833	-

(v) Other accountability issues

Details

Child Poverty Action Group Judicial Review

In June 2007, the Child Poverty Action Group (CPAG) challenged the practice of the Department to recover overpayments of benefit in cases where the overpayment arose due to "official error". The Department challenged initial rulings but, on 25 October 2010, the Supreme Court upheld the judgment that the Department has no right to recover overpayments arising due to official error, where the error arose pursuant to an award of benefit.

The Department ceased deductions in all cases where recovery was ongoing and refunded approximately £546,000 back to customers. A further 42,000 cases, where recoveries had previously been made but deductions were not ongoing, are still to be investigated and refunds made where appropriate. The value of estimated refunds in relation to the remaining cases is approximately £3.36 million.

Overpayment of Carer's Allowance following changes to NIRS2

Carer's Allowance customers under State Pension age are entitled to Class 1 National Insurance (NI) credits. At the end of the tax year the Carers Allowance Computer System sends details of the credits to the National Insurance and PAYE system (NPS), which updates the customers NI account. NPS then identifies any accounts where there are overlapping Credits and contributions from employment and notifies the Carer's Allowance Unit in DWP. Overlapping contributions could indicate that the customer has undeclared earnings over the level permitted when claiming Carer's Allowance. It was identified in 2007-08 that DWP were not being notified of all cases with overlapping credits. The process is now working effectively but there are a residual number of referrals for the tax years up to and including 2007-08 where work is underway to determine whether it is cost effective to undertake further action to identify if there are any potential recoverable overpayments.

Debt Relief Order – benefit debt

Following Judicial Review on 23 June 2010 the High Court decided that the Department did not have a right to recover debt during the moratorium period of a Debt Relief Order (DRO). The Court therefore ordered the Department to repay the amounts deducted from benefits. No new deductions were made on DRO cases, however under the terms of the stay granted pending appeal, the Department continued to recover from cases where deductions had already commenced but did not commence processing refunds. On 14 December 2010, the Court of Appeal upheld the original ruling. As a result, all ongoing deductions were ceased but a further stay was granted, in relation to the making of refunds, pending permission to appeal being granted by the Supreme Court.

On 13 April 2011, the Supreme Court granted permission to appeal. Since then the Supreme Court has also agreed to an expedited hearing. The hearing is expected to be listed within the next few months. Should the Department lose the appeal, refunds will have to be made to those customers subject to DRO's where recovery had been made during the moratorium period. It is estimated that refunds of approximately £2.5 million will be required.

Taxation payments to HMRC

An analysis of cases indicates that taxation on State Pension deferral cases has been incorrectly paid to HM Revenue and Customs. Duplicate payments to HMRC have arisen through an incorrect monthly accounting process causing prior year tax adjustments to be paid twice. Payments of deferred State Pension made to customers by the Department have been correctly paid.

Investigations into the error made have also identified a small number of customers whose tax notification could be affected because of a breakdown in the accounting and tax notification process between the Department and HMRC.

In March 2011 HMRC was notified of these issues and further work is now underway to resolve the duplicate payment and to review the information exchange that takes place between HMRC and the Department. The incorrect accounting process was corrected in January 2011. However, corrections are still required for payments made between April 2008 and January 2011. A process improvement plan is now in place to review and implement operational and functional enhancements required.

41. Related party transactions

The Department for Work and Pensions is the parent of The Pension, Disability and Carers Service, Jobcentre Plus, the Child Maintenance and Enforcement Commission and the Health and Safety Executive. It also sponsors the Pensions Regulator, the Office of the Pensions Ombudsman, the Pensions Advisory Service, the National Employment Savings Trust Corporation and Remploy Limited. The Department is also responsible for the Social Fund and the European Social Fund. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department has had a number of transactions with other government departments, other central government bodies, local authorities and some charitable organisations. Most of these transactions have been with Government Banking Services, Post Office Limited, the British Broadcasting Corporation, the Department of Health, the Northern Ireland Social Security Agency, the Ministry of Defence, HM Revenue and Customs, the Treasury Solicitor, the Department for Education and the Valuations Office Agency.

No Minister, Board member, key manager or other related party has undertaken any material transactions with the Department during the year.

42. Third-party assets

Some monies are held on behalf of third parties and relate to maintenance collected from non-resident parents and due to be paid to parents with care or the Secretary of State. These are not Departmental assets and are not included in these accounts but are accounted for in the Client Funds Account of the Child Maintenance and Enforcement Commission. The cash balance held at the reporting date is set out in the table below:

Statement of balances at 31 March and 1 April

	31 March 2011	31 March 2010	1 April 2009
	£000	£000	£000
CMEC Client Funds	16,832	16,255	17,431
	16,832	**16,255**	**17,431**

43. Incorrect payments

Background

The Department has a responsibility to pay customers the right benefits at the right time. Social Security legislation sets out the basis on which the Department calculates and pays benefits. The purpose of this legislation is to provide a regulatory framework within which we have to operate to provide support for those in need within society.

