Department for Work and Pensions Annual Report & Accounts 2011-12

(For the year ended 31 March 2012)

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DEPARTMENT FOR WORK AND PENSIONS ANNUAL REPORT & ACCOUNTS 2011-12

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(For the year ended 31 March 2012)

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Annual Report and Accounts 2011-12

for the year ended 31 March 2012

Foreword by the Secretary of State

This report shows the progress we are making in the Department for Work and Pensions, thanks to the efforts of everyone involved.

Notwithstanding the difficult financial times facing us all, we at the Department have continued to work within budget constraints, determined to get the Department's spending back under control.

The last year has marked a number of milestones on the path to fundamentally reforming the welfare and pension systems.

We have passed the Welfare Reform Act, which paves the way for the implementation of the Universal Credit and the Personal Independence Payment, as well as reforms to Housing Benefit.

We have introduced the Work Programme and outlined plans to modernise Remploy, to ensure everyone can receive help and support to enter employment.

We have published the Social Justice Strategy, which sets out our vision for ensuring that the most disadvantaged individuals and families can set a foot on the first rung of the social ladder.

And we are pushing ahead with our automatic enrolment programme for private pensions, just one of the changes we are making in order to put the country's retirement system on a stable footing for the future.

These reforms are about transforming people's lives – building a welfare and pension system that helps people move from dependence to independence, from unemployment into work, from addiction to recovery, and from the margins of society to a sustainable life beyond the state.

At the same time, this year we have restructured the organisation, making it more efficient and streamlining its management. This has included integrating the Department's frontline agencies. Now as one DWP, we are as committed as ever to providing vital services, day in and day out, to those who rely on our support.

Whilst the next year will be challenging for all of us, as we look to ensure that our programme of reform remains on time and on budget, the work the Department is doing is vitally important and will have a positive impact on millions of people's lives for years to come.

I am grateful to the dedicated and hard-working staff in DWP and our partner organisations, who have helped to achieve so much this year – and who I know are committed to making our vision for the future a reality.

Rt Hon Iain Duncan Smith

The Department's Ministers

The Right Honourable Iain Duncan Smith MP
Secretary of State for Work and Pensions

The Right Honourable Chris Grayling MP
Minister of State for Employment

Steve Webb MP
Minister of State for Pensions

Maria Miller MP
Minister for Disabled People

Lord Freud
Minister for Welfare Reform

The Department's Executive Team

Robert Devereux
Permanent Secretary

Hunada Nouss
Director General, Finance

Terry Moran
Director General, Chief Operating Officer

Sue Owen
Director General, Strategy

Chris Last
Director General, Human Resources and Head of Government HR Operations

Gill Aitken
Director General, Professional Services

Joe Harley (until 31 March 2012)
Director General, Corporate Information Technology and Chief Information Officer

Richard Heaton (until 31 January 2012)
Director General, Department for Work and Pensions Transformation

Executive summary

The Department for Work and Pensions aims to help people lift themselves out of poverty and stay out of poverty, through work, saving and support. The Department works with other Government departments and the private and voluntary sectors to help achieve this.

In 2011-12 the Department delivered and improved the services that touch millions of lives every day. It did this in a very demanding economic environment. It supported jobseekers and employers in a challenging labour market. It administered benefits and pensions effectively and efficiently, by paying customers their correct entitlement and implementing a joint strategy with HM Revenue and Customs to reduce the amounts lost to fraud and error. It worked towards addressing the issues raised by an ageing society and widespread under-saving for retirement. It also began to develop new strategies to enable disabled people to fulfil their potential and to support the most vulnerable people in society.

In 2011-12 the Department:

- helped around 3 million people into work;
- advertised 3.7 million job vacancies for over 330,000 employers;
- carried out over 20 million adviser interviews to help people prepare for work;
- launched the Work Programme providing support for the long-term unemployed and sick and disabled people claiming Employment and Support Allowance;
- developed the Youth Contract, to provide a range of additional help for unemployed young people, that was launched on 1 April 2012;
- launched an advertising campaign aimed at alerting employers about automatic enrolment into pension schemes;
- helped over 35,000 disabled people remain in work or get a job, enabling them to work on a more equal basis with their non-disabled colleagues;
- processed 5 million benefit claims;
- supported local authority delivery of Housing Benefit and Council Tax Benefit; and
- paid over 20 million customers around £159 billion (including through local authorities and the Department’s other paying agents) in benefits and pensions, accurately and on time.

The Department also worked in partnership with its arm’s length bodies to deliver value for money, for example:

- with the Child Maintenance and Enforcement Commission to ensure more than 1 million children benefit from combined statutory and family-based arrangements; and
- with the Health and Safety Executive to ensure more than 87 per cent of cases obtained for prosecution resulted in a successful conviction.

Alongside delivering its day to day services, in 2011-12 the Department continued to face up to the overriding need to put the public finances on a sustainable footing. Between 2010 and 2014, the Department is required to deliver real-term savings of 26 per cent. The reduction in baseline costs in 2011-12 equated to a decrease in spending of £666 million (almost 10 per cent). The Department lived within all Parliamentary and HM Treasury spending controls and delivered significant savings in 2011-12 through transformation of corporate functions and by improving productivity and driving down unit costs.

Provisional figures indicate that the Department's overall productivity increased by 12 per cent in 2011-12. Whereas overall workloads increased, particularly on labour market interventions and work capability assessments, the Department's expenditure on delivering its day to day activities reduced. The 2011-12 productivity increase continues the Department's strong track record on productivity, with year on year increases delivered through the two previous Spending Review periods. The Department's productivity increased by 14 per cent across the 2004 Spending Review and 26 per cent across the 2007 Spending Review. The Office for National Statistics have confirmed the Department's productivity is measured in line with standard convention and the National Audit Office describe it as 'an accredited methodology'.

At the same time, the Department led Government efforts to create a welfare system for the 21st century. In 2011-12 the Department began to prepare for the delivery of the Government's once in a generation reforms. The Department's four year Business Plan, published in May 2011 sets out the agreed plans up to 2015 for structural reform of the welfare state. The plan set out 57 actions to be completed in 2011-12 and 55 (96 per cent) of these were delivered in year.

During 2011-12 the actions the Department took to transform the welfare system included publication of the Pensions Act in November 2011 and of the Welfare Reform Act in March 2012.

The Pensions Act 2011, which received Royal Assent on 3 November 2011 made changes to the State Pension age equalisation timetable. This means that from April 2016 women's State Pension age will rise faster than originally planned, so that by November 2018 women's State Pension age will be the same as men's (age 65), and between December 2018 and October 2020 the State Pension age for both men and women will increase from 65 to 66. The Pensions Act also introduces automatic enrolment into workplace pensions from October 2012.

The Welfare Reform Act 2012 received Royal Assent on 8 March 2012. At the heart of the reforms is Universal Credit. This will:

- make sure that work always pays by putting clear incentives in place to get people back into work and off benefits; and
- put a simpler and more transparent welfare system in place that saves money in administration costs and cuts back on the opportunities for fraud and error.

The Department has also started to plan the delivery of the next phase of reforms. The Social Justice strategy published by the Department in March 2012 introduces a new approach to tackling the root causes of poverty based on principles of prevention and early intervention; and of creating a 'second chance society'. Rather than simply focusing on a person's income level, it provides individuals and families facing multiple disadvantages with support and tools to turn their lives around. By focusing on social justice principles, the Department will seek to address the issues that heighten the risk of remaining in poverty: addiction, family breakdown, debt, educational failure and worklessness.

In order that it can implement these key reforms and continue to deliver more and better for less, the Department began transforming in 2011-12. It went through its biggest reorganisation since social security and employment functions from the former Department of Social Security and Department for Education and Employment were brought together to form the Department for Work and Pensions in 2001. This made real progress towards creating a smaller, better focused Department. A new Departmental structure was implemented, led by a smaller Executive Team. The key changes are:

- A single Chief Operating Officer is now responsible for leading all of the Department's services to the public. This single role combined elements of the Jobcentre Plus and Pension, Disability and Carers Service Chief Executive roles when executive agency status of these organisations ended in October 2011. If Parliamentary approval is given to the Government's plans to abolish the Child Maintenance and Enforcement Commission, child maintenance functions will move back into the Department from the end of July 2012.
- A single Strategy Director General is now responsible for identifying where the Government's welfare and pension reforms and social justice agenda should take the Department, looking beyond the individual reforms already underway. This single role combined the forward-looking elements of the three policy Directors General on the Executive Team at the start of the year. The expertise to manage day-to-day policy questions is provided by a dedicated Account Director for each Ministerial portfolio.
- Directors General for Finance, Human Resources, Information Technology and Professional Services are the other members of the Executive Team supporting the Permanent Secretary. The Professional Services Director General now represents communications, legal and analytical functions.
- A new single change portfolio is managed through one team supporting effective prioritisation of all reform, change and continuous improvement activity.

Ending the executive agency status of Jobcentre Plus and Pension, Disability and Carers Service means there is now only one Board and one set of published accounts for the core Department. The Department also restructured and reduced the size of its corporate functions, to drive forward operational delivery and reform across the whole organisation. Substantial efficiencies have been delivered by reducing duplication, streamlining and putting in place a leaner operating model based on best practice. The Department has made the progress it needs to make to reduce the number of people working in the corporate functions so that it can meet its commitment to reduce corporate overheads by 40 per cent in real terms by March 2015 and to live within the budgets set by the Spending Review in 2010.

In summary, in 2011-12 the Department simultaneously:

- maintained an excellent service to the public;
- delivered substantial efficiencies;
- made progress towards achieving strategic priorities;
- prepared to implement the planned once in a generation reforms;
- started to plan the delivery of the next phase of reforms; and
- delivered a major organisational transformation.

In the year ahead the Department will continue to reduce costs while delivering and improving its services and implementing the Government's ambitious programme of reform. The Department aims to continue to achieve more and better for less.

Introduction

The Department for Work and Pensions is responsible for the development and delivery, whether directly or through others, of welfare and pension policy. It works in partnership with private, voluntary and community sectors to deliver services, and with employers and the Department for Business, Innovation and Skills to train and help people into work and support them to stay there. It is a key player in tackling both child poverty and, through its Social Justice strategy, the root causes of entrenched disadvantage to support the most vulnerable in society realise their true potential.

Vision

The Department aims to help people lift themselves out of poverty and stay out of poverty, through work, saving and support.

The Department's challenge is to provide vital services to millions of people, whether delivered by the Department itself or through others, while delivering the Government's once in a generation reforms and rigorously controlling costs and providing value for money for the taxpayer.

Strategic Priorities

The Department continues to focus on the Government's values of freedom, fairness and responsibility and aims to put welfare spending on a sustainable footing. The Department's long term strategic priorities are to:

- transform lives by embedding the principles of Social Justice;
- encourage people to work and make work pay;
- encourage disabled people and those with ill health to work and enable their independence;
- provide a decent income for people of pension age and promote saving for retirement;
- deliver value for money and reduce levels of fraud and error; and
- enhance collaboration across the Department and build on values that put claimants, customers and frontline operations first.

Structural Reform

The Department has an ambitious agenda of reform designed to create a new, modern welfare system; to transform the opportunity for people without jobs to find work; to build a fairer and more sustainable pension system; and to ensure that the most vulnerable in society are protected. Structural reform plans are set out in detail in the Departmental Business Plan 2012 to 15[1]. The Department is working to deliver the following six structural reform plan priorities over the course of the 2010 Spending Review period:

- deliver welfare reform – to introduce the Universal Credit and other reforms to simplify the welfare system and to ensure that the system always incentivises work and that work always pays. The overall reform package will help to make the welfare system affordable in the longer term;

[1] http://www.dwp.gov.uk/publications/corporate-publications/dwp-business-plan-2011-2015/

- get Britain working – to implement and manage the Work Programme, an integrated package of personalised support to get people into work – from jobseekers who have been out of work for some time, to those who may have been receiving incapacity benefits for many years;
- help tackle the causes of poverty and improve social justice – to develop a welfare system that recognises work as the primary route out of poverty and reduces the number of children in workless households;
- pensions reform – to provide decent State Pensions, encourage employers to provide high quality pensions and make automatic enrolment and higher pension saving a reality;
- enable disabled people to fulfil their potential – to support more independent living for those who face the greatest barriers by ensuring effective strategic development of evidence based policies for disability benefits. Support disabled people to take up employment opportunities, by developing specialist disability employment programmes which provide employment support for disabled people facing the greatest barriers; and
- improve our service to the public – to continue to deliver an excellent service to the public, improving its speed, ease and efficiency.

Progress has been reported throughout the year in monthly Structural Reform reports, and in the Department's Quarterly Data Summary[1]. Progress across the year as a whole is discussed in the performance report [page 12]. The updated Business Plan for 2012 to 2015 was published on 31 May 2012.

Delivery Objectives

The Department's delivery plans are focused on the inputs, activities and outputs the Department needs to deliver to achieve longer-term strategic outcomes. The Department aligns how money is spent, what is done and what is produced to achieve each of its delivery objectives with its strategic priorities.

In 2011-12 the Department delivered activities and outputs in the following areas:

- Labour Market – the Department and its partners supported people back into work by delivering effective labour market services;
- Benefit Administration / Services for working age and disabled people and for pensioners – the Department administered the benefit and pension systems accurately and in a timely way;
- Social Justice / Services for children – the Department contributed to cross-Government efforts to reduce child poverty and break cycles of benefit dependency. It developed an approach for providing support to the most disadvantaged and helping them turn their lives around;
- Delivery of Major Reform – the Department prepared to implement the Government's once in a generation reforms of the welfare and pension system; and
- Efficiency and Transformation – the Department began a programme of organisational transformation and delivered cost reductions whilst maintaining systems and controls.

Plans for maintaining and improving day to day services, for implementing changes to the current welfare system and for delivering structural reform combine to achieve the strategic priorities.

[1] http://www.dwp.gov.uk/about-dwp/what-we-do/transparency/

Organisational Transformation

In 2011-12 the Department undertook a major transformation exercise, successfully launching a single Departmental operational business, significantly reducing the size of its corporate functions and restructuring to drive operational delivery and reform across the whole organisation.

A new corporate centre design was developed and a selection exercise moved people into the new structure. Between December 2010 and March 2012 the baseline funded corporate function headcount was reduced from 12,254 to 8,278 full time equivalents, a reduction of around 32 per cent. Some corporate centre staff were redeployed in front line delivery roles, enabling the Department to manage workload volumes that remained high in last year's tough economic climate. The Department has plans in place to ensure it delivers within the budgets set by the 2010 Spending Review.

The corporate centre now has fewer layers, enabling greater autonomy and responsibility for all staff. The corporate functions now act as one, championing effective and efficient financial, commercial, people and information technology management across the Department and supporting greater collaboration across team boundaries. This has created transparency, allowing the Department to better determine its priorities, to act faster on those priorities and more flexibly allocate its resources.

To achieve its strategic priorities and meet the challenge of delivering more and better for less, the Department needs to harness the talents of its people to encourage them to work effectively as a team demonstrating the behaviours, values and competencies needed to deliver for customers, partners and staff and for Ministers and the taxpayer.