In many instances Parliament has targeted benefits to customers' needs and circumstances to ensure an efficient use of overall resources. However, this introduces complexity and an inherent risk of fraud and error which, as a consequence, results in incorrect payments being made in a minority of cases. This complexity has resulted in the Department administering over 27 benefits, at more than 300 different rates, at any one time. Despite these challenges, the Department correctly pays approximately 97 per cent of benefit expenditure.

Overall performance

The Department remains committed to reducing fraud and error in benefits. The latest figures show that the Department has experienced a slight increase in the value of benefit overpaid; the proportion has remained the same as 2009-10. The Department has set out the strategies to reduce fraud and error in the Annual Report. The joint DWP / HMRC fraud and error strategy published a Government commitment to reduce annual welfare fraud and error overpayments by over 25 per cent (or £1.4 billion, to which the Department will contribute £800m) by 2015[1], backed by an investment of £425m. The Department estimates an additional £400m in annual savings to be possible if HMRC's Real Time earnings Information system is implemented successfully.

The Department uses statistically valid, random sampling to estimate the overall level of fraud and error[2] with an acceptable precision. According to these estimates, fraud and error for 2010-11, resulting in overpayment of benefit, stands at 2.1 per cent (£3.3 billion) of benefit expenditure. Compared with 2000-01, when the Department was formed, this is down by around one third in percentage terms from 3.2 per cent[3]. This improvement has been achieved through a reduction in fraud from 2.1 per cent to 0.8 per cent, whilst customer error has increased slightly from 0.7 per cent to 0.8 per cent, and official error has increased from 0.4 per cent and currently stands at 0.5 per cent. The level of underpayments for 2010-11 is 0.8 per cent (£1.3 billion). By comparison underpayments were estimated at 0.7 per cent (£0.8 billion) in 2004-05, the first year of measurement. The Department's best estimates of the current levels of fraud and error in the benefits system are set out in Figures 1-4 below[4].

Figure 1: Estimated levels of overall fraud and error including confidence intervals

Estimated overpayments	Percentage 2010-11		Amount 2010-11		Percentage 2009-10		Amount 2009-10	
Overpayments								
Fraud	0.8%	(0.7, 1.1)	£1.2bn	(1.0, 1.6)	0.7%	(0.6,1.0)	£1.0bn	(0.8,1.4)
Customer Error	0.8%	(0.7, 1.0)	£1.2bn	(1.0, 1.6)	0.7%	(0.6,0.9)	£1.1bn	(0.8,1.4)
Official Error	0.5%	(0.4, 0.8)	£0.8bn	(0.7, 1.2)	0.7%	(0.6,1.0)	£1.1bn	(0.9,1.5)
Underpayments								
Fraud	0.0%	(0.0, 0.0)	£0.0bn	(0.0, 0.0)	0.0%	(0.0,0.0)	£0.0bn	(0.0,0.0)
Customer Error	0.6%	(0.3, 0.8)	£0.9bn	(0.5, 1.2)	0.5%	(0.3,0.9)	£0.8bn	(0.5,1.3)
Official Error	0.3%	(0.2, 0.4)	£0.4bn	(0.3, 0.6)	0.3%	(0.2,0.4)	£0.5bn	(0.4,0.6)
Total Overpayments	2.1%	(1.9, 2.5)	£3.3bn	(2.9, 3.8)	2.1%	(1.8,2.5)	£3.1bn	(2.7,3.8)
Total Underpayments	0.8%	(0.6, 1.1)	£1.3bn	(0.9, 1.7)	0.9%	(0.6,1.2)	£1.3bn	(0.9,1.8)
Total Expenditure			£153.6bn				£148.0bn	

Notes:

1. Source of 2009-10 data: Audited published 2009-10 Department for Work and Pensions Annual Report and Accounts.
2. Figures expressed as percentages (%) give the overpayments as a percentage of the benefit paid out in the year.
3. Rows and columns may not sum to totals due to rounding.
4. Approximate 95 per cent confidence intervals are given. These allow for non-sample error in periodically reviewed benefits and the additional uncertainty that comes from the use of older measurements.

[1] More details on how the strategy will be implemented can be found at http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/writev/668-i/fesdv6.pdf

[2] The Department defines **fraud** as those cases where customers deliberately claim money to which they are not entitled. It splits error into two categories: **customer error**, which occurs when customers provide inaccurate information and **official error** which occurs when officials process information incorrectly or fail to apply specific rules.

[3] Since 2000-01, DWP has improved its understanding of fraud and error and changes were implemented to ensure that the estimates better reflected the true level of fraud and error. These improvements make it more difficult to establish changes over time. Comparisons between estimates from 2005-06 onwards with the earlier estimates should be treated with caution, as part of the differences will be due to changes in method rather than a change in the level of fraud and error. Previous estimates can be found in the National Statistics reports at http://research.dwp.gov.uk/asd/asd2/index.php?page=fraud_error

[4] The preliminary 2009-10 estimates have been revised since the publication of the Resource Accounts for 2009-10 and have been replaced on the DWP statistics website by 2009-10 estimates covering the full year.