Performance report

In 2011-12 the Department maintained an excellent track record of delivery of activities and services against a back drop of economic uncertainty, at the same time as delivering organisational change and preparing to implement ambitious reforms.

The Department's total resource spending increased in 2011-12 by £6.6 billion. Of this, Annually Managed Expenditure increased by £8 billion, while the cost of running the Department reduced by £1.4 billion. The increase in the Department's Annually Managed Expenditure was driven by the economy, demographics and changes in policy. The cost of running the Department was reduced both by reducing costs and delivering efficiencies, and by moving to a payment by results approach for programmes to get long-term unemployed people back into work.

The Department's spending on investment increased as the Department prepared to deliver the Government's welfare and pensions reforms. In 2011-12 the Department developed systems and processes required to implement Universal Credit and Personal Independence Payment from 2013.

Delivering Reform

The Government is committed to ending the culture of worklessness and dependency that has done so much harm to individuals, families and whole communities. This will be delivered through the radical reform of the welfare system that recognises that work is the best route out of poverty for the majority of citizens. Key milestones towards delivering reform in 2011-12 have included the passage of the Welfare Reform Act 2012 and the Pensions Act 2011.

The Welfare Reform Act received Royal Assent on 8 March 2012. It legislates for the biggest change to the welfare system for over 60 years. The main elements of the Act are:

- the introduction of Universal Credit, a single streamlined benefit which people who are out of work or on a low income can claim, designed to provide incentives for work and ensure work always pays;
- a stronger approach to reducing fraud and error with tougher penalties for the most serious offences;
- a new claimant commitment showing clearly what is expected of claimants while giving protection to those with the greatest needs;
- the introduction of the Personal Independence Payment to enable a more accurate, more objective, more consistent and more transparent consideration of the needs of disabled people today;
- creating a fairer approach to Housing Benefit to bring stability to the housing market and improve incentives to work;
- driving out abuse of the Social Fund system by giving greater power to local authorities;
- reforming Employment and Support Allowance to make the benefit fairer and to ensure that help goes to those with the greatest need; and
- changes to support a new system of child maintenance which puts the interest of the child first.

In 2011-12 the Department made considerable progress towards delivering the Coalition Government's once in a generation programme of welfare reform. 55 of the 57 actions to deliver Structural Reform that were expected to complete in 2011-12 were completed. The two outstanding actions, to publish a response to the Green Paper on Pensions Reform and to put benefit advice and make common enquiries available online will be delivered in 2012-13. A further 24 actions were originally planned for completion in subsequent years. In the Department's refreshed Business Plan for 2012-15, new actions have been added and the Department now has 77 actions for completion by March 2015.

Actions taken during 2011-12 to **deliver welfare reform** include:

- continuing to progress a range of implementation activity for the introduction of Universal Credit from October 2013, including completing the transition and migration plans;
- implementing a new Fraud and Error Strategy, jointly with HM Revenue and Customs and the Cabinet Office;
- publishing an independent review Health at work – an independent review of sickness absence and how the sickness absence system in Great Britain can be changed to help more people stay in work and reduce costs;
- developing an implementation plan to introduce a household 'benefit cap' of £26,000 from April 2013 so that no workless family can receive more in welfare than median after-tax earnings for working households;
- managing the phased national migration of Incapacity Benefit recipients to Employment and Support Allowance; and
- implementing the recommendations from the Harrington independent review of the Work Capability Assessment.

Actions taken during 2011-12 to **get Britain working** include:

- rolling out the integrated Work Programme, working with private and voluntary organisations and ensuring that there is no gap in provision;
- ensuring delivery partners, for mentoring and for financial support, are in place to support rollout of the New Enterprise Allowance; and
- launching the phased national rollout of self-employment support through the New Enterprise Allowance.

Actions taken during 2011-12 to **help tackle the causes of poverty and improve social justice** include:

- moving lone parents who are capable of work and whose youngest child is 7 or over onto Jobseeker's Allowance, before extending the scheme to lone parents with children of school age;
- considering the scope of existing plans for child maintenance and assessing future delivery options; and
- publishing the Social Justice Strategy report: Social Justice: transforming lives in March 2012.

Actions taken during 2011-12 to deliver **Pensions reform** include:

- working with Age UK to establish a new alliance of organisations focused on social justice for older people, by supporting them in the development of a partnership proposition;

- restoring the earnings link for the basic state pension with a 'triple guarantee' that pensions are raised by the highest of the growth in average earnings, price increases or 2.5 per cent; and
- introducing legislation to phase out the Default Retirement Age for employers and individuals.

Actions taken during 2011-12 to **enable disabled people to fulfil their potential** include:

- continuing with 'Right to Control' Trailblazers, giving disabled people the right to more choice and control over how support and services are delivered to them;
- working with the Department for Business, Innovation and Skills to extend flexible working opportunities and support into work for those who wish to seek paid employment;
- supporting the Government Equalities Office to consult on proposals for providing extra support to disabled people who want to apply for local or national elected office; and
- reform in support of the introduction of Personal Independence Payment, a new benefit to replace Disability Living Allowance and enable a more accurate, more objective, more consistent and more transparent consideration of individuals' circumstances, from April 2013.

Actions taken during 2011-12 to **improve our service to the public** include:

- creating and launching a Bereavement Service to take information once only from next of kin in the case of over 600,000 deaths per year;
- 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;
- eradicating unnecessary health and safety bureaucracy, by producing clear guidance for small and medium-sized businesses engaged in lower-risk activities; and
- consulting on proposals on the consolidation of health and safety legislation and on the operation of current regulations, including consultation on the Reporting of Injuries, Disease and Dangerous Occurrences Regulations.

Further information about the Department's six Structural Reform Plan priorities, including all the actions delivered during 2011-12, can be found by looking at 'The Structural Reform Plan monthly progress reports' on the Department's website[1].

Delivering Change

The Department also delivered across its change portfolio in 2011-12. It completed Spending Review 2007 projects and the early stages of major Spending Review 2010 reforms. It also prepared for implementation of key reforms from April 2013 and developed new, longer-term strategies to tackle the root causes of poverty and support people to turn their lives around.

The Department improved the way it organises and manages its portfolio of change, and how it delivers change in 2011-12. Instead of having projects dispersed throughout the organisation, the management and delivery of all programmes and projects is now gathered together into a single portfolio, and change is managed end to end from inception to frontline. This provides assurance on portfolio deliverability and affordability; allows effective prioritisation; and enables management of the Department's overall capacity to absorb change.

In 2011-12 the Department continued to reassess and move claimants still receiving the older style incapacity benefits to Employment and Support Allowance or other benefits more

[1] http://www.dwp.gov.uk/publications/corporate-publications/dwp-business-plan-2011-2015/

appropriate to their circumstances. In 2011-12 around 130,000 re-assessments were carried out by healthcare professionals from Atos Healthcare using the Work Capability Assessment to help determine entitlement to financial support on the grounds of illness or incapacity.

The Government is committed to independently reviewing the Work Capability Assessment for the first five years following its introduction in October 2008. The Harrington Review, published in November 2011, commented positively on the implementation of the 2010 review's recommendations and made further recommendations to improve the fairness and effectiveness of the Work Capability Assessment. This includes better sharing of information between claimants, Atos Healthcare who carry out the assessments, the Department which makes the benefit decisions, and the Tribunals Service which administer appeals. The Department endorsed and will implement the recommendations in 2012-13 to ensure quality decisions are made and help is given to many more people with the potential to work to get back into the workplace.

The Department also improved the tools that support the delivery of services. For example:

- A new national reassessment information technology system was rolled out in April 2011 to support Work Capability Assessments. This single system is now used for all disabled people and people with health conditions. This means everyone is treated equally and fairly. Using a single system also cuts down on error and duplication of provision. It provides a seamless transfer between benefits and ensures no interruption in benefit payments.
- A single Departmental payment system for benefits and pensions went live from April 2011. A phased rollout throughout the year linked this with the Department's individual benefit information technology systems, and rollout to the few remaining systems will be completed early in 2012-13.
- A Departmental Enquiry Service was delivered, providing an information technology tool for dealing with customer contacts across the Department. In trailblazer sites, the identity of customers contacting the Department by telephone can now be verified using this system. The Department plans to roll it out nationally in Autumn 2012.
- The Department trialled telephony solutions with other Government Departments to contribute to the cross-Government efficiency and performance agenda. Seven benefit processing sites were converted to telephony sites in 2011-12. In 2012-13 the Department plans to increase the number of Pension Credit customers whose needs are met through a 'One Touch' telephony service.
- The Department rolled out 'Tell Us Once' nationally, a service that works across central and local Government to allow people to inform Government and local authorities just once of a birth or death. 80 per cent of Local Authorities are now operating a Tell Us Once service for all births and bereavements, 145,000 people have been helped by the service. In 2012-13 the Department plans to work in partnership with its local and central Government partners and customers to develop Tell Us Once as the delivery partner of choice for first class, customer-oriented services providing significant benefits for citizens, taxpayers, partners and consumers.
- The Department continued to introduce effective online services. From September 2012 a new, modern, online vacancy taking, filling and automated job matching service, 'Transforming Labour Market Services', will be available to all UK jobseekers and recruiters, twenty four hours a day, seven days a week, to browse one of the largest online jobsites in Europe.

Performance outcomes, impacts and efficiencies

Moving people off benefits quickly and into work

In 2011-12 the Department focused on supporting more people into work more quickly and on driving through a major cultural change to give frontline staff more freedom and flexibility to tailor delivery of services according to local labour market conditions. Numbers claiming Jobseeker's Allowance have increased in recession and, based on past recessions, the Office for Budget Responsibility expect these numbers to continue to rise for some time after the recession has ended. In 2011-12 90,000 adviser interviews were delivered by the Department each day to help people prepare for work.

Despite challenging Labour Market conditions, the rate at which people moved off Jobseeker's Allowance and inactive benefits continued to reach expected levels. More than half of people claiming Jobseeker's Allowance left benefit within three months, and almost three quarters within six months, in 2011-12. A survey of customers leaving benefit in February and March 2011 estimated that more than two thirds of those who left Jobseeker's Allowance, and more than one third of those who left Employment and Support Allowance moved directly into employment.

During 2011-12 the Department supported increased numbers of jobseekers, employing an additional 6,387 Jobcentre Plus staff on a fixed term appointment basis. From April 2011 Jobcentre Plus staff have been given greater freedom to support customers early in their benefit claim, in a way that addresses the needs of the individual and local labour market more effectively.

By promoting high levels of employment and helping people who are out of work to move into work and stay there, the Department aims to control welfare spending and ensure the most vulnerable in society are protected.

Moving long-term unemployed back into work

The Work Programme, launched by the Department on 1 June 2011 provides personalised work-focused support for people who are long-term unemployed or who are at risk of becoming so. It is the most ambitious programme of back to work support this country has ever seen. It is built around the needs of individuals, providing the support they need when they need it, and is delivered by the best of the private, public and voluntary sector.

With the introduction of the Work Programme, for the first time in 2011-12 the Department is paying its providers using the benefit savings that they help to generate, building value for money into this programme in a way that has not been possible in the past. Providers have been given the freedom to innovate and do what works, rather than follow a top-down Whitehall-knows-best approach.

Claimants are referred to the Work Programme by Jobcentre Plus. The total number of referrals to the Work Programme from 1 June 2011 to the end of January 2012 was 565,000. Following the referral of a participant to a Work Programme provider, that provider is responsible for contacting the participant to discuss the programme and begin planning the steps needed to support them into sustained employment. Once this activity has taken place, the provider registers an ‘attachment’ to the Work Programme. The total number of attachments to the Work Programme from 1 June 2011 to the end of January 2012 was 519,000.

Job outcome and sustained employment statistics for the Work Programme will be released from Autumn 2012. By the end of 2012-13 it is expected the Work Programme will be supporting 1.4 million people.

The Department will also continue to support lone parents by providing access to flexible working opportunities and signposting to affordable childcare and by boosting the confidence and skills of parents, in particular lone parents, after a period out of the labour market. Increasing the employment rate of lone parents is expected to help to reduce the number of children in workless families.

Moving young people closer to work

Youth unemployment has risen sharply in Great Britain over the past year, reaching its highest level since 1986. The new Youth Contract was launched successfully by the Department in April 2012 to provide a range of additional help for unemployed young people, aged 16 to 24. The Youth Contract aims:

- to ensure that every young person who needs it is offered support to move them closer to, or into sustained work;
- to give young people the skills to compete in a global economy; and
- to encourage employers to offer opportunities to young unemployed people by offering Voluntary Work Experience placements, apprenticeships or real, long-term jobs.

The Department is offering 160,000 wage incentives for employers who recruit an 18 to 24 year old from the Work Programme. A number of large employers have already signed up to this. The Department is also offering an extra 250,000 Voluntary Work Experience or sector-based work academy places, ensuring that there is an offer of a place for every 18 to 24 year old who wants one, before they enter the Work Programme. Extra adviser support is being provided through Jobcentre Plus for all 18 to 24 year olds including, in England, a referral to a careers interview delivered by the National Careers Service within the first three months.

Moving disabled people closer to work

The Department wants to ensure that all disabled people have the opportunities and support that they need to find work and progress through fulfilling careers. The Work Programme provides a personalised and flexible back-to-work support for unemployed people, including disabled people. For those disabled customers with more complex needs, Work Choice provides tailored support to help them find and remain in work and, where it may be appropriate, help them progress into unsupported employment.

Access to Work provides additional support for individuals whose health or disability affects the way they perform their job. It provides both individuals and their employers with advice and support with extra costs which may arise because of their individual needs. This can include awareness training for colleagues, support workers and counselling. Between 1 April and 31 December 2011, 27,420 disabled people were supported by Access to Work. Residential Training provides vocational training to unemployed disabled adults whose needs cannot be met through any other Government-funded programmes and is delivered through nine Residential Training Colleges.

In December 2010, the Government asked Liz Sayce, the Chief Executive of RADAR, the UK's largest disability campaigning organisation, to undertake an independent review of its specialist disability employment programmes. The findings of that review were published on 9 June 2011 in ‘Getting in, staying in, getting on’. In July 2011, the Government published its response to the review and announced a consultation on its recommendations. On 7 March 2012, the Government published ‘Disability Employment Support: Fulfilling Potential’, which sets out the strategy for specialist disability employment programmes, including an acceptance of all the Sayce recommendations for focusing Government support for employment services for disabled people on individuals and not institutions, and a commitment to work with disabled people on the further detail of this.

Reducing fraud and error

In February 2012, in a joint document produced with HM Revenue & Customs and Cabinet Office, the Department refreshed the Fraud and Error Strategy, originally launched in October 2010. The refresh reflects the wider changes in the Government's welfare agenda. The strategy sets out the Government’s plans for reducing fraud and error overpayments in the welfare system by one quarter (£1.4 billion) by March 2015. The plans focus on using improved intelligence and working in partnership across all sectors and Government bodies to prevent and detect fraud. This will enable checks to be carried out before payments are made to prevent losses from fraud and error. The Department will create an Integrated Risk and Intelligence Service (IRIS) for collecting and analysing claimant information and applying fraud and error prevention filters. IRIS will stop many incorrect payments and it will also support investigation and prosecution of fraud. The Department will also be working with Credit Reference Agencies to inform IRIS and to detect existing fraud and error in the current system.