Figure 2: Comparison between income-related benefits (continuously measured)

Income-related benefits		Income Support		Jobseeker's Allowance		Pension Credit		Housing Benefit	
Expenditure	2010-11	£7.9bn		£4.5bn		£8.3bn		£21.6bn	
	2009-10	£8.5bn		£4.7bn		£8.2bn		£19.9bn	
Within which are estimated:									
Total overpayments	2010-11	4.4%	£350m	6.5%	£290m	6.0%	£500m	4.4%	£960m
	2009-10	5.7%	£480m	5.2%	£240m	4.4%	£360m	4.4%	£880m
Total underpayments	2010-11	1.1%	£90m	0.3%	£20m	2.1%	£180m	1.3%	£290m
	2009-10	1.2%	£100m	0.5%	£30m	1.9%	£150m	1.4%	£280m
Analysed between:									
Fraud overpayment	2010-11	2.4%	£190m	4.1%	£180m	2.3%	£190m	1.3%	£290m
	2009-10	2.8%	£240m	2.5%	£120m	1.0%	£90m	1.3%	£260m
Customer error overpayment	2010-11	1.1%	£90m	0.3%	£20m	1.7%	£140m	2.6%	£560m
	2009-10	1.5%	£120m	0.3%	£10m	1.6%	£130m	2.1%	£420m
Official error overpayment	2010-11	0.9%	£70m	2.1%	£100m	2.0%	£170m	0.5%	£110m
	2009-10	1.4%	£120m	2.3%	£110m	1.8%	£150m	1.0%	£200m

Notes:
1. Figures for the continuously measured benefits (Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit) are based on fraud and error National Statistics for the period covering October 2009 - September 2010 and benefit expenditure for 2010-11.
2. Rows and columns may not sum to totals due to rounding.

Figure 3: Comparison between contributory and disability benefits

Contributory & disability benefits		Contributory Incapacity Benefit		State Pension		Disability Disability Living Allowance	
Expenditure	2010-11	£5.6bn		£69.9bn		£12.0bn	
	2009-10	£6.2bn		£66.9bn		£11.5bn	
Within which are estimated:							
Total overpayment	2010-11	2.4%	£130m	0.1%	£100m	1.9%	£220m
	2009-10	3.3%	£200m	0.1%	£90m	1.9%	£220m
Total underpayment	2010-11	0.7%	£40m	0.1%	£100m	2.5%	£300m
	2009-10	0.9%	£60m	0.2%	£110m	2.5%	£290m
Analysed between:							
Fraud overpayment	2010-11	0.3%	£20m	0.0%	£0m	0.5%	£60m
	2009-10	0.5%	£30m	0.0%	£0m	0.5%	£60m
Customer error overpayment	2010-11	0.9%	£50m	0.1%	£60m	0.6%	£70m
	2009-10	0.7%	£40m	0.1%	£60m	0.6%	£70m
Official error overpayment	2010-11	1.2%	£70m	0.1%	£40m	0.8%	£90m
	2009-10	2.1%	£130m	0.1%	£30m	0.8%	£90m

Notes:
1. All Incapacity Benefit (IB) figures are taken from continuous measurement exercises for the period October 2009 to September 2010. IB continuous measurement commenced in 2008-09. Prior to this, IB customer error and fraud were last reviewed in 2000-01 via a National Benefit Review exercise, whereas official error exercises (i.e. Short-Term Benefit Reviews) have been carried out each year between 2000-01 and 2009-10. This is the last report in which IB will be continuously measured.
2. The 2005-06 State Pension pilot National Benefit Review identified around £30 million of overpayments due to non-notification of death to the International Pension Centre. These have been included as customer error in this table, although a small amount may be fraudulent.
3. Official error estimates for State Pension are derived from continuous measurement exercises in the period October 2009 - September 2010.

4. The 2004-05 Disability Living Allowance (DLA) National Benefit Review identified cases where the change in customer's needs had been so gradual that it would be unreasonable to expect them to know at which point their entitlement to DLA might have changed. These cases do not result in a recoverable overpayment as we cannot identify when the change occurred. Because legislation requires the Secretary of State to prove that entitlement to DLA is incorrect, rather than requiring the customer to inform us that their needs have changed, cases in this sub-category are legally correct. The difference between what customers in these cases are receiving in DLA and related premiums in other benefits and what they would receive if their benefit was reassessed was estimated to be around £0.6 billion (+/-£0.2 billion). This component is not included in the total above.
5. Rows and columns may not sum to totals due to rounding.
6. The change in the estimate of official error in Incapacity Benefit between 2009-10 and 2010-11 includes the effect of a change in guidance issued to those measuring fraud and error which was published in August 2009. This was the result of a clarification in the interpretation of the regulations to ensure the Department achieves regulatory compliance. It is not possible to quantify the effect of this change on the published estimates, although it is likely to be significant.

Figure 4: Level of fraud and error in other benefits:

Benefit	Expenditure 2010-11	Fraud & error 2010-11		Fraud & error 2009-10	
Carer's Allowance	£1.6bn	£90m	5.5%	£80m	5.5%
Instrument of Payment fraud	-	£0m	-	£10m	-
Interdependencies	-	£40m	-	£40m	-
Council Tax Benefit	£5.0bn	£200m	4.0%	£180m	3.8%
Other unreviewed	£17.2bn	£390m	2.3%	£350m	2.1%

Notes:
1. "Interdependencies" is an estimate of the knock-on effects of DLA overpayments on caring and disability premiums on income-related benefits, which depend on the rate of DLA in payment
2. The rate of fraud and error on unreviewed benefits has been estimated. Where suitable proxies exist, percentage-of-expenditure results from reviewed benefits that are similar are used. Where such proxies are not available the average of all measured benefits has been used.
3. The estimate of fraud and error in Council Tax Benefit (CTB) is based on the results of measurement of HB, adjusted to account for the greater proportion of pensioners in receipt of CTB.