Over the Spending Review period, the Government will be spending up to £425 million on implementing its Fraud and Error strategy, and will work towards reducing overpayments as a result of fraud and error to no more than 1.7 per cent of benefit expenditure by March 2015. Cumulative savings of approximately £2.4 billion in Annually Managed Expenditure will be delivered over this period.

The latest National Statistics (Preliminary 2011-12 Estimates) show that from total benefit expenditure of around £159 billion, £3.2 billion (2.0 per cent) was overpaid due to fraud and error, and an estimated £1.3 billion (0.8 per cent) was underpaid due to fraud and error.

The Fraud and Error programme achieved estimated savings of more than £276 million in total in 2011-12, including over £200 million from a Spend to Save investment of under £40 million. Since April 2011 the Department has invested heavily in compliance activities. Dedicated centres have been set up to spot and tackle cases where it is believed that people have not reported a change in their circumstances. A return on investment was achieved of approximately £9 saved for every £1 spent through the Case Cleanse programme across the major benefits. Working in partnership with local authorities, in October 2011 the Department launched a new data system that provides up to date information on tax credits to Local Government helping to detect Housing Benefit overpayments.

During 2011-12 the Department undertook a number of joint criminal investigations with HM Revenue & Customs with a view to prosecuting claimants who have committed both tax credit and benefit fraud. By the end of March 2012, 52 convictions had been secured, resulting in the identification of over £1.1 million in recoverable overpayments.

Actions to introduce a more robust regime of sanctions and penalties mentioned in last year's Annual Report and Accounts, can start now that the Welfare Reform Act has gained Royal Assent. Tougher deterrents include administrative penalties and loss of benefit for attempted fraud; and extended loss of benefit in case of conviction for fraud – 13 weeks for a first offence, 26 weeks for a second offence and 3 years for a third offence. There is also an immediate 3 year loss of benefit for serious or organised benefit fraud or identity fraud. Where claimant error leads to an overpayment as a result of negligence or failure to declare relevant information or change of circumstance, the Department will be introducing a new £50 civil penalty.

Effective customer service

During 2011-12 the Department's delivery operation has continued to administer benefits and pensions efficiently and effectively. For example, the Department:

- on average, conducted 90,000 adviser interviews per day to help people prepare for work;
- achieved a rate of 73 per cent of people leaving Jobseeker's Allowance by 26 weeks;
- processed over 2,700 applications for State Pension and over 1,100 claims to Pension Credit every working day;
- processed 88 per cent of Jobseeker's Allowance claims, and 84 per cent of Employment Support Allowance claims within 16 days;
- answered 95 per cent of Pensions and Carer's Allowance calls;
- made £595 million Social Fund recoveries; and
- recovered £364 million of debt.

The Department paid 99 per cent of benefit and pension payments direct into an account, including the Post Office card account, in 2011-12. Being paid into an account is a safe, reliable, efficient and secure way of receiving payments which gives claimants more choice about where they collect their cash. For the small number of customers who are unable to make use of mainstream bank accounts or the Post Office card account, the Department will be piloting a new 'Simple Payments' service as an alternative to cheque payments.

Providing better value for money

The Department continues to increase its efficiency at the same time as improving its service to the public. In 2011-12 the Department reduced administrative spending and made progress towards putting welfare spending on a sustainable footing by:

- reducing staffing levels in the Department and its arm's length bodies by nearly 11,000[1] full time equivalent members of staff, including by reducing corporate function headcount by 32 per cent. This will save the Department nearly £325[2] million each year;
- reducing the Department's total Estate by approximately 61,000 square metres, saving the Department around £24 million each year;

[1] Based on full time equivalent figures as at 31 March 2012 compared with 31 March 2011
[2] Based on 31 March 2012 average salary costs

- reducing the Department's total procurement spend by around £900 million through prudent procurement practices;
- reducing the Department's spend on consultancy from £13.8 million in 2010-11 to £8.8[1] million, a reduction of 36 per cent; and
- reducing the Department's discretionary spend across all categories between 2010-11 and 2011-12, including on staff subsistence by 16 per cent and on conferences by 85 per cent.

The drivers of savings in the Department's operating costs include:

- the Department's operational productivity and unit cost benchmarks. These are used to help frontline staff understand how they contribute to providing value for money and how they can help improve it. Most of the 2011-12 benchmarks were achieved, and variation in office performance was reduced through the sharing of best practice;
- introducing signposting leaflets to encourage claimants to find out more online, and restructuring the printed range to reduce costs. The first new leaflets cost, on average, 30 per cent less than the materials they replaced, with no loss of effectiveness;
- progress on sustainability. The Department reduced its Greenhouse Gas Emissions by 16 per cent in 2011-12; and
- continuing to make progress in modernising service delivery, towards making digital the default channel. It has increased the range of services, such as benefit advice, available online via DirectGov.

Beyond 2011-12

The Department is confident in its ability to meet the many challenges it faces in delivering the Government's radical welfare reform programme and in tackling poverty by working towards the principles of Social Justice in its policy development and delivery of services.

The Department's Delivery Plan[2] for 2012-13 was published on 11 June 2012 and can be accessed via the Department's website. In 2012-13 the Department will continue to focus on achieving its objectives to deliver and improve its labour market, benefit and pension administration and other services, deliver major reform and increase value for money for the taxpayer. By working in partnership across Government and with the private, voluntary and community sectors to deliver quality services that meet customers' needs the Department plans to simultaneously:

- maintain an excellent service to the public;
- deliver efficiencies;
- achieve its strategic priorities;
- be ready to implement the planned once in a generation reforms next year;
- start to plan the delivery of the next phase of reforms;
- develop and engage its people; and
- achieve more and better for less.

[1] Figures based on provisional returns and may be subject to change
[2] http://www.dwp.gov.uk/docs/dwp-delivery-plan-2012-2013.pdf

Transparency report

The Government aims to be open and transparent about how public services are run and how much it costs to run them. It believes members of the public should be able to find out how Departments are organised and what they spend. Information for 2011-12 can be found on the Department's website and on the data.gov.uk website. The data available includes the following information:

- a monthly Structural Reform report which describes progress in delivering the actions set out in the Department's Business Plan;
- a Quarterly Data Summary which provides a quarterly snapshot on how the Department is spending its budget, the results it has achieved and how it is deploying its workforce;
- Ministers' meetings, hospitality, gifts and travel;
- senior officials' business expenses, hospitality and meetings with external organisations;
- spend over £25,000;
- exceptions to the cross-Government moratorium on spend;
- awarded contracts; and
- Senior Civil Service performance payment.

Quarterly Data Summary (QDS) Tables

An annual version of the QDS is being published below for the first time as part of the Department's Annual Report and Accounts. For any interpretation or analysis of the information, users should pay careful attention to the Measurement Annex published on the Department's Transparency website. This outlines the caveats and nuances surrounding the data.

Spending

The QDS spending table includes data on 'common areas of spend'. Many of the measures are not yet directly comparable between Departments because they do not have common definitions, time periods, or data collection processes.

QDS Spending Table

SPENDING

Budget	£million 2011-12	£million 2010-11
Total Departmental Expenditure Limit (DEL)	**See Core Tables (Annex 1)**[2]	
of which Resource DEL (excl. Depreciation)		
Up to top 5 contributory elements		
Purchase of goods and services within Resource DEL		
Payroll within Resource DEL		
Grants within Resource DEL		
of which Capital DEL		
Up to top 5 contributory elements		
Total Annually Managed Expenditure (AME)		
Up to top 5 contributory elements		

Common Areas of Spend		2011-12	2010-11
Estate Costs[1]	Total office estate (m^2)	757,781	897,751
	Total cost of office estate (£million)	245	335
	Cost per FTE (£)	3,656	3,516
	Cost per m^2 (£)	323	315
Procurement	Total Procurement Spend (£million)	3,407	4,308
	Price of standard box of A4 white copier paper (£/2500 sheets)	9.42	9.25
	Average price of energy (£/KWH)	0.073	0.058
IT	Total 3rd Party ICT Cost (£million)	947	889
	Cost of desktop provision per FTE (£)	432.00	550.00
Corporate Service Cost[3]	Human Resources (£million)	68.30	*
	Finance (£million)	81.69	*
	Procurement (£million)	25.16	*
	Legal (£million)	32.92	*
	Communications (£million)	22.33	*
Fraud, Error, Debt	Total Estimated Fraud (£million)	1,100	1,200
	Total Estimated Errors (£million)	2,100	2,100
	Total Debt (£million)	3,545	3,374
	Debtor Days	Not applicable	Not applicable
Voluntary and community sector (VCS)/Small and medium enterprises (SME)	Procurement spend with SME (£million)	Direct 378 Indirect 267	622
	Procurement spend with VCS (£million)	Direct 121 Indirect Not available	346
	Grants to VCS	64.9	Not

[1] The QDS estate information is based on the results of the cross government Annual Property Benchmarking exercise, which measures Departmental estate that is classed as office space (excluding building such as Jobcentres, medical centres and storage etc), and that is over $500m^2$.
[2] The Core Tables can be found on page 210 of this report
[3] Includes the main Department, Child Maintenance and Enforcement Commission and the Health and Safety Executive.

			(£million)	available
			Major Projects (Top 5) Whole Life Costs	Cost
			Universal Credit (£ million)	13,845
Financial Indicators	2011-12	2010-11	Work Programme (£ million)	5,627
Accuracy of Cash Forecasting (+/- %)	1.27	1.79	Personal Independence payment (£ million)	2,598
Working Capital Forecast (% variance of Actual v Forecast)	Not applicable. See Core Table 3 for breakdown of Working Capital		Enabling Retirement Savings Programme (£ million)	1,049
Net Book Value (% variance of Actual v Forecast)	Not applicable		Incapacity Benefit Reassessment (£ million)	892
			Whole life cost of ALL major projects(£million)	26,992

*****The Cabinet Office definition of corporate service costs changed during 2011-12 and as a result 2010-11 and 2011-12 figures are not comparable.

Investment in Major Projects

The QDS spending table includes data on the Department's 'Top 5' Projects. The Department invests in a number of major projects and programmes, which collectively help to deliver improved services and to reduce Departmental costs. The cost of the Department's 'top 5' major projects were identified in the Department's Business Plan 2011-15. The 'whole life cost' of each project is included in the QDS template below. The estimated cost over the lifetime of each project, as forecast in March 2012 and reported in the Department's Business Plan 2012-15, is shown.

The Universal Credit and Personal Independence Payment programmes are introducing radically simpler systems of financial support for working age and disabled people. The objectives of these reforms were described in the earlier Performance Report. In 2011-12:

- the design and contractual work for Universal Credit progressed well and in January 2012 the implementation strategy was agreed; and
- the Personal Independence Payment project plan received HM Treasury approval in February 2012 to proceed with further work on the design and on invitations to tender for commercial contracts.

The Work Programme was rolled out successfully and the majority of contracts with providers started as planned from June 2011.

The Enabling Retirement Savings Programme will commence implementation of the Government's workplace pension reforms from October 2012, mainly through two arm's length bodies. The Pensions Regulator 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 is responsible for setting up and running a new low cost pension scheme that any employer can use to meet this duty.

The Incapacity Benefit Reassessment project formally closed in March 2012 following the successful implementation of the Information Technology and process changes required to support the work capability reassessment of claimants of old style incapacity benefits. All incapacity benefit claimants will be reassessed by April 2014.

Results

The set of input, impact and 'other key data' indicators published in the Department's Business Plan are used to report 'results' in the QDS. This information is designed to provide transparency about the Department's delivery effectiveness and to allow the public to make an assessment about the Department's value for money.

QDS Results Table

RESULTS		
Input Indicators	**Provisional figures for 2011-12**	**Final figures for 2010-11**
Unit cost of Jobcentre Plus labour market support per customer, (£)	23	31
Processing cost per new claim for Jobseeker's Allowance, (£)	72	91
Cost of maintaining each existing claim for Jobseeker's Allowance, (£)	326	304
Cost of processing each new claim for Employment and Support Allowance, (£)	229	232
Cost of processing each new claim for Income Support, (£)	166	179
Cost of maintaining each existing claim for Income Support, (£)	115	116
Cost of maintaining each existing claim for Basic State Pension, (£)	13	13
Cost of maintaining each existing claim for Pension Credit, (£)	48	52
Cost of processing each new claim for Disability Living Allowance, (£)	171	246
Overall Department for Work and Pensions productivity measure, (% increased compared with previous year)	12	10
Impact Indicators[1]	**Data published in 2011-12**	**Data published in 2010-11**
Rate of people moving from key out of work benefits[2]	JSA 87.2 (Jan-Mar 11) 88.6 (Oct-Dec 10) 89.8 (Jul-Sept 10) 90.5 (Apr-Jun 10)	not available
Number of people on key out of work benefits, (million)	4.8 (Nov 11) 4.9 (Aug 11) 4.8 (May 11) 4.9 (Feb 11)	4.8 (Nov 10) 4.9 (Aug 10) 4.9 (May 10) 5.1 (Feb 10)
Proportion of children living in workless households, (%)	15.9 (Oct-Dec 11) 15.8 (Apr-Jun 11)	16.0 (Oct-Dec 10) 16.1 (Apr-Jun 10)
Proportion of young people not in full time education who are not in employment, (%)	31.8 (Jan-Mar 12) 32.0 (Oct-Dec 11) 32.0 (Jul-Sept 11) 30.5 (Apr-Jun 11)	30.3 (Jan-Mar 11) 32.0 (Oct-Dec 10) 30.3 (Jul-Sept 10) 29.8 (Apr-Jun 10-)

[1] Technical notes for Impact Indicators are provided at Annex 2

[2] The title and scope of this indicator has been amended from the 'rate of people moving from key out of work benefits into employment' in the 2011-12 Business Plan. The data are the percentage moving from Jobseeker's Allowance by 52 weeks. The percentage of people moving from Employment and Support Allowance by 65 weeks are also published. Further detail can be found at Annex 2 [page 226].

Proportion of the lowest earners that experience wage progression, (%)	11.7 (2002-11)	12.5 (2001-2010)
Rate of disability poverty[1] (%)	20 (2010-11)	20 (2009-10)
Gap between the employment rates for disabled people and the overall population, (%)	24.0 (Jan-Mar 12) 24.4 (Oct-Dec 11) 24.4 (Jul-Sept 11) 24.4 (Apr-Jun 11)	23.3 (Jan-Mar 11) 23.9 (Oct-Dec 10) 25.0 (Jul-Sept 10) 24.7 (Apr-Jun 10)
Fraud and Error in the benefit system, as a percentage of expenditure (%) 1) Overpayments and 2) Underpayments)	1) 2.0% 2) 0.8% (11-12 preliminary)	1) 2.1% 2) 0.8% (10-11 preliminary)
Rate of pensioner poverty[2] (%)	14 (2010-11)	15 (2009-10)
Number of employees in a pension scheme sponsored by their employer, (million)	11.0 (2011)	11.3 (2010)
Average age people stop working, (years) (Men/Women)	64.6/62.4 (Jan-Mar 12) 64.6/62.4 (Oct-Dec 11) 64.4/62.5 (Jul-Sept 11) 64.5/62.7 (Apr-Jun 11)	64.5/62.8 (Jan-Mar 11) 64.5/62.7 (Oct-Dec 10) 64.6/62.7 (Jul-Sept 10) 64.7/62.5 (Apr-Jun 10)
Public opinion of Department for Work and Pensions service levels, (%)	89% (2011)	not available
Other Key Data[3]	**Data published in 2011-12**	**Data published in 2010-11**
Proportion of customers for whom providers have achieved a Job Outcome payment at 12 months on the programme	not available	not available
Number of Incapacity Benefit recipients reassessed and those moving from Incapacity Benefit to Employment and Support Allowance nationally	133,500/81,800 (to end Jul 11)	not available
Number of disabled people taking up Right to Control, by location (People notified of the Right to Control)	27,000 (to end Mar 12) 20,300 (to end Sept 11) 11,800 (to end June 11)	not available
Proportion of new Jobseeker's Allowance applications submitted online[4] (%) (JSA)	19.6 (Mar 12) 14.6 (Dec 11) 15.1 (Aug 11)	10.4/(Mar 11) not available not available
The proportion of households that are workless (%)	18.9 (Oct-Dec 11) 18.8 (Apr-Jun 11)	18.8 (Oct-Dec 10) 19.2 (Apr-Jun 10)

Structural Reform Plan Actions	2011-12
Total number of actions completed during the year	55
Total number of actions overdue at the end of the year	2
Number of overdue actions that are attributable to external factors	2
Total number of actions ongoing	24[5]

[1] Data are for a financial year and published around a **year after** the financial year end ends. Note the 2009/10 dataset has been revised, more information can be found at: http://research.dwp.gov.uk/asd/hbai/hbai_revision_due_to_ni_tax_changes.pdf
[2] Data are for a financial year and published around a **year after** the financial year-end ends. Note the 2009-10 dataset has been revised, more information can be found at: http://research.dwp.gov.uk/asd/hbai/hbai_revision_due_to_ni_tax_changes.pdf
[3] Technical notes for the Other Key Data indicators are provided at Annex 2
[4] The proportion of State Pension applications completed on line is no longer a Business Plan indicator. The Department is however, still continuing to report data. Further details can be found at http://www.dwp.gov.uk/docs/state-pension-claims-online.pdf
[5] The Business Plan is refreshed annually. There are 77 actions in the 2012-15 Business Plan.

The impact indicators in the QDS results table above help the Department demonstrate the effectiveness of its policies and reforms in achieving positive social outcomes. The table compares the most recently published data for these indicators but the Government, the public and the Department's other stakeholders will only be able to more fully assess whether intended policy outcomes have been achieved over a long time period and in context of the broader economic and social environment.

The data published in 2010-11 and/or 2011-12 were statistically significant for three impact and other key data indicators:

- The proportion of Jobseeker's Allowance applications submitted online increased from 10.4 per cent in March 2011 to 19.6 per cent in March 2012. As well as improving the online service itself, making internet access available for claimants in the majority of Jobcentres, and using contact with claimants to promote online claims, the Department is running tests in particular areas to learn whether offering more support and making the online service more attractive than telephony will drive significant increases in take-up.
- The rate of (relative) pensioner poverty improved between 2009-10 and 2010-11 with a one percentage point change from 15 per cent to 14 per cent. This has largely been due to a decline in median income in real terms (and thus the poverty threshold). The Government has restored the earnings link for the basic State Pension and given a 'triple guarantee' that the basic State Pension will increase by the highest of the growth in average earnings, price increases or 2.5 per cent. Further, it was announced in the Budget 2012 that the Government will reform the State Pensions system to introduce a single tier pension for future pensioners.
- The number of employees in a pension scheme sponsored by their employer decreased from 11.3 million to 11.0 million between 2010 and 2011, continuing the recent downward trend. The introduction of Automatic Enrolment, which begins with the largest employers in October 2012, is expected to have a significant positive effect on this indicator.

The effect of recent policies will be better seen in the long-term trends of the remaining indicators. Technical notes for Impact and other key data indicators are provided at Annex 2 [page 226].

People

The QDS people table reports key information on the Department's workforce size and shape, on turnover, diversity and attendance, and on employee engagement.

PEOPLE		31 Mar 2012	31 Mar 2011
Payroll Staff	Department and Agencies	**See Core Table 5 (Annex 1)**[1]	
	Non-Departmental Public Bodies		
	Department Group		
Average Staff Costs		£29,530	£28,365
Contingent Labour	Department and Agencies	**See Core Table 5 (Annex 1)**[1]	
	Non-Departmental Public Bodies		
	Department Group		
		Year ended 31 March 12	Year ended 31 March 11
Workforce Shape Full Time Equivalent (%)[2]	Administrative Assistants and Administrative Officers	47.4	48.8
	Executive Officers	39.5	38.2
	Higher and Senior Executive Officers	10.6	10.5
	Grade 7/6	2.1	2.3
	Senior Civil Servants	0.2	0.3
	Part Time	38.7	35.8
Workforce Dynamics	Recruitment Exceptions (FTE)	4,855	449
	Annual Turnover Rate (%)	5.22	5.93
Workforce Diversity (%)	Black and Minority Ethnic	11.4	11.3
	Women	68.3	67.2
	Disabled	6.5	6.5
Workforce Diversity (Senior Civil Servants only) (%)	Black and Minority Ethnic	3.7	4.7
	Women	40.2	38.9
	Women (Top Management Posts)	33.3	30.6
	Disabled	3.6	4.5
Attendance Average Working Days Lost (AWDL)	Actual (Main Department only)	7.3	8.1
	Standardised	6.9 [3]	7.8
		2011 survey	2010 survey
Employee Engagement Index (%)		44	46
Theme scores (%)	Leadership and Managing Change	22	24
	My Work	57	59
	My Line Manager	60	63
	Organisational Objectives & Purpose	72	74

Although not part of the QDS, the information on consultancy and temporary staff spend is published here to provide a more complete picture of the Department's workforce. Further

[1] The Core Tables can be fund in Annex 1 (page 210)
[2] Percentages may not sum due to rounding
[3] The December 2011 figure has been provided as the updated figure for the end of March 2012 position was not available in time for publication.

information on the Department's diversity and equality, and employee engagement strategies is also provided below

Monitoring spending on consultancy and temporary staff

The Department's management consultancy and interim personnel spend has continued to reduce significantly between 2010-11 and 2011-12 due to robust demand management measures and supported by Cabinet Office spending controls.

	Consultancy (£millions)		
	2011-12	**2010-11**	**Reduction**
Main Department	6.5	10.5	38%
Arm's length bodies	2.3	3.3	30%
Total	8.8	13.8	36%

	Temporary Staff (£millions)		
	2011-12	**2010-11**	**Reduction**
Main Department	13.2	34.7	62%
Arm's length bodies	7.2	13.5	47%
Total	20.4	48.2	58%

Monitoring Senior Civil Service Pay

The table below shows the numbers of Senior Civil Servants by pay band. Details of pay and reward for the Department's Ministers and Executive Team are provided in the Remuneration report, which can be found on page 42 of this report.

Senior Civil Service staff by pay band	**Full-time equivalents**	
	31 March 2011	**31 March 2012**
Permanent Secretary* £141,800 - £277,300	2*	1
SCS 3 £101,500 - £208,100[1]	8	6
SCS 2 £82,900 - £162,500	54	47
SCS 1 £58,200 - £117, 800	190	162
Total	**254**	**216**

*Darra Singh, then Chief Executive of Jobcentre Plus, had Permanent Secretary status as at 31 March 2011. Darra Singh left the Department on 30 September 2011.

Diversity and Equality

As an employer, the Department is committed to equality, to valuing diversity within its workforce and to ensuring that these commitments are embedded in the day to day working practices with customers, claimants, partners and other stakeholders. Between March 2011 and March 2012, the Department:

[1] Joe Harley's remuneration falls outside of the standard SCS pay-band. Details can be found in the Remuneration Report.

- increased the proportion of its workforce who are from ethnic minority backgrounds;
- increased the proportion of its workforce that are women, and maintained the proportion of top management posts filled by women; and
- maintained the proportion of its workforce that are disabled at 6.5 per cent.

Disabled people, as defined in the Disability Discrimination Act 1995 (and 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 improve 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.

As a public service provider, the Department is committed to providing services which embrace diversity and which promote equality of opportunity. The Department has standards and guidance in place to make it clear 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.

The Department has Civil Service responsibility for the cross-Government Disability and Equality strategy. In 2011-12 this involved refreshing the Civil Service Diversity Strategy, implementing the recommendations of the Civil Service Disability Task Group and delivering two Whitehall Internship programmes. These consisted of a two week college level scheme for students from under-represented socio-economic backgrounds, and a one day school leaver scheme aimed at broadening horizons and tackling the poverty of aspiration that holds back many from under-represented backgrounds.

Attendance

The Department has continued to build on the progress of recent years, reducing staff sickness absence to the lowest level ever, recording an average of 7.3 days per staff year in 2011-12, compared to 8.1 days per staff year in 2010-11. The figure for the main Department only is recorded in the QDS template. The Department will continue to seek to improve its performance through an ongoing programme of activity, including helping its 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.

Employee Engagement

In the context of welfare reform and organisational transformation, leadership and management of change continues to be the key challenge for the Department, as well as across Government. Data from the 2011 people survey shows that the Department lost ground in all the key drivers of engagement as the Department, and the corporate functions in particular, implemented its major reorganisation. As a result, over the next year the Executive Team is committed to developing and engaging staff and investing in staff satisfaction. The Department is:

- helping leaders and managers develop the skills and behaviours needed to support and deliver organisational change and to motivate, engage and coach their teams;
- implementing new performance management arrangements that recognise and reward achievement and help tackle poor performance effectively; and
- developing the capabilities and skills required to achieve the Department's strategic priorities and meet the future needs of the organisation.

The Permanent Secretary and Executive Team play a key role in communicating changes and listening to concerns from staff within the Department. From July 2011 all staff have been given the opportunity to ask questions and convey their views directly to the Permanent Secretary and the Chief Operating Officer in hour long 'Question Time' sessions across the Department.

Welfare services 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 also have access to Trade Union membership. The Department recognises three Trade Unions which it negotiates with, consults and informs at national level. Regular and comprehensive dialogue takes place with the Trade Unions.

Communications

Publicity and advertising

The Department's external communications in 2011-12 focused on ensuring that the public, stakeholders and the media understood changes to its services and policies, and on encouraging desired behavioural changes.

Activities included:

- building understanding of Universal Credit amongst stakeholders and partners;
- encouraging young people to be successful in the labour market, demonstrating the benefits of being self-employed, promoting understanding of Jobseeker's Allowance and demonstrating the benefits for business of a diverse workforce;
- working with Other Government Departments on social justice initiatives such as publication of the Gangs and Youth Violence report with the Home Office;
- paving the way for automatic enrolment into a workplace pension from October 2012 and communicating to the public the removal of the Default Retirement Age and benefits of working longer;
- encouraging poorer pensioners to claim their entitlements;
- communicating the migration from Incapacity Benefit (IB) to Employment and Support Allowance (ESA); and
- improving digital information available online and encouraging people to access it on Directgov, Businesslink.gov.uk and Departmental websites.

The Department focused on low-cost and no-cost communications activity, making maximum use of its own channels. Paid-for communications were used only when absolutely necessary, for example, when communicating about forthcoming changes to workplace pensions. All activity was evaluated and research used to target the right audience with the right message at the right time.

Correspondence

Between January and December 2011, the Department's Ministers received just over 43,000 letters. Of those, almost 25,000 were from MPs or Peers, and Ministers replied to 94 per cent of them within the Cabinet Office target of 20 working days. The other 18,000 letters were direct from members of the public, and replies were sent by officials on behalf of Ministers. Almost 95 per cent were sent within the target of 20 working days.

Complaints

The Department has well-developed processes for dealing with complaints, but continues to work towards improving awareness and accessibility. Details of how to complain and arrangements for redress are included on Directgov, the Department's website and in leaflets which are available from the Department and local Citizens Advice Bureaux. The Department's website explains how customer feedback is being used to improve service delivery.

The Department encourages staff to record as much information as possible about customer dissatisfaction with the service they have received to help identify areas where improvements can be made. In 2011-12, the Department recorded 82,437 complaints. Most complaints were quickly resolved at a local level.

A customer who remains dissatisfied after receiving a final response to their complaint can ask the Independent Case Examiner to investigate. In 2011-12 the Independent Case Examiner dealt with 522 complaints about the Department for Work and Pensions, and 851 about Child Maintenance and Enforcement Commission. The Independent Case Examiner upheld, fully or partially, 758 complaints (55.2 per cent).

Since April 2011, the Department has taken a new approach to complaints about providers, including the Work Programme. Providers are required to work directly with individuals to resolve complaints about their service. This ensures issues can be resolved at the first point of contact, rather than having to go through other layers of bureaucracy. Equally, it means providers are responsible for resolving and learning from complaints about their service. If the individual is not happy with the final response from the provider, they can then take their complaint directly to the Independent Case Examiner. In 2011–12 the Independent Case Examiner took on 18 complaints about Work Programme providers. He will provide feedback to the Department in his 2011-12 Annual Report.

The Department provides financial redress in the form of special payments to customers (or their representatives) who have incurred additional costs, losses or other effects of maladministration. In 2011-12 12,527 ex gratia compensation awards totalling £3.1 million[1] were authorised under these arrangements.

[1] The figure excludes financial redress paid in respect of loss of statutory entitlement (LOSE). The total cost of LOSE paid in 2011-12 was £1.3 million. This amount is excluded as it is not an additional cost arising from maladministration – it is money that would have been paid anyway if no maladministration had occurred. It also excludes special exercises which may be necessary to address the fact that current legislation does not provide for payments as intended by Ministers/Parliament.

If a member of the public is not happy with how the Department responds to their complaint, they can ask a Member of Parliament to raise the issue with the Parliamentary and Health Service Ombudsman. In 2010-11, the Ombudsman investigated and reported on 36 complaints about the Department. 72 per cent of these were fully or partly upheld.

2010-11 Ombudsman Report[1]	**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**[2]	**Number of recommendations not complied with**
Child Maintenance and Enforcement Commission[3]	8	14	71%	21%	7%	38	0
Independent Case Examiner	8	14	43%	0%	57%	5	0
Jobcentre Plus	2	5	60%	40%	0%	15	0
The Pension, Disability and Carers Service	0	2	50%	0%	50%	1	0
Department for Work and Pensions-other	0	1	100%	0%	0%	N/A	N/A
TOTAL	**18**	**36**	**58%**	**14%**	**28%**	**59**	**0**

Personal Data Incidents

Departments are required to disclose information concerning certain personal data related incidents. The tables below cover the whole Department including its arm's length bodies.