Summary of current performance as set out in Figures 1-4

Overpayments

Compared with performance in 2009-10, the main changes in the estimates of fraud and error are noted below.

Improvements:

- Overall, official error overpayments decreased from 0.7 per cent to 0.5 per cent of benefit expenditure and the monetary value of official error decreased from £1.1 billion to £0.8 billion.

- Income Support experienced an overall decrease in overpayments to 4.4 per cent of benefit expenditure driven by decreases in fraud, customer and official error.

- Incapacity Benefit saw a decrease in overpayments to 2.4 per cent of benefit expenditure driven by a decrease in official error and also as a result of a change in guidance issued to those measuring fraud and error which was published in August 2009.

Areas for concern:

- Overall, the Department's estimate of overpaid benefits remained at 2.1 per cent of benefit expenditure but the monetary value of these overpayments increased from £3.1 billion to £3.3 billion.

- Fraud increased from 0.7 per cent to 0.8 per cent. The monetary value of fraud increased from £1.0 billion to £1.2 billion.

- Customer error increased from 0.7 per cent to 0.8 per cent. The monetary value of customer error increased from £1.1 billion to £1.2 billion.

- Jobseeker's Allowance experienced an overall increase in overpayments, from 5.2 per cent to 6.5 per cent of benefit expenditure. This increase was largely driven by an increase in fraud from 2.5 per cent to 4.1 per cent of benefit expenditure.

- Pension Credit saw an overall increase in overpayments, from 4.4 per cent to 6.0 per cent of benefit expenditure, caused mainly by an increase in fraud from 1.0 per cent to 2.3 per cent.

- The level of Housing Benefit overpayments remained at 4.4 per cent of expenditure but the monetary value of these overpayments increased from £880 million to £960 million.

Underpayments

Current overall performance shows that the level of underpayments has decreased from 0.9 per cent to 0.8 per cent of benefit expenditure but the monetary value of these underpayments has remained stable at £1.3 billion.

The level of underpayments of Incapacity Benefit (0.9 per cent to 0.7 per cent), Jobseeker's Allowance (0.5 per cent to 0.3 per cent) and Housing Benefit (1.4 per cent to 1.3 per cent) decreased in 2010-11. Underpayments of Pension Credit (1.9 per cent to 2.1 per cent) increased in 2010-11.

The underpayment estimates do not include those who are entitled to benefits but who do not apply, or whose applications to benefit are incorrectly rejected. The Department's policy is to make good all cases of underpayment where and when they are identified.

Benefit fraud and error estimation and uncertainty

The Department is rigorous in its approach to estimating levels of fraud and error. The estimates are produced to the exacting standards of the Office of National Statistics (ONS). National Statistics protocols ensure their production is independent of Departmental and Ministerial influence. The Department has been acknowledged as being in the forefront of social security organisations world wide in its attempts to estimate a monetary value of fraud and error.[1] Our strategy for estimating the level of incorrect payments takes into account the value of the benefit, its risk profile and previous experience.

The Department continues to report using data drawn from samples that reflect six months of "in year" figures for the continuously reviewed benefits (Income Support, Jobseeker's Allowance, Pension Credit, Housing Benefit and Incapacity Benefit). The Department is currently undertaking a review of its measurement system to ensure that it remains aligned to the range and delivery of benefits. The sampling approach introduces statistical uncertainty into the figures. This uncertainty is quantified with a 95 per cent confidence interval. These give the range in which the Department can be 95 per cent sure of where the true value lies for each of the estimates presented. Further uncertainties arise from imperfections in the design and operation of the review process. Where possible these have been quantified and incorporated into the 95 per cent confidence intervals.

[1] NAO report "International benchmark of fraud and error in social security systems." Report by the Comptroller and Auditor General, HC 1387 Session 2005-06, July 2006.

All National Statistics reports on fraud and error are available at:
http://research.dwp.gov.uk/asd/asd2/index.php?page=fraud_error

44. Entities within the Departmental Boundary

The entities within the boundary during 2010-11 were as follows:

Supply – financed Agencies:	The Pension, Disability and Carers Service Jobcentre Plus
Non-Executive NDPBs:	None
Crown NDPBs:	Health and Safety Executive Child Maintenance and Enforcement Commission
Other entities:	None

In addition, the functions of the Department's Head Office and Corporate and Shared Services are Supply-financed. The annual reports and accounts of the Supply-financed Agencies and Crown NDPBs are published separately.

45. Transfer of functions and restatements

(i) Reconciliation of Financial Position at 31 March 2010

	Published accounts at 31 March 2010	MOG Transfers (Note 45a)	Cost of Capital Removal (Note 45b)	Intangible Asset Revaluation (Note 45c)	Restated at 31 March 2010
	£000	£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	2,050,289	-	-	-	2,050,289
Intangible assets	480,182	(2,863)	-	(3,089)	474,230
Financial assets	49,289	-	-	-	49,289
Trade and other receivables	1,159,138	-	-	-	1,159,138
Current assets					
Assets classified as held for sale	725	-	-	-	725
Inventories	1,113	-	-	-	1,113
Trade and other receivables	2,212,284	(266)	-	-	2,212,018
Cash and cash equivalents	499,517	-	-	-	499,517
Current liabilities					
Trade and other payables	(5,003,769)	2,509	-	-	(5,001,260)
Non-current liabilities					
Provisions	(4,319,249)	-	-	-	(4,319,249)
Other payables	(1,222,736)	-	-	-	(1,222,736)
Pension liabilities	(1,434)	-	-	-	(1,434)
Net Assets/(Liabilities)	**(4,094,651)**	**(620)**	**-**	**(3,089)**	**(4,098,360)**
Taxpayers' Equity					
General Fund	(5,145,501)	(620)	-	4,933	(5,141,188)
Revaluation Reserve	1,050,849	-	-	(8,022)	1,042,827
Government Grant Reserve	1	-	-	-	1
	(4,094,651)	**(620)**	**-**	**(3,089)**	**(4,098,360)**

(ii) Reconciliation of net operating costs for the year ended 31 March 2010

	Published accounts 2009-10	MOG Transfers (Note 45a)	Cost of Capital Removal (Note 45b)	Intangible Asset Revaluation (Note 45c)	Restated 2009-10
	£000	£000	£000	£000	£000
Administration costs					
Staff costs	3,513,032	(14,223)	-	-	3,498,809
Other administration costs	3,053,139	(14,458)	(26,429)	(7,420)	3,004,832
Gross administration costs					
Operating income	(278,670)	869	-	-	(277,801)
Net administration costs	**6,287,501**	**(27,812)**	**(26,429)**	**(7,420)**	**6,225,840**
Programme costs					
Expenditure	149,524,121	-	206,761	-	149,730,882
Income	(624,589)	-	-	-	(624,589)
Net programme costs	**148,899,532**	**-**	**206,761**	**-**	**149,106,293**
Net Operating cost	**155,187,033**	**(27,812)**	**180,332**	**(7,420)**	**155,332,133**

Reported figures at 31 March 2010 have been restated as a result of the following:

a. A Written Ministerial Statement by the Prime Minister on a Machinery of Government change affecting responsibility for Directgov was announced on 20 July 2010. As a result, responsibility for Directgov has transferred from the Secretary of State for Work and Pensions to the Minister for Cabinet Office. Directgov is a government website which provides direct access to a wide range of government services for customers.

b. Change in accounting policies – as a result of amendments to the budgetary regime, the *FReM* requires that cost of capital charges are removed from financial statements in line with corresponding changes to budgets and estimates. The impact of the restatement affects both non-cash charges and net comprehensive expenditure. There is no overall impact on the General Fund or the Statement of Financial Position.

c. Under IAS 38, intangible asset revaluation increases should be recognised in the Statement of Comprehensive Net Expenditure to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Comprehensive Net Expenditure. The prior year restatement reflects this requirement.

(iii) Reconciliation of Financial Position at 1 April 2009

	Published accounts at 31 March 2009	MOG Transfers (Note 45a)	Cost of Capital Removal (Note 45b)	Intangible Asset Revaluation (Note 45c)	Restated at 1 April 2009
	£000	**£000**	**£000**	**£000**	**£000**
Non-current assets					
Property, plant and equipment	2,120,357	-	-	-	2,120,357
Intangible assets	370,635	(1,322)	-	(1,430)	367,883
Financial assets	10,876	-	-	-	10,876
Trade and other receivables	941,336	-	-	-	941,336
Current assets					
Inventories	1,456	-	-	-	1,456
Trade and other receivables	2,181,813	(115)	-	-	2,181,698
Cash and cash equivalents	314,598	-	-	-	314,598
Current liabilities					
Trade and other payables	(4,698,461)	4,814	-	-	(4,693,647)
Non-current liabilities					
Provisions	(4,366,763)	-	-	-	(4,366,763)
Other payables	(1,262,043)	-	-	-	(1,262,043)
Pension liabilities	(1,140)	-	-	-	(1,140)
Net Assets/(Liabilities)	**(4,387,336)**	**3,377**	**-**	**(1,430)**	**(4,385,389)**
Taxpayers' Equity					
General Fund	(5,392,356)	3,377	-	(2,596)	(5,391,575)
Revaluation Reserve	1,005,018	-	-	1,166	1,006,184
Government Grant Reserve	2	-	-	-	2
	(4,387,336)	**3,377**	**-**	**(1,430)**	**(4,385,389)**

Glossary

Administration Cost Limit

An overall limit applied to administration costs within the Department which should not be exceeded by the administration expenditure for the year.

Appropriations in Aid (A in A)

Expected income that arises during the normal course of business that the Department is authorised to retain. The income is voted by Parliament in the Estimate and is available to offset against expenditure in the current financial year. Any Excess A-in-A over the authorised limit must be surrendered to the Consolidated Fund. These are included within the Statement of Comprehensive Net Expenditure and disclosed separately in the Summary of Resource Outturn.