[1] The Ombudsman's full report can be found at www.ombudsman.org.uk/about-us/publications/annual-reports
[2] Some complaints result in more than one recommendation
[3] Percentages do not add to 100 due to rounding.

Summary of protected personal data related incidents formally reported to the information commissioner's office in 2011-12

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
Sept 2011	Loss of paper documents from outside secured Government premises.	Name, address, National Insurance numbers, bank account details.	150	Individuals notified by post.

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.

Summary of other protected personal data related incidents in 2011-12

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	1
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	2
V	Other	0

Sustainable Development

This section provides a brief overview of the Department's progress against the Government's two sustainable development priorities:

- delivering Greening Government Commitments to reduce greenhouse gas emissions, waste, paper use and water consumption; and
- mainstreaming sustainable development by making it central to the way the Department makes policy, runs its estate and purchases goods and services.

The following table compares 2011-12 performance with the Government's Greening Government Commitments made against 2009-10 baselines. Positive progress has been made this year, but the Department needs to maintain and build on this performance through to 2015. The target to cut paper use by 10 per cent in 2011-12 was exceeded and water consumption was reduced by 12 per cent against a 2009-10 baseline.

Summary of performance against Greening Government Commitments				
	2009-10 baseline	**2011-12 performance**	**2011-12 % reduction against baseline**	**2015 Target**
Reduce greenhouse gas emissions by 25% from a 2009-10 baseline from the whole estate and business-related transport				
Estates emissions	180,716	142,040	21%	135,537
Travel and related emissions	24,415	14,756	40%	18,311
Total greenhouse gas emissions	205,131	156,796	24%	153,848
Reduce the amount of waste we generate by 25% from a 2009-10 baseline				
Total volume of waste generated (tonnes)	16,626	13,844	17%	12,470
Volume of waste recycled (tonnes)	10,522	8,413	20%	N/A
Cut paper use by 10% in 2011-12 from a 2009-10 baseline				
A4 (Reams)	2,017,470	1,318,755	35%	N/A
A3 (Reams)	7,340	3,900	47%	N/A
Reduce water consumption from a 2009-10 baseline				
Total water consumption (m^3)	810,701	714,440	12%	N/A
Report on Water Use Performance against best practice benchmarks (usage per FTE)				
Buildings	**2009-10 baseline**	**2011-12 performance**		
Best Practice (<4m^3/FTE)	107	53	N/A	N/A
Good Practice (4-6m^3/FTE)	500	493	N/A	N/A
Poor Practice (>6M^3/FTE)	155	212	N/A	N/A

Further detail, including costs, Greenhouse Gas Emissions, Waste and Use of Finite Resources is included at Annex 4. Supplementary information is available in the Sustainability & Climate Change section of the Department's website[1].

[1] http://www.dwp.gov.uk/about-dwp/sustainable-development/

The Department has focused its sustainable development activities in 2011-12 on mainstreaming sustainability building it into the way the Department makes policy and throughout its project management functions, where it had already featured within formal project reviews.

The overall sustainability of several projects has been rated against a number of economic, social and environmental criteria; and the expected direct and indirect greenhouse gas impacts are calculated and expressed in cash equivalents to weigh up against the economic and social costs and benefits. This evaluation is revisited through the lifespan of the project whenever there are significant changes in scope. Possible mitigations of any negative impacts are identified at each stage, and acted on wherever appropriate.

Several projects, including Universal Credit, Simple Money Transmission Services, the Department's Transformation programme, Tell Us Once and E-signing have, as a result, registered projected greenhouse gas emission savings in their business cases and/or benefit realisation plans.

Towards the end of the financial year, an additional sustainability check has been added. In recognition of the fact that projects often commence with pre-approved aims, the Department now also assesses policies for sustainability at the pre-feasibility stage, before they are launched as projects or programmes.

Rural Proofing

To support rural areas and ensure the Department's policies are sufficiently flexible to deliver quality services that meet everyday needs of local people who live in those areas, the Department is moving from a one size fits all approach towards a flexible model for delivering labour market services. This will ensure that the needs and interests of rural people, communities and their businesses are properly considered in the development and implementation of local employment policies and programmes. Work Programme providers are also free to design support based on individual and local need, which will be especially beneficial for the rural unemployed.

For older people, the Department is delivering pensions, benefits and associated advice through its visiting Service. The Department is making extensive use of partnership arrangements, including those specific to rural communities, to support a wide range of innovative, local initiatives, such as working with older volunteer intermediaries, to identify need and promote the use of services. The Department underwrites the concessionary transport scheme that benefits all pensioners and older people are also assisted by Winter Fuel Payments and Cold Weather Payments. The Department is working in partnership with the Age Action Alliance and the UK Advisory Forum on Ageing to tackle issues that older people face.

Better Regulation

The Department is committed to the Government's strategy to reduce regulatory burdens on business and civil society:

- removing or simplifying existing regulation that unnecessarily impede growth;
- reducing the overall volume of new regulation by introducing regulation only as a last resort;
- improving the quality of any remaining new regulation; and

- moving to less onerous and less bureaucratic enforcement regimes where inspections are targeted and risk-based.

Statement of New Regulation, One In, One Out

The Government aims to quickly deliver credible and meaningful reductions in the overall regulatory burdens on business and civil society organisations. One-in, One-out is a rule whereby any new direct regulatory cost to business and civil society organisations is at least matched by cuts to the cost of existing regulations. The Government's third Statement of New Regulation (SNR) records the One-in, One-out (OIOO) balance of new costs (INs) and savings (OUTs) to business as a result of introducing new regulatory measures or taking deregulatory action. The cumulative OIOO position for the regulation implemented by the Department during the period 1 January 2011 to 30 June 2012 is an estimated net reduction in burdens on business of about £3,375 million per year.

Red Tape Challenge

The Red Tape Challenge is about harnessing the experience and ideas of those who deal with regulation day-in, day-out to help to reduce and reform the Government's stock of statutory instruments and regulations. The Department has overall responsibility for the Pensions, Sickness Absence and Health and Safety themes of the Red Tape Challenge. The Department also contributes to the Employment-Related Law theme led by the Department for Business Innovation and Skills.

Comments received through the Red Tape Challenge website were considered through the Löfstedt review of health and safety regulation. The Government accepted the review's recommendations. As a result, the Department is taking forward plans to revoke or consolidate around 50 per cent of regulations as part of wider plans to revoke or improve around 84 per cent of health and safety regulation.

Impact Assessment

An impact assessment is a reporting tool which policy teams use to work out the impact on business, civil society and others of introducing a new policy or policy change. The Regulatory Policy Committee (RPC) 4th report issued opinions on twelve of the Department's impact assessments in 2011 finding five fit for purpose on first reference. The report concludes that the number of impact assessments considered is too small to draw any conclusions, but that the complexity of some of the Department's proposals mean the assessments could usefully include more detailed policy explanation.

Small business moratorium, Sunsetting Regulations

'Sunsetting' regulations apply to measures that will expire or cease to have effect on a certain date in the future. Once the sunsetting expiry date has been reached, decisions to continue or amend a measure or to allow it to expire must be based on a OIOO assessment. The Department is complying with the Government's policy to apply sunsetting regulations where there is a net cost (burden) to business. For example, this type of provision has been made in The Occupational and Personal Pension Schemes Regulations 2012 and The Automatic Enrolment Order 2012.

EU Regulations

The Department is working with the Better Regulation Executive to engage with the European Commission to minimise EU regulatory burdens, in particular where they may affect small businesses. As part of the Red Tape Challenge for private pensions, the Department is reviewing whether there is any gold-plating of EU regulations to ensure that the terms of European Directives are met but do not extend beyond what is intended when turning them into UK law.

Health and safety

The Department continues to develop proportionate and sensible health and safety policies and procedures, to support business delivery and reflect internal transformation.

To help further manage the risk of verbal and physical abuse against its employees, in 2011-12 the Department introduced a new integrated on-line database and staff protection list allowing real time reporting of incidents and more targeted application of control measures.

The Department won the Gold Award for Occupational Health and Safety at the Royal Society for the Prevention of Accidents (RoSPA) Awards for the third year in a row in 2012. This award is presented to employers who show a commitment to protecting the health and wellbeing of their employees, customers and visitors. The Department was also awarded the Astor Trophy, presented to the organisation demonstrating the best management of occupational health, including wellness at work, attendance management and rehabilitation.

Sponsorship

Government Departments are required to publish details in their annual reports of any sponsorship received which exceeds £5,000. During 2011-12 the Department did not receive any sponsorship.

Governance

This chapter describes how the Department has been governed, structured and managed over 2011-12 and also includes the Lead Non-Executive report.

Departmental Governance structure

The Department's high level governance arrangements are described below and the effectiveness of these arrangements is evaluated in the Governance Statement on page 69.

The Department's decision-making arrangements comply with HM Treasury's Code of Good Practice for Corporate Governance in Central Government Departments, except for the Remuneration and Governance Committee, which has been established but has yet to meet.

Departmental Board

In April 2011 the Department established its enhanced Departmental Board. The Departmental Board operates in accordance with the Cabinet Office Board Protocol. The Board provides collective strategic and operational leadership of the Department. The Board is chaired by the Secretary of State and its membership now comprises four ministers, five non-executive members and three executive members.

The Board includes a Lead Non-Executive who supports the Secretary of State in his role of Chair of the Board and liaises with the Government-wide Lead Non-Executive Board Member. The Lead Non-Executive also chairs the Department's Nominations and Governance Committee.

Departmental Audit Committee

The Departmental Audit Committee (DAC) is a permanent sub-committee of the Departmental Board and is chaired by a Non-Executive Departmental Board member. The membership of the Departmental Audit Committee is entirely Non-Executives in line with Treasury guidance in the Audit Committee Handbook.

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 Permanent Secretary and Executive Team;
- support and monitor the performance and progress of management in delivering plans and achieving 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.

Executive Team

The Permanent Secretary and the Department's Directors General make up the Executive Team which supports the Permanent Secretary in leading the Department and implements policies that are set by Ministers and strategies set by the Departmental Board.

Executive Team meetings are sequenced both to cover routine business and to focus on specific issues needed to achieve the Department's strategic priorities. The Executive Team meets as the Portfolio Board to agree investment on new projects and review the portfolio of change within the Department. Directors General are accountable for the direction, leadership and management of their part of the business and for providing assurance and escalating risks or issues to the Executive Team where needed. The Executive Team is responsible for:

- considering the strategic implications of major policy developments;
- agreeing major corporate policies;
- robustly challenging and taking corporate planning and investment decisions;
- prioritising, approving and overseeing the Department's Change Portfolio, supporting Senior Responsible Owners for change programmes and projects to deliver their objectives and projected benefits;
- managing corporate performance and strategic risks; and
- supporting the success of the Department as a whole, working together as one team.

Arm's Length Bodies

The Department sponsors (through sponsor teams) a wide range of arm's length bodies to help it achieve its objectives. A list of these bodies can be found in Annex 3 of this report.

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

For each of the arm's length bodies 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 arm's length bodies on the basis of their Business and Corporate Plans.

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

From Autumn 2012, a comprehensive annual Public Bodies directory will be provided by the Cabinet Office. This will be published online.

Lead Non-Executive's Report

The Department for Work and Pensions established its enhanced Departmental Board in April 2011. Chaired by the Secretary of State, it operates in accordance with the Cabinet Office Board Protocol, and its function is to provide advice, challenge and support to the Department.

The Departmental Board comprises a good balance of Ministers, senior civil servants, and non-executives from outside Government. In April 2011, the Department's incumbent Board non-executives, Adrian Fawcett and Helen Stevenson, were joined by three newly appointed Non-Executives. These were John Clare, Willy Roe[1] and me. John and Willy had been the Chairs of the Boards of the Department's two Executive Agencies: Jobcentre Plus and the Pension, Disability and Carers Service. They were invited to join the main Board to provide invaluable knowledge and continuity through a significant period of transformation for the Department, during which the Agencies would cease to have Executive Agency status.

Adrian Fawcett and Helen Stevenson's contracts expired on 30 June 2011, at which point Dame Clara Furse (former CEO of the London Stock Exchange) and David Lister (Group CIO, National Grid) were appointed to the Board on 1 July 2011.

The Board has two sub-Committees: the Departmental Audit Committee and the Nominations and Governance Committee. These sub-Committees have non-executive Chairs (Dame Clara Furse and me respectively).

The Board met formally on four occasions during the 2011-12 accounting year, and also had an off-site strategy discussion. Its focus has been predominantly on the Department's structural change; its delivery plans (including risks and governance); and performance management (including financial management). The Board has also had a role in overseeing the Department's Capability Review and signing off its action plan.

Outside of the Board's formal meetings, the individual non-executives have led work in partnership with Ministerial and Executive colleagues on the following issues:

- strengthening the Department's talent management and staff engagement arrangements (Ian Cheshire);
- scrutinising and providing assurance of the Department's IT systems, with particular reference to the delivery of the welfare reform programme (David Lister);
- examining Departmental finances in terms of how well the Department understands and manages its financial position (Clara Furse);
- reviewing the relationship between the Department and its arm's length bodies (Willy Roe);
- engaging with the Government's reducing regulation agenda (John Clare).

It is my view that the non-executives have, and continue to, add value in these areas. In the coming year, the non-executives will additionally look closely at the Department's performance reporting and how we might usefully support the Secretary of State on the social justice agenda. The non-executives will also continue to build their knowledge of the organisation; develop a clearer view of challenges and sensitivities around execution; and build a higher performing Board from the solid foundation that has been created.

[1] John Clare and Willy Roe joined the Department Board informally in April 2011, and formally from November 2011

Performance Evaluation

The effectiveness review of the Board, which was completed in March 2012, concluded that - while the Board was still developing and evolving – it was performing well and moving very much in the right direction. It highlighted a few minor areas requiring further development, for example succession planning, and I will keep these under review over the coming year. Board attendance has been very good throughout the year, as evidenced in the Governance Statement later in this Report.

During 2012-13 the Board will continue to engage with the challenges of delivering the Department's ambitious agenda of reform and evaluate the impact of its transformation programme. The Board will continue to meet regularly (a minimum of four times a year) and to engage outside of its formal meetings to make progress.

Ian Cheshire
Lead non-executive

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 commitments set out in their Business Plans;
- 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 46.

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

Performance Assessment

There are four stages involved in the assessment of performance:

1. Self assessment

Senior Civil Service (SCS) members reflect on and collect a reasonable amount of examples or evidence helpful in assessing their contribution in relation to the measures and required outcomes they signed up to.

2. Performance Review Discussion with Line Manager

The performance review discussion is an opportunity for the SCS member and their line manager to address performance. This discussion, once documented, is reviewed by a countersigning officer and returned to the SCS member before referral to a relative assessment peer group.