Consolidated Fund

This is operated by HM Treasury at the Bank of England and is used to finance central government spending. Revenue is obtained from taxes and other sources and is collected daily into the Fund.

Consolidated Fund Extra Receipts

Receipts realised or recovered by departments in the process of conducting services charged on public funds which are not authorised to be used to offset expenditure.

Contingencies Fund

This enables HM Treasury to make repayable cash advances to departments for urgent services, in anticipation of provision for those services by Parliament.

Estimate

A summary of the resources and cash voted by Parliament to the Department for a particular year and against which expenditure is monitored. It is analysed by Requests for Resources, each being monitored separately.

General Fund

The General Fund represents the historic cost of the total assets less liabilities of the Department, to the extent that it is not represented by other reserves and financing items. It is included in Taxpayer's Equity on the Statement of Financial Position.

Net Cash Requirement

The amount of cash required and authorised from the Consolidated Fund for the Department to carry out the functions specified in the Estimate. Actual cash used during the year is described as the outturn of the net cash requirement.

Net Resource Outturn

This is the net total of income and expenditure consumed by the Department during the financial year.

Non-operating Cost A in A

Comprises proceeds from sales of assets and repayment of voted loans which can be retained by the Department. These are included in the Summary of Resource Outturn.

Request for Resources (RfR)

The basic unit of Parliamentary control for which resources to the Department are granted. Each RfR within the Estimate represents an accruals based measure of expected expenditure within the Department for items which fall within that RfR. The Summary of Resource Outturn, the Statement of Comprehensive Net Expenditure and Note 2 analyse net resource outturn by RfR.

Contact details

Benefit Enquiry Line
For confidential advice and information for disabled people and their carers and representatives, about Social Security benefits and how to claim them, ring:

Telephone – 0800 88 22 00
Textphone – 0800 24 33 55

Child Support Agency National Helpline
For general information and advice on child maintenance ring:

Telephone – 0845 7 133 133
Textphone – 0845 7 138 924

Jobsearch Helpline

For the latest job vacancies and help finding the job that is right for you ring:

Telephone – 0845 60 60 234
Textphone – 0845 60 50 255

National Benefit Fraud Hotline

For reporting suspected benefit fraud, ring:

Telephone – 0800 854 440
Textphone – 0800 328 0512

Pension Credit Application line

To apply for Pension Credit ring:

Telephone – 0800 99 1234
Textphone – 0800 169 0133

Further information and details of how to contact the Department can be found on the following websites:
http://www.dwp.gov.uk/contact/
http://www.direct.gov.uk

Call Charges

0800 numbers
Calls to 0800 numbers are free from BT landlines but you may have to pay if you user another phone company, a mobile phone, or if you are calling from abroad. Calls from mobile phones can cost up to 40p a minute, so check the cost of calls with your service provider.

0845 numbers*
From June 2009, calls to 0845 numbers from BT landlines should cost no more than 4p a minute with a 3p call set up charge. You may have to pay more if you use another phone company or a mobile phone, or if you are calling from abroad. Calls from mobile phones can cost up to 40p a minute, so check the cost of calls with your service provider.

0870 numbers*
From June 2009 calls to 0870 numbers from BT land lines should cost no more than 8p per minute with a 3p call set up charge. You may have to pay more if you use another phone company or a mobile phone, or if you are calling from abroad. Calls from mobile phones can cost up to 40p per minute, so check the cost of calls with your service provider.

* Call charges were correct at the time of publication (July 2011) but may be subject to change by BT or other phone companies.

Financial Assistance Scheme

Trust Statement for the year ended 31 March 2011

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs in respect of the Trust Statement and of its revenue and expenditure and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgments 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.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer with overall responsibility for the preparation of the Trust Statement. 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's assets, are set out in *Managing Public Money*, published by HM Treasury.

Statement on Internal Control

The Department's Statement on Internal Control, covering both the Departmental Accounts and the Trust Statement, is shown on pages 101 to 108.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the Financial Assistance Scheme Trust Statement for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. The Trust Statement comprises the Statement of Revenue and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The Trust Statement has been prepared under the accounting policies set out within the notes to the Statement.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Accounting Officer's Responsibilities in respect of the Trust Statement, 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, certify and report on the financial statements in accordance the Government Resources and Accounts Act 2000. 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 Trust Statement

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 circumstances of the Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Financial Assistance Scheme; 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 revenue and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the revenue and expenditure have been applied to the purposes intended by Parliament 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 affairs relating to the revenue associated with asset transfers from Financial Assistance Scheme qualifying schemes as at 31 March 2011; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion, the information given in the Accounting Officer's Foreword to the Trust Statement for the financial year in which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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 are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157 -197 Buckingham Palace Road
Victoria
London SW1W 9SP

15 July 2011

Statement of Revenue and Expenditure
for the year ended 31 March 2011

	Note	2010-11 £000
Income		
Income from pension schemes	2	50,147
Total income from pension schemes		**50,147**
Other income		
Interest on operating bank accounts	3	-
Investment income	4	3
Change in fair value of investments	5	(5)
Total other income		**(2)**
Profit/(loss) on disposal of illiquid assets		
Total revenue		**50,145**
Expenditure		
Total expenditure		-
Net Revenue for Consolidated Fund		**50,145**

There were no recognised gains or losses accounted for outside the above Statement of Revenue and Expenditure.

The notes on pages 218 to 222 form part of this statement.

Statement of Financial Position
as at 31 March 2011

	Note	31 March 2011 £000
Non-current assets		
Financial assets	5	524
Total non-current assets		**524**
Current assets		
Transfer-in receivables		75
Cash and cash equivalents		48
Total current assets		**123**
Current liabilities		-
Net current assets		**123**
Net current assets plus non-current assets		**647**
Non current liabilities		-
Assets less Liabilities		**647**
Represented by		
Balance on Consolidated Fund Account	7	647
Total Funds		**647**

Robert Devereux
Accounting Officer
12 July 2011

The notes on pages 218 to 222 form part of this statement.

Statement of Cash Flows
for the year ended 31 March 2011

	Note	2010-11 £000
Net cash flow from operating activities	**A**	49,546
Cash paid to the Consolidated Fund		(49,498)
Increase in cash in the period		**48**

Notes to the Statement of Cash Flows

A: Reconciliation of the net cash flow to movement in net funds

Net Revenue for the Consolidated Fund	50,145
Increase in non-current assets	(524)
Increase in receivables	(75)
Net cash flow from operating activities	**49,546**

B: Analysis of changes in net funds

Increase in cash in this period	48
Net Funds at 1 April (net cash at bank)	-
Net Funds at 31 March (Closing Balance)	**48**

The notes on pages 218 to 222 form part of this statement.

Notes to the Trust Statement
for the year ended 31 March 2011

1. Statement of Accounting Policies

1.1 Basis of preparation

The Trust Statement is prepared in accordance with the Accounts Direction issued on 22 December 2010 by HM Treasury under section 7 of the Government Resources and Accounts Act 2000. The accounts direction requires the Department to prepare accounts in accordance with the 2010-11 Government Financial Reporting Manual (*FReM*).

The Trust Statement is prepared in accordance with the accounting policies set out below. The accounting policies have been developed with reference to International Financial Reporting Standards (IFRS) and other relevant guidance.

Where the *FReM* permits a choice of accounting policy, the policy which is judged to be most appropriate to the particular circumstances of the Financial Assistance Scheme for the purpose of giving a true and fair view has been selected. They have been applied consistently in dealing with items that are considered material to the accounts.

The income and associated expenditure contained in this Statement are those flows of funds which the Department handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal. The financial information contained in the Statement and in the notes is rounded to the nearest thousand pounds.

1.2 Accounting convention

The Trust Statement has been prepared under the historical cost convention, modified by, where material, the fair valuation of financial assets as determined by the relevant accounting standard. All items of income and expenditure are accounted for on an accruals basis.

1.3 Income recognition

In accordance with IAS 18 *Revenue Recognition*, the Department recognises as income the transfer of assets from schemes for which a Transfer Notice has been issued by the reporting date and where it judges that the transfer of those assets is probable.

Interest income arising from cash and cash equivalents is accounted for using the effective interest rate.

1.4 Financial instruments

a. Definition

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

A financial asset is any asset that is cash, equity, a contractual right to receive cash or another financial asset from another entity, or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavourable.

b. Recognition

Financial assets and liabilities are recognised when the Department becomes party to the contracts that give rise to them.

Financial assets are derecognised when the right to receive cash flows has expired or the Department has transferred substantially all the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation to deliver cash or another financial asset is discharged, cancelled or expires.

c. Classification of Financial Instruments

Financial instruments are classified under the following categories which are determined at initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*:

- Financial assets/liabilities at fair value through profit or loss are analysed between:
  (a) those designated at fair value through profit or loss upon initial recognition; and
  (b) those classified as held for trading
- Loans and receivables
- Held-to-maturity investments
- Available for sale financial assets, and
- Financial liabilities measured at amortised cost.

d. Financial assets/liabilities at fair value through profit or loss upon initial recognition

Financial assets and liabilities that are managed and evaluated on a fair value basis are designated at fair value through profit or loss at inception.

Insurance contracts in the form of annuity policies are included under this category.

e. Available for sale financial assets

Available for sale financial assets are non-derivative assets that are designated as available for sale or are not classified in any of the other categories, and are recognised at fair value.

Included in this classification are any illiquid financial assets inherited from schemes and transferred into the Financial Assistance Scheme or asset recoveries from insolvent sponsoring employers which have not yet been liquidated.

f. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost. The fair value of trade receivables is usually the original invoiced amount.

Included in this category are investment income receivable, transfer-in receivables and cash and cash equivalents. Cash and cash equivalents comprises cash at bank.

g. Financial liabilities measured at amortised cost

Trade payables and accruals are non interest bearing and are stated at amortised cost. Included in this category are net amounts payable to brokers for outstanding settlements and amounts due for professional services incurred prior to the transfer of a scheme into the Financial Assistance Scheme.

h. Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where the classification of a financial instrument requires it to be measured at fair value, as applies to annuity contracts, fair value is determined using expected cash flows discounted back to a present value.