To maximise consistency in standards, business heads or senior directors may confer with other similar businesses to provide a wider benchmark for staff.

3. Relative Assessment Peer Group

In 2011-12 the performance of individual SCS staff was relatively assessed against peers within the same pay band to achieve 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

4. Pay Committees

Senior pay committees provide input to the Departmental moderation process. The Pay Committees are comprised of:

Pay Strategy Committee:

Robert Devereux (Chair), Chris Last (HRDG), Ian Cheshire (non-Executive Director), Adrian Fawcett (non-Executive Director) (to 30 June 2011), Helen Stevenson (non-Executive Director) (to 30 June 2011) and Willy Roe (non-Executive Director) (from 1 June 2011).

Pay Band 1 and Pay Band 2 Pay Committees:

Robert Devereux (Chair) Darra Singh (to 30 September 2011), Adam Sharples (to 2 October 2011), Richard Heaton (to 31 January 2012), Joe Harley, Chris Last, Gill Aitken, Terry Moran, Hunada Nouss, Sue Owen, Vivien Hopkins (to 30 September 2011), Ian Cheshire (non-Executive Director), Adrian Fawcett (non-Executive Director) (to 30 June 2011), Helen Stevenson (non-Executive Director) (to 30 June 2011) and Willy Roe (non-Executive Director) (from 1 June 2011).

Pay Band 3 Pay Committee:

Robert Devereux (Chair), Ian Cheshire (non-Executive Director), Adrian Fawcett (non-Executive Director) (to 30 June 2011), Helen Stevenson (non-Executive Director) (to 30 June 2011) and Willy Roe (non-Executive Director) (from 1 June 2011).

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.

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 2011-12 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 were awarded to 25 per cent of SCS staff.

Policy on notice periods and termination payments

Standard SCS notice period

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
Robert Devereux Permanent Secretary	01/01/2011	N/A
Richard Heaton	02/01/2007	31/01/2012
Gill Aitken	01/03/2010	N/A
Darra Singh	30/11/2009	30/09/2011
Terry Moran	14/06/2004	N/A
Adam Sharples	06/09/2004	02/10/2011
Sue Owen	30/03/2009	N/A
Hunada Nouss	08/03/2010	N/A
Chris Last	02/01/2008	N/A
Joe Harley	28/07/2004	31/03/2012
Vivien Hopkins	01/12/2010	30/09/2011

Notes:

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

All of the above service contracts are on a permanent basis and therefore there are no unexpired terms applicable.

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 Iain Duncan Smith MP	Secretary of State for Work and Pensions
Steve Webb MP	Minister of State for Pensions
Rt Hon Chris Grayling MP	Minister of State for Employment
Lord Freud	Parliamentary Under-Secretary (Lords) and Minister for Welfare Reform
Maria Miller MP	Parliamentary Under-Secretary and Minister for Disabled People

* This information is audited by the Comptroller and Auditor General

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

Robert Devereux[1]	Permanent Secretary and Head of Department
Richard Heaton	Director General, Strategy, Information and Pensions to 02 October 2011
	Director General, DWP Transformation until 31 January 2012
Gill Aitken	Director General, Legal Group to 02 October 2011
	Director General, Professional Services from 03 October 2011
Darra Singh	Chief Executive, Jobcentre Plus to 30 September 2011
Terry Moran[1]	Director General, Universal Credit to 02 October 2011
	Director General, Chief Operating Officer from 03 October 2011
Adam Sharples	Director General, Employment Group to 02 October 2011
Sue Owen	Director General, Welfare and Wellbeing Group to 02 October 2011
	Director General, Strategy from 03 October 2011
Hunada Nouss[1]	Director General, Finance to 02 October 2011
	Director General, Finance and Chief Financial Officer from 03 October 2011
Chris Last	Director General, Human Resources
Joe Harley[1]	Director General, Corporate Information Technology and Chief Information Officer
Vivien Hopkins	Acting Chief Executive, The Pension Disability and Carers Service to 30 September 2011

[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
Adrian Fawcett	Non-Executive Director to 30 June 2011
Helen Stevenson	Non-Executive Director to 30 June 2011
John Clare	Non-Executive Board Member from 01 November 2011
David Lister	Non-Executive Board Member from 01 July 2011
Willy Roe	Non-Executive Board Member from 01 November 2011
Dame Clara Furse	Non-Executive Board Member from 01 July 2011

Directorships

None of the Directors held directorships which may conflict with their management responsibilities.

Remuneration 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*

Ministers	Salary	2011-12 Full Year Equivalent (FYE)	Salary	2010-11 Full Year Equivalent (FYE)
	£	£	£	£
Rt Hon Iain Duncan Smith MP *Secretary of State*	68,827	68,827	61,056	68,827
Steve Webb MP *Minister of State*	33,002	33,002	29,187	33,002
Rt Hon Chris Grayling MP *Minister of State*	33,002	33,002	29,187	33,002
Lord Freud[1] *Parliamentary Under-Secretary (Lords) and Minister of State*	-	-	-	-
Maria Miller MP *Parliamentary Under-Secretary and Minister of State*	23,697	23,697	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) and various allowances to which they are entitled are borne centrally.

* This information is audited by the Comptroller and Auditor General
[1] Lord Freud did not receive any salary

Officials [*]	2011-12 Salary	Bonus Payments	Benefits in Kind	Total	2010-11 Salary	Bonus Payments	Benefits in Kind	Total
	£000	£000	(to nearest £100)	£000	£000	£000	(to nearest £100)	£000
Robert Devereux *Permanent Secretary*	180-185	5-10	-	185-190	30-35 (FYE 180-185)	-	-	30-35 (FYE 180-185)
Richard Heaton	110-115 (FYE 130-135)	-	-	110-115 (FYE 130-135)	130-135	5-10	-	140-145
Gill Aitken	125-130	-	-	125-130	125-130	10-15	-	135-140
Darra Singh	90-95 (FYE 185-190)	-	-	90-95 (FYE 185-190)	190-195	-	-	190-195
Terry Moran	160-165	15-20	-	175-180	165-170	5-10	-	175-180
Adam Sharples	65-70 (FYE 135-140)	-	-	65-70 (FYE 135-140)	135-140	5-10	-	145-150
Sue Owen	130-135	15-20	-	145-150	130-135	5-10	-	140-145
Hunada Nouss	165-170	-	-	165-170	165-170	5-10	-	170-175
Chris Last	180-185	-	-	180-185	180-185	5-10	-	190-195
Joe Harley	240-245	-	-	240-245	240-245	5-10	-	250-255
Vivien Hopkins	55-60 (FYE 110-115)	-	-	55-60 (FYE 110-115)	35-40 (FYE 110-115)	-	900	35-40 (FYE 110-115)

Salary

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

'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 i.e. bonuses included in July

[*] This information is audited by the Comptroller and Auditor General

2011 salaries (2011-12) relate to the period served during 2010-11. This ensures that payments made to Directors in relation to their period of service on the Board are disclosed in their totality.

Benefits in Kind for Officials

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.

Compensation for Loss of Office

Darra Singh received payment in lieu of notice amounting to £94,450. Adam Sharples also received compensation for loss of office in lieu of notice amounting to £42,435. Adam Sharples left under voluntary exit terms on 30 November 2011 receiving a compensation payment of £242,288 of which £144,774 was used to buy out the actuarial reduction on his pension.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

	Band of highest paid director's total remuneration	Median total remuneration	Ratio
	£000	£	
2011-12	330-335	21,990	15.12
2010-11	250-255	20,970	12.04

The banded remuneration of the highest-paid director in the Department during the financial year 2011-12 was £330,000 - £335,000 (2010-11, £250,000 – £255,000). The remuneration is in respect of Adam Sharples and is a combination of total salary paid in the year (£90,000 - £95,000 which includes a two month period of non-directorship) plus compensation paid on leaving the Department under voluntary exit terms on 30 November 2011. This remuneration was 15.12 times (2010-11, 12.04) the median remuneration of the workforce, which was £21,990 (2010-11, £20,970). The ratio shows an increase from 12.04 in 2010-11 to 15.12 in 2011-12. The increase is due to the severance payment made to Adam Sharples as outlined above. The same calculation performed on the highest paid director still in post as at 31 March 2012 results in the ratio being 11.02 times the median remuneration of the workforce. This is a decrease in the ratio when compared to 2010-11. Senior salaries were subject to a pay freeze and the most highly paid director did not receive a non-consolidated performance related payment in 2011.

In 2011-12 and in 2010-11, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £14,000 – £14,500** to £330,000 – £335,000 (2010-11, £14,500 – £15,000** to £250,000 – £255,000).

Total remuneration includes salary, non-consolidated performance related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

* Median: The total remuneration of the member of staff at the mid-point of staff paid and in post in the Department on 31 March 2012
** Full time equivalent

Pension benefits *

Ministers *	Total accrued pension at age 65 as at 31/03/12	Real increase in pension at age 65	CETV[1] at 31/03/12	CETV[2] at 31/03/11	Real increase in CETV
	£000	£000	£000	£000	£000
Rt Hon Iain Duncan Smith MP *Secretary of State*	5-10	0-2.5	105	79	11
Steve Webb MP *Minister of State*	0-5	0-2.5	14	7	4
Rt Hon Chris Grayling MP *Minister of State*	0-5	0-2.5	23	11	6
Lord Freud *Parliamentary Under-Secretary (Lords) and Minister of State*	-	-	-	-	-
Maria Miller MP *Parliamentary Under-Secretary and Minister of State*	0-5	0-2.5	16	8	4

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 (MPs) 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.

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

* This information is audited by the Comptroller and Auditor General

[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 2011-12. The CETVs at the 31 March 2011 and the 31 March 2012 have both been calculated using the new factors for consistency. The CETV at the 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

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's Department. 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) - Ministers

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 31/03/12 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/12 [1]	CETV at 31/03/11 [2]	Real Increase in CETV
	£000	£000	£000	£000	£000
Robert Devereux *Permanent Secretary*	75-80 plus 225-230 lump sum	5-7.5 plus 15-17.5 lump sum	1,506	1,296	98
Richard Heaton (to 31 January 2012)	30-35 plus 100-105 lump sum	0-2.5 plus 2.5-5 lump sum	520	467	18
Gill Aitken	35-40 plus 105-110 lump sum	0-2.5 plus 0-2.5 lump sum	621	565	8
Darra Singh (to 30 September 2011)	5-10	0-2.5	78	56	15
Terry Moran	55-60 plus 170-175 lump sum	-	1,041	984	-
Adam Sharples (to 2 October 2011)	60-65 plus 185-190 lump sum	-	1,333	1,304	-
Sue Owen	50-55 plus 150-155 lump sum	-	1,032	969	-
Hunada Nouss	10-15	0-2.5	196	149	30
Chris Last [3]	15-20	2.5-5	177	131	30
Joe Harley [4] (To 31 March 2012)	15-20	0-2.5	318	256	36
Vivien Hopkins (from 1 December 2010 to 30 September 2011)	55-60 plus 165-170 lump sum	0-2.5 plus 5-7.5 lump sum	1,253	1,182	42

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

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 October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

* This information is audited by the Comptroller and Auditor General
[1] Where an official left the Department part way through the year, the CETV column refers to the date of leaving.
[2] The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at the 31 March 2011 and the 31 March 2012 have both been calculated using the new factors for consistency. The CETV at the 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors
[3] Opted to join the Nuvos Scheme.
[4] Opted to join the Premium Scheme.

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** (the contribution rates are being increased from 1 April 2012). 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) - Officials

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.

Non-Executives [*]

Fees amounting to £20,000 (2010-11 £75,000) were payable to the non-Executive Board Directors as follows:

	Total Fees 2011-12 £000	Total Fees 2010-11 £000
Ian Cheshire[1]	-	-
Adrian Fawcett (to 30th June 2011)	4	15
Helen Stevenson (to 30th June 2011)	4	15
John Clare (from 01 November 2011)	6	-
David Lister[2] (from 01 July 2011)	-	-
Willy Roe (from 01 November 2011)	6	-
Dame Clara Furse[3] (from 01 July 2011)	-	-
	20	**30[4]**

Robert Devereux
Accounting Officer

9 July 2012

[*] This information is audited by the Comptroller and Auditor General
[1] Ian Cheshire has waived his entitlement to an honorarium of £20,000
[2] David Lister has waived his entitlement to an honorarium of £15,000
[3] Dame Clara Furse has waived her entitlement to an honorarium of £20,000
[4] In addition to £30,000 detailed, there were also fees totalling £45,000 in 2010-11 payable to non-executive board members who have since retired.

Financial Overview

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 HM 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 net expenditure control under the Parliamentary Vote system. The Vote is constructed on a resource account basis and includes a formal description (ambit) of the services to be financed. Voted money cannot be used to finance services not covered by the ambit.

Results for the year

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 2011-12 the Department met all of its control totals:

- Resource Departmental Expenditure Limit (DEL) – Outturn was £7.5 billion, 1.9 per cent below the Estimate;
- Capital DEL – Outturn was £0.3 billion, 9.9 per cent below the Estimate;
- Administration Cost Limit – Outturn was £1.3 billion, 6.5 per cent below the Estimate;
- Net Cash Requirement – Outturn was £82.8 billion, 2.5 per cent below the Estimate;

The total voted resource outturn was £83.8 billion, 1.4 per cent below the Estimate (£1.23 billion underspend). The underspend is made up of £0.148 billion DEL, £0.639 billion Annually Managed Expenditure (AME) and £ 0.446 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
Voted Expenditure DEL				
Child Maintenance and Enforcement Commission	545,000	483,546	61,454	The majority of the underspend relates to delays to the Future Scheme for child maintenance, resulting in expenditure being deferred until 2012-13
European Social Fund	1	15,268	(15,267)	Exchange rate losses from the European Social Fund crystallised in March, resulting from the strengthening of sterling relative to the euro between the time European Social Fund claims were paid to being recovered from the European Union. The majority of these losses had previously been provided for in AME and the offset can be seen in the 'Other expenditure' line in AME.
Employment Programmes	1,015,114	875,580	139,534	The majority of Employment Programme expenditure is now within the Work Programme. This programme is very much performance driven and the emphasis is on payment by results. Partly as a consequence of the recession suppressing employment opportunities, and partly because the actual time taken between putting individuals onto the Work Programme and placing them in employment or training has taken longer than anticipated, the actual expenditure in 2011-12 has been much lower than expected. However, indications for 2012-13 are that performance is improving with increased opportunities and eligibility, and detailed analysis is underway to fully evaluate and forecast this.
Other Programmes	87,729	183,328	(95,599)	This is made up of a number of elements, the most notable is Remploy (£78m) as a consequence of the announcement in March 2012 of the Department's intention to implement the recommendations of the Sayce review. This will mean factory closures and redundancies, the costs of which have to met by the Department. In addition, the Department guarantees Remploy's overdraft and pension fund liabilities, and these were reduced, again as part of the implementation of Sayce. £10m for National Employment Savings Trust, £6m for Pensions Protection Fund and £1m for Motability were recorded within the Departmental operating costs line as part of the Supplementary Estimate. The outturn has been shown appropriately against Other

				Programmes.
Voted Expenditure AME				
Financial Assistance Scheme	963,195	1,171,098	(207,903)	The variance on Financial Assistance Scheme arises for two main reasons: * increases in the long-term cash flow forecasts as a result of more comprehensive sampling data; * a change to the discount rate in line with revised HM Treasury guidance. These factors have resulted in a significant increase in the Financial Assistance Scheme provision during the year. Some of this increase was foreseen at the Supplementary Estimate, but there are inherent uncertainties in the data until the initial transfer stage of the schemes is complete.
Other expenditure	(19,000)	(32,738)	13,738	Relates to realised exchange rate losses on European Social Fund explained above.
Non Voted Expenditure AME				
Expenditure incurred by the Social Fund - Resource	2,966,732	2,373,949	592,783	Winter 2011-12 was milder than anticipated at the time the funding was finalised in the Supplementary Estimate. This meant that there were very few Cold Weather Payments triggered resulting in the majority of the underspend. In addition, recent policy changes relating to Winter Fuel Payments (both the amounts and the eligibility age) reduced expenditure in this area as well.
Expenditure incurred by the Social Fund - Capital	86,086	34,729	51,357	A number of expenditure control measures on Crisis Loans were put in place, reducing the number of loans made. Recoveries from loans made in previous years have also increased, further reducing the demands on this budget.