1.5 Transfer Notices

Schemes may exit the process of being assessed for entry into the Financial Assistance Scheme through the issue of a Transfer Notice under regulation 29 of the Financial Assistance Scheme Regulations 2005 (SI2005/1986). This Notice has the effect of the Government assuming responsibility for the scheme, so that all the property, rights and liabilities of the scheme are transferred to the Financial Assistance Scheme. The following accounting policies apply to this transfer of assets and liabilities:

- Cash, insurance contracts and other investment assets are transferred to the legal ownership of the Government at fair value as at the effective date of the Transfer Notice. Fair value carries the same meaning as in Note 1.4 governing the valuation of financial instruments.

- Asset recoveries due from insolvent employers under section 75 of the Pensions Act. In appropriate circumstances, the Department will also disclose contingent assets in respect of recoveries which are less than probable of recovery.

- Current assets and current liabilities are transferred to the Financial Assistance Scheme at fair value. Receivables for which recovery is probable are recognised on an accruals basis.

2. Income from pension schemes

	2010-11
	£000
FAS 1 Scheme Assets transferred	81
FAS 2 Scheme Assets transferred	50,066
Total income from pension schemes	**50,147**

a. FAS 1 schemes are FAS qualifying schemes which have completed annuitisation and, as part of the finalisation of their winding up, surrender any of their residual assets to the Government. These residual assets arise when, for example, the scheme trustees overestimate the reserves required to pay final winding-up expenses and it is not economic to allocate the small amounts of cash to the annuities already purchased. FAS 1 beneficiaries receive from FAS amounts which top up the annuities purchased by the scheme trustees to the benefit levels promised by FAS.

b. FAS 2 schemes are FAS qualifying schemes which have been prevented from annuitising and, as part of the finalisation of their winding-up, surrender all of their qualifying assets to the Government. FAS 2 beneficiaries receive from FAS the full amount of the benefit promised by FAS.

3. Interest on operating bank accounts

The bank account set up to receive income from annuity policies is interest-bearing. This account is managed by the Board of the Pension Protection Fund who transfer any monies received to the Department's Government Banking Service (GBS) account on a regular basis. Due to the regularity of these transfers interest income earned is minimal.

The bank account established to receive monies from pension schemes transferring into FAS is non interest-bearing, as is the Department's GBS account used to transfer these monies to the Consolidated Fund.

4. Investment income

All investment income disclosed in the Statement of Revenue and Expenditure relates to income from annuity policies.

5. Financial assets

Financial Assets held throughout the year consisted entirely of annuity policies.

	31 March 2011
	£000
Balance at 1 April	-
Asset transfers	529
Change in fair value	(5)
Balance at 31 March	**524**

6. Financial Instruments and related risks

(i) Financial Instruments by category

	31 March 2011
	£000
Financial assets designated at fair value through profit or loss	
Annuity policies	524
	524
Loans and receivables	
Cash and cash equivalents	48
Transfer-in receivables	75
	123
Total Financial Instruments	**647**

The amounts stated under loans and receivables measured at amortised cost have carrying values which are not materially different to their fair values. Therefore the carrying values of these financial instruments are assumed to be approximate to their fair value.

(ii) Financial risks

IFRS 7 *Financial Instruments: Disclosures* requires that users of financial statements are able to evaluate the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The nature and extent of risks arising from financial instruments to which the Department is exposed at the end of the reporting period and the methods used to measure and manage the associated risks are discussed below.

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As disclosed in Note 3, there are no significant interest-bearing assets or liabilities and therefore cash flows are substantially independent of market interest rates. The interest profile of the Department's financial assets and liabilities has therefore not been disclosed.

b. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss to the Department by failing to discharge an obligation.

Exposure to credit risk arises from counterparty risk on annuity policies, cash and cash equivalents and transfer-in receivables. The Department is satisfied that the credit quality of all the financial instruments exposed to credit risk is satisfactory, as the instruments consist of receivables with pension schemes and others where recovery of the debt is probable.

At the reporting date, the financial assets exposed to credit risk amounted to the following:

	31 March 2011
	£000
Annuity policies	524
Cash and cash equivalents	48
Transfer-in receivables	75
Total	**647**

c. Liquidity risk

Liquidity risk is the risk that the Department will encounter difficulty in meeting obligations associated with financial liabilities arising as a result of FAS operations.

The Department manages this risk by maintaining a £20,000 balance in its operating bank account in order to meet these liabilities, which consist entirely of Scheme-related expenses settled after issue of Transfer Notices.

All scheme-related expenses are current liabilities and are therefore due within a year.

7. Balance on the Consolidated Fund account

	2010-11
	£000
Balance on Consolidated Fund account at 1 April	-
Net revenue for the Consolidated Fund	50,145
Amount paid to the Consolidated Fund	(49,498)
Balance on Consolidated Fund account at 31 March	**647**

ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 7(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000.

1. The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2011 for the revenue and other income collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2010-11.

2. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

3. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

4. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 13). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

5. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

6. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to ensure compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

7. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the Department's Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Chris Wobschall
Head, Assurance and Financial Reporting Policy
HM Treasury
22 December 2010

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