Consolidated Statement of Comprehensive Net Expenditure

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

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

- Net Operating Cost amounting to £167.0 billion (2010-11 £160.3 billion restated);

- Programme expenditure mainly consists of grants and other current expenditure amounting to £77.8 billion (2010-11 £77.2 billion restated) and contributory benefits amounting to £82.2 billion (2010-11 £78.1 billion) (see Notes 13 and 14(i)).

Reconciliation of resource expenditure between Estimates, accounts and budgets

		Outturn £000	Estimate £000	Variance £000
Net Resource Outturn (Estimates)		**169,305,689**	**171,612,243**	**2,306,554**
Adjustments to remove non-budget elements:				
Cash to the Social Fund		(2,514,838)	(2,960,977)	(446,139)
Total Resource Budget Outturn		**166,790,851**	**168,651,266**	**1,860,415**
Of which:				
	Departmental Expenditure Limits (DEL)	7,488,202	7,636,246	148,044
	Annually Managed Expenditure (AME)	159,302,649	161,015,020	1,712,371
Adjustments include:				
	Capital Grants	1,939	1,200	(739)
	Consolidated Fund Extra Receipts	(1,535)	-	1,535
Other PFI adjustments		187,972	139,426	(48,546)
Net Operating Cost (Accounts)		**166,979,227**	**168,791,892**	**1,812,665**

Statement of Financial Position

The Statement of Financial Position includes trade and other receivables of £3.6 billion (see Note 24) and trade and other payables of £5.7 billion (see Note 26), 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 £3.9 billion (see Note 27) mainly relates to the Financial Assistance Scheme provision of £3.86 billion.

Property, plant and equipment assets total £2.1 billion (see Note 18). These comprise 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.

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 £166.5 billion compared to a cash outflow in 2010-11 of £161.1 billion. The change is mainly due to the increase in net operating costs of the Department from £160.3 billion to £167.0 billion. The increase in social security payments is mainly attributable to the increase in benefit expenditure.

Prior year comparatives

As a result of HM Treasury's clear line of sight project the comparative figures within the Accounts have been restated as follows:

- The Departmental accounting boundary has been extended to include the Department's Executive and Tribunal Non-Departmental Public Bodies (NDPBs). These have been incorporated from 1 April 2011 under Statutory Instrument 2012 number 717. The financial statements have been restated to include these bodies in the consolidation.
- From 2011-12 Estimates have been based on Departmental budgets, reflecting the analysis between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). This has resulted in consequential changes to the presentation of the financial statements and the comparative period.

- Estimates have been amended with Voted totals being compiled net of income. As a result, Appropriations-in-Aid have been removed from accounts and Estimates in 2011-12 and the comparative period.

Departmental reporting cycle

The Department's Main Estimate for 2011-12 was published in April 2011 as part of the Central Government Supply Estimates 2011-12 Main Supply Estimates (HC 921). The Department also applied for a Supplementary Estimate, details of which are available in the Central Government Supply Estimates 2011-12 Supplementary Estimates (HC 1755) published in February 2012.

These documents 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 2011-12, 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 2011-12. In addition, to further demonstrate the improved controls in place to ensure that benefit overpayments are identified and correctly accounted for we have also included the results from our independent overpayment referral assurance activity. The improvement in controls has resulted in an increase in the number of overpayments that the Department is identifying and bringing to account. For comparison purposes, the figures since 2005-06 are also included:

Year	Overpayment Volumes	Overpayment referral rate	Recoveries
2005-06	0.8 million	N/A	£180 million
2006-07	1.0 million	N/A	£233 million
2007-08	1.3 million	70%	£272 million
2008-09	1.6 million	85%	£281 million
2009-10	1.9 million	91%	£294 million
2010-11	2.1 million	97%	£312 million
2011-12	2.0 million	96%	£321 million

The Department made an assessment of the value of unreferred overpayments at 31 March 2012 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

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

Contingent liabilities

Details of contingent liabilities reported under IAS 37 are disclosed in Note 35. 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 34 – Financial Guarantees, Indemnities and Letters of Comfort.

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 29. The Department also faces a number of operational risks, the management of which is considered as part of the Governance Statement.

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 2011-12, conducted to measure how promptly the Department pays its bills, found that 85 per cent of bills were paid within this standard (2010-11 85 per cent).

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 £159,584 arising and payable by the Department during the year (2010-11 £279). These costs are included within Interest Charges in other administration costs, which are reported at Note 8.

Research and development

The Department incurred expenditure on research and development activities to the value of £8.6 million (2010-11 £21.7 million), which is reported in Note 8 and 10.

Pension liabilities

Details of the Department's treatment of pension liabilities are disclosed within Accounting Policy Note 1.29 and Note 7 to the accounts. 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 page 85

The total cost of audit work was £2,728k (2010-11 £3,026k restated). This includes cash fees of £739k (2010-11 £880k restated see Note 8 and 10) and notional fees of £1,989k (2010-11 £2,146k see Note 9).

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

- Cost reduction in the Department for Work and Pensions (published 23 June 2011)
- The Work Programme (published 24 January 2012)
- Child Maintenance and Enforcement Commission (published 29 February 2012)

As at 31 March 2012, the following Value for Money studies were ongoing:

- Responding to Economic Change

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.

Expenditure tables (core tables)

The expenditure tables, which can be found in Annex 1 [page 210] of this report, provide an explanation of what the Department for Work and Pensions spends money on. The tables provide an analysis of Departmental expenditure in resource terms, showing resource consumption and capital investment. The information includes Voted and non-Voted expenditure and also shows the extent to which funds are provided to support local authority activities.

The tables include a breakdown of expenditure by major budget category: Annually Managed Expenditure (AME) and Departmental Expenditure Limit (DEL). AME is primarily demand led expenditure incurred on making benefit payments and is agreed as part of the Budget and Pre-Budget Report process. DEL is spending within the Department's direct control and which can therefore be planned over an extended period, such as the costs of its own administration, payments to third parties e.g. within Employment Programmes, Housing Benefit administration subsidies to Local Authorities, and the European Social Fund. DEL provision is settled with HM Treasury during the Spending Review process.

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 2007-08 to 2014-15. Future year's figures reflect the budgeted figures agreed with HM Treasury. The format is on a basis consistent with the 2012-13 Estimate Part II section headings. Data has been provided by HM Treasury from the Combined Online Information System (COINS) database. The information in table 1 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 2012 against the original and final budgetary control limits based on 2011-12 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 non current assets, receivables and payables values, and also the extent of provisions made. The net assets of the arm's length bodies including Health & Safety Executive and Child Maintenance Enforcement Commission are shown separately.

Table 4 – Department for Work and Pensions administration budget

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 at a point in time in the Department, on a full time equivalent basis. The figures are based on the Office of National Statistics specification which includes all paid staff and are not directly reconcilable to the figures shown in Note 7 to the Accounts which are based on the average number of full time equivalent persons employed during the year.

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.

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 2010-11

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).

The Departmental Accounts 2011-12

for the year ended 31 March 2012

Departmental accounting boundary

The Departmental accounting boundary is detailed in Note 40 of the notes to the financial statements. Within the boundary Crown, Executive and Tribunal Non-Departmental Public Bodies are administered separately from the Department and produce their own Annual Report and Accounts.

In addition to the core Department's functions of paying benefits in respect of welfare and pensions, the core Department's accounts also include the following areas of expenditure:

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.

Bodies outside the accounting boundary

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

- The Pension Protection Fund;
- National Employment Savings Trust Corporation (from 5 July 2010); and
- Remploy Limited.

Further details about these bodies can be found at Annex 3.

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 Trust Statement is published alongside this Annual Report and Accounts [pages 192 to 208].

Events after the reporting period

Government and Budget announcements

On 14 December 2011 The Public Bodies Reform Bill received Royal Assent and is now an Act of Parliament (law) allowing Ministers, by order, to abolish, merge or transfer functions between Non-Departmental Public Bodies. As a result, the Department intends to return the functions of the Child Maintenance and Enforcement Commission back to the core Department with effect from 1 August 2012, subject to Parliamentary approval. In addition the Disability Living Allowance Advisory Board is due to close from November 2012 and the Pensions Ombudsman and Pension Protection Fund Ombudsman are due to merge in October 2013.

Other events

With effect from 1 May 2012 My Civil Service Pension (MyCSP) became a mutual joint venture and ceased to be administered by the Department. MyCSP is now owned jointly by Cabinet Office 35 per cent, employees 25 per cent and Equiniti 40 per cent.

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 Accounting Officer authorised these financial statements for issue on 10 July 2012.

Robert Devereux
Accounting Officer

9 July 2012

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department for Work and Pensions to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department and its sponsored non-Departmental bodies designated by order made under the GRAA by Statutory Instrument 2012 number 717 together known as the 'Departmental group', consisting of the Department and sponsored bodies listed at Note 40 to the accounts. 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 the Departmental group and of the net resource outturn, resources applied to objectives, recognized gains and losses and cash flows of the Departmental group for the financial year.

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

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

- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;

- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by Non-Departmental Public Bodies;

- 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 Secretary of the Department as Accounting Officer of the Department for Work and Pensions.

The Accounting Officer of the Department has also appointed the Chief Executives of its sponsored Non-Departmental and other arm's length public bodies as Accounting Officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

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 assets of the Department or Non-Departmental Public Body for which the Accounting Officer is responsible, are set out in Managing Public Money published by HM Treasury.

Governance Statement 2011-12

1. The Department for Work and Pensions (the Department) is governed by a system of three complementary responsibilities:

- The Secretary of State's overall responsibility for the work of the Department, and direct responsibility for Departmental Expenditure and Departmental Management;
- The Permanent Secretary's responsibility, both to the Secretary of State and directly to Parliament as Accounting Officer.
- The Departmental Board's (the Board) responsibility for providing collective strategic and operational leadership of the Department.

2. Annex A shows the Department's organisation and responsibilities framework.

3. This Governance Statement sets out how these responsibilities have been discharged during 2011-12. It has been agreed by the Board.

Context

4. The context in which the Department's governance arrangements need to operate is extremely challenging, as a result of seeking to implement profound reforms, to a complex operation, serving millions of people, and delivering significant savings. These reforms are being introduced to what is already the biggest public service delivery Department in the UK and serves over 20 million customers. In 2011-12, total expenditure by the Department on benefits and pensions amounted to £159bn.

5. The Welfare Reform Act 2012 legislated for the most fundamental reforms to the social security system for 60 years. It will deliver a system that is simpler, fairer and ensures that work always pays. The key measures in the Act include:

- the introduction of Universal Credit which will provide a new single system of means-tested support for working-age people in and out of work. Support for housing costs, children and childcare costs will be integrated in the new benefit;
- the replacement of Disability Living Allowance by Personal Independence Payment, a new non-means-tested benefit;
- the introduction of a tougher set of sanctions to more effectively encourage claimants to meet their responsibilities;
- measures to enable greater control over the growth of Housing Benefit in the private rented sector and ensure future support for claimants will be kept at a more reasonable and realistic level;
- a one year time limit to the receipt of contributory Employment and Support Allowance for people who are able to prepare for work and are in the Work Related Activity Group; and
- a cap on the amount of benefits a household may receive so that these are in line with average weekly earnings.

6. Other significant changes underway before the Welfare Reform Act include:

- reassessing 1.5 million existing incapacity benefits claimants to see whether they were fit for work or eligible for Employment and Support Allowance (11,000 claimants were contacted each week); and
- introducing the Work Programme in June 2011 to help those in danger of becoming long term unemployed: this is the biggest single payment by results employment programme Great Britain has ever seen, providing personalised support to an expected 3.3 million claimants over the life of the contract.

7. At the same time, the Department continued to administer the existing benefit system and acted to meet the spending challenge to reduce the baseline cost of the Corporate Centre by 40 per cent and operational costs by 25 per cent, over the spending review period.

8. Given the profound changes required, both the reforms and budget restrictions, the Department has been restructured, during 2011-12. The day to day operations of Jobcentre Plus and the Pension, Disability and Carers Service were brought under the leadership of a single Chief Operating Officer and the corporate centre was subjected to a major re-design. This has reduced unnecessary duplication and bureaucracy, creating a smaller, more efficient organisation. Staffing in the corporate centre has already reduced by one third.

Risk Controls and Compliance

9. Making 'One DWP' a sustainable reality means the Department needs to enhance and change attitudes to risk within the business. Risk Management Division is working with people and teams across the Department to develop the ways of working required to help people build their risk management skills and capability, embed collaborative working and realise the benefits of the delayered organisation.

10. Risk Management Division has worked closely with the DWP Executive Team to establish its risk tolerance and review its risks. As a result 14 different risk themes have been identified and the Executive Team has agreed tolerance for each risk and quantified the cost of mitigating actions. Executive Team meetings are routinely focused on risk themes and the material changes that mitigating actions are making in these areas.

11. The Executive Team is leading by example. They ensure that their conversations about risk, focus on how the business can achieve its objectives. Taking feedback from staff, the Executive Team has committed to a cultural challenge around tolerating risk that encourages people to work innovatively and collaboratively with colleagues, and to take a well informed and proportionate approach to managing risk within agreed tolerance levels to maximise efficiency and effectiveness within the business.

12. As noted above, the Department has faced many challenges during the year and continues to do so. Key risk themes include the ongoing Welfare Reform agenda, particularly the work capability reassessment process and implementation of Personal Independence Payment and Universal Credit. Unifying the organisation throughout this period of transition, developing capacity and capability and improving service delivery channels are all risks that the Executive Team are focusing on.

Departmental Performance

13. The Business Plan 2011-15 sets out the Department's programme of reform for the Spending Review period, providing clear milestones against which progress is monitored and reported. Over the past year, regular scrutiny of the Department’s progress by the Prime Minister’s Office and Cabinet Office has raised awareness of delivery progress / risks and driven improvement through cross-Government collaboration. The Business Plan also identifies key outcome (impact and efficiency) indicators. Outcome data is published on the internet to increase transparency and to help the public determine whether the Department is on track to deliver the Government's priorities.

14. For 2011-12 a Performance Agreement was developed for each of the Department's Chief Executives and Directors General to agree what would be delivered in return for the resource that was allocated to them. These agreements set out the measures and planned levels of performance used to manage the delivery of activities that are expected to achieve the Department's strategic outcomes. The performance levels define the Department’s expectations and provide the Principal Accounting Officer and the Board with a clear and coherent view of the Department's plans.

15. Replacing top-down targets set at the centre of the Department with planning assumptions has allowed greater operational flexibility, enabling staff to focus on delivering outcomes rather than on processes. Independent evaluation of the Jobcentre Plus performance management framework (which was linked to that of the Department) found evidence that a performance culture has emerged in which Operations feels free to innovate, can learn from the best and continuously improves performance.

16. At a Departmental level, actual performance is compared with planned performance levels. Assurance over delivery is provided to the Executive Team on this basis. The National Audit Office (NAO) has validated the Department's outcome indicators and made recommendations that will help us to strengthen our assurance framework for source data.

17. For 2012-13, the Department is introducing a single ‘One DWP’ Performance Agreement. This has been built around five delivery areas to ensure that what we do and what we deliver is aligned with the departmental delivery priorities for 2012-13.

The Principal Accounting Officer

18. Against this backdrop, the Permanent Secretary as Principal Accounting Officer was responsible to the Secretary of State and to Parliament 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 he was personally responsible.

19. The Principal Accounting Officer delegated at the beginning of the financial year, responsibility for expenditure to each of his Directors General, based on the accountabilities agreed with them. He receives assurances from his Directors General on governance, decision making and financial management in the Department, which are reflected in this Governance Statement.

20. In addition the Department sponsors a number of Arm's Length Bodies (ALBs) on behalf of Ministers, and some of the Department's responsibilities are delivered through these ALBs. The Principal Accounting Officer delegated Accounting Officer responsibilities to the Chief Executive Officer of the Department's ALBs and to other bodies as appropriate. All have clear guidelines in providing assurance back to the Principal Accounting Officer.

21. These Accounting Officers are then accountable for the maintenance and operation of the system of internal control and risk management in their bodies / organisations, and for the production of an associated Governance Statement. To assist the Principal Accounting Officer in discharging his personal responsibilities, a lead official has been designated within the Department to be directly accountable for ensuring that there are effective governance and control arrangements in place between the Department and the ALB.

22. The Principal Accounting Officer also oversees a proportion of the Department's budget, mainly for Housing Benefit, Council Tax Benefit, and Discretionary Housing Provision, which is distributed to Local Authorities. More detail on the arrangements for Localism is provided at Annex B.

23. The Department's budget also provides for a Financial Assistance Scheme, which offers help to some people who have lost out on their occupational pension in certain circumstances. This Scheme is operated by the Pension Protection Fund on behalf of the Department. A Trust Statement on the Financial Assistance Scheme is included in this report [pages 192 to 208]. The Accounting Officer for the board of the Pension Protection Fund has provided an assurance statement in respect of the Financial Assistance Scheme to the Principal Accounting Officer.

24. The Principal Accounting Officer is a member of the Board, which is chaired by the Secretary of State, and comprises four ministerial members, five non-executives and three members of the Executive Team. The Board has five main areas of responsibility: Performance; Strategy; Resources and Change; Capability; and Risk Management. Annex C provides more detail of the work of the Board.

25. The Departmental Audit Committee (DAC) is a permanent sub-committee of the Board. The DAC provided an independent view to the Principal Accounting Officer of the appropriateness, adequacy and value for money of the Department's governance, risk management and assurance processes. Annex D provides more detail of the work of the DAC.

26. No Ministerial Directions have been received this year in the Department or its ALBs.

Assurance

27. The Principal Accounting Officer is responsible for reviewing the effectiveness of the system of internal control. His 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. He also receives independent assurance and advice from the Board and the DAC on the findings from these sources of assurance, and has initiated activities to ensure continuous improvement of the system where necessary.

28. 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.

29. In his Annual Assurance Report, the Head of Internal Audit reported that the Department's governance, risk management and control arrangements provide a Reasonable Assurance that material risks are identified and managed effectively, with the exception of the following specific control matters:

- Information Security and Assurance: the Department has maintained its overall position from last year, as confirmed in the Communications-Electronics Security Group facilitated workshop in April 2012. The Department has made some progress in addressing known issues, such as monitoring access rights and the activities of data users, but further actions are required to continue these developments, to support robust protective monitoring of possible IT security events and to ensure there is an effective IT security assurance framework and routine reporting. Addressing these issues will remain a challenge given financial and resource constraints; and
- Social Fund: During 2011-12, DWP Operations has continued to work towards improving Social Fund delivery and the quality of decision-making. The application of Quality Assurance Frameworks, coupled with work to target poor performers, has led to a gradual improvement in the quality of decision making. Additionally, scanning has significantly improved the efficiency of document storage and retrieval. Despite these improvements, the delivery of Social Fund awards, and particularly discretionary payments, remains a challenge, where improvements are required.

30. Where remedial action has been recommended previously to address control weaknesses, the Head of Internal Audit is generally satisfied that reasonable action has been taken to effect improvements, although some pragmatic risk acceptance may be required in respect of legacy issues to support a focus on new systems and new ways of working.

31. Business continuity exercises have been undertaken across the Department to ensure that all plans are robust. A total of 24 incidents have been managed effectively by the central Business Continuity Team since April 2011. This has included two periods of Whitehall-wide industrial action by staff, during which the vast majority of the Department's offices remained open and disruption to service delivery was kept to a minimum. The Department is also directly involved in wider cross-Government business continuity planning and exercises.

32. The risk appetite relating to the loss (or compromise) of personal information remains low. A range of potential information risks have been defined in a high level "Information Risk Profile" document, together with associated residual issues and key mitigations, which are actively tracked and monitored at the Information Governance Security Committee.

33. 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 assesses the extent to which they are being managed, reporting to the Executive Team and the DAC quarterly. The Departmental Security Officer has assessed that during 2011-12, the overall level of assurance over the management of information risks and mitigation of known control weaknesses has remained relatively stable. 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. A summary of personal data related incidents is contained in the relevant tables on page 33. The Department will continue to monitor and assess its information risks, in the light of these particular incidents, in order to identify and address any weaknesses and ensure continuous improvement of its systems and procedures.

34. More generally Directors General have provided the Principal Accounting Officer 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.

35. The Principal Accounting Officer is satisfied, through the work of his stewardship teams, that delegated Accounting Officers in each of the Department's ALBs have carried out their responsibilities in accordance with the Corporate Governance Code[1] and Managing Public Money. Framework documents have been agreed with individual ALBs, and the stewardship teams provide effective oversight of ALB strategy and performance, pay arrangements and major financial transactions.

Significant control challenges

36. The Department's assurance framework has identified six continuing significant control challenges. These will be regularly monitored with updates being provided to the DAC each quarter on the progress and effectiveness of actions taken. These challenges are set out below.

(i) Monetary Value of Fraud and Error

37. The Department's published target is to reduce the level of overpayments as a result of fraud and error to no more than 1.7 per cent of benefit expenditure by 2015 (Structural Reform Plan). To date, the Department has remained on course to meet this milestone with the latest figures (preliminary 2011-12 estimates based on 2011-12 financial year forecast expenditure (as at April 2012) and October 2010 to September 2011 sample data for the individual benefits) showing overpayments as a result of fraud and error at 2.0 per cent (£3.2bn) of benefit expenditure. This is a marginal change from the preliminary 2010-11 estimate of 2.1 per cent. The monetary value has changed from £3.3bn to £3.2bn. The level of underpayments has remained the same as the preliminary 2010-11 estimate at 0.8 per cent of benefit expenditure with a monetary value of £1.3bn.

38. Following the publication of the Fraud and Error strategy "Tackling fraud and error in the benefit and tax credits systems" in October 2010, the Department published a Strategy refresh in February 2012, in a joint document with HMRC and Cabinet Office. This was necessary to reflect the wider changes in the Government's Welfare agenda and the lessons learned since the strategy launch.

39. Looking forward, the Department will focus on using better intelligence and work in partnership across all sectors and Government bodies to prevent and detect fraud. It is hoped this will enable checking systems to be in place before payments are made, to prevent money lost through fraud or error. The Department is creating an Integrated Risk and Intelligence Service (IRIS), a hub system for collecting and analysing claimant information and applying

[1] Corporate Governance in Central Government Departments: Code of Good Practice

Fraud and Error prevention filters. IRIS will not only stop incorrect payments but it will also support investigation and prosecutions of fraud. An important source of intelligence is working with Credit Reference Agencies to inform IRIS and to increase detection of existing fraud and error in the current system.

40. The Department is also developing the Single Fraud Investigation Service with HMRC and Local Authorities, joining expertise and efforts in investigating fraud. We are reviewing sanctions legislation to enable us to impose tougher penalties and improve the amount and speed of debt recovery.

41. The Department has an ongoing programme of continuous improvement activity in Operations that secure the gateway to benefits. This aims to eliminate waste and duplication, make process improvements, thereby increasing the amount of fraud and customer error we detect, correct, and where appropriate, punish. Examples include:

- A review of data matching rules, aiming to identify more anomalies, as well as ensuring they are investigated in the right way;
- Piloting improvements to the way the Department's staff make fraud referrals, aiming to increase the volume and quality;
- Piloting different ways of making customer compliance interventions, such as letters and phone calls, with the overall aim of achieving better value for money;
- Working our way through a prioritised list of process improvements in customer compliance that were suggested by operational staff;
- The introduction of the National Checking team measures the end to end customer journey for accuracy of payment but also identifies where improvements can be made;
- A review of the accuracy checks undertaken to ensure that they focus on the high risk areas, with coaching for the site checkers;
- A review of the results of the last year's checks have been pulled into an official error prevention plan;
- A knowledge checker process to annually check that the knowledge of processing staff in Benefit Centres is shared amongst staff; and
- Engagement with Information, Governance and Security team to understand the causes of error findings.

(ii) Social Fund

42. There were a number of contributing factors which led to the imposition of a qualification to the Social Fund White Paper Account in 2010-11. One factor was the inability to corroborate the £1.2 billion debt balance, held in the Department's 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 between the accounting ledger debt balance to the customer level breakdown of debt. The reconciliation process does not yet provide the degree of assurance the Department requires over these balances so work continues to achieve this level of assurance.

43. This issue remains a significant control challenge however, as the detailed investigation and resolution work is not yet complete. A timeline for this is in place to address the outstanding issues in 2012-13.

44. 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 which is an internal mechanism to review award decisions, has provided data that is analysed to identify which elements of the Social Fund are the most challenging in terms of complexity. For example ongoing results from the Framework have shown that Funeral Payments, whilst being accurate and appropriate in the majority of cases, are still prompting a high number of queries from NAO sampling. This has prompted a further review of the Framework, to take place this year, which will concentrate on funeral payment checks.

45. Document control issues continue to be a challenge and a detailed Action Plan is in place to address this, including the provision of robust guidance and clarity over roles, responsibilities and accountabilities in the process. The qualification on the White Paper Account, however, remains in 2011-12.

46. A significant risk for 2011-12 was the financial position of the fund, with a high demand for loans, and a reduction in HM Treasury funding there was a potential for the fund to face a deficit in the year. New measures were introduced at the start of the year that manage the number and volume of awards for crisis loans. These, combined with a number of effective recovery mechanisms (including new management information that allows the Department to manage workloads), have led to reduced demand and increased recoveries, resulting in a favourable funding position and reduction in debt stock.

(iii) Resource Management (RM) Manual Payments

47. Following an original Internal Audit review in 2008-09, the Department swiftly improved controls in the end to end process for making certain types of manual payment through the Department's computer systems. Follow up reviews in 2011-12 showed that previously highlighted weaknesses around the clarification of Delegated Financial Authorities have been addressed effectively, and a decrease in use of the process has helped reduce the associated risks. However, some weaknesses are still evident for which a management action plan is in place with actions for completion by the end of June 2012.

(iv) Contracted Employment Programmes

48. The Department is working closely with Employment Programmes and Work Programme providers to ensure that they are managed appropriately and only claim for valid outcome payments. A number of key improvements have been made during the year including:

- The Work Programme was introduced in year (June 2011) to support 3.3 million people during the life of the contract, its implementation was aligned with the decommission of legacy employment programmes;
- An independent quarterly assurance report on the effectiveness of the controls that the Department has in place to detect and prevent provider fraud and error;
- Regular stakeholder review meetings which review contract / programme performance and implementation of national policy changes, and which improve understanding and resolution of operational issues; and
- A quarterly Partnership Forum, sponsored by a Departmental Director and with an independent chair, which discusses issues and shares best practice.

- The Provider Referrals and Payments system release 2.1 went live on 26th March 2012, and has enabled payment of job outcomes, sustainment fees, and automated 'off benefit checks' to validate payments.
- The Department agreed to publish its first report on fraud in contracted employment programmes in the second half of 2012, with an annual update report thereafter.

49. The Provider Assurance Team undertakes checks as part of their reviews of providers' systems. These focused on significant areas of work, carrying out visits through the Employment Related Support Services Framework, Residential Training Colleges and Work Choice providers not previously reviewed, allowing time for Work Programme providers' systems to become established. All providers delivering employment related programmes are within scope of these checks.

50. The NAO have been looking at the Department's current and past controls and, at this moment in time, have concluded that its controls have improved. The Department is considering NAO's recommendations for improvements.

51. In March 2012, the Department announced an audit of its commercial relationships with A4e on all of its current contracts following an allegation received concerning a Mandatory Work Activity contract. Although no evidence of fraud was found in any of these contracts, significant weaknesses were identified in A4e's internal controls on the Mandatory Work Activity contract in the South East. This contract has been terminated, as it was considered that it presented a significant risk to the Department. The Department aims to appoint a new provider and contingency plans are in place to ensure the continuity of support for participants in the Mandatory Work Activity programme. The Department has issued letters to remind all of its providers that we require the highest standards of governance in relation to all contracts. A very recent Internal Audit review of the Mandatory Work Activity contract will lead to changes in the Department's controls of this provision which is very different in nature to the Work Programme.

(v) Security of Information

52. The Department has continued to focus on security of information and we have continued to implement improvements to our approach. 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.

(vi) Capacity to undertake Incapacity Benefit (Income Support) Reassessments

53. Work Capability Assessments which form a core component of the ESA claimant journey continue to pose a significant capacity challenge for DWP and its partner (ATOS Healthcare). Appeals arising from ESA also pose a significant capacity challenge for DWP and HMCTS. Based on the original base lined recovery plan ATOS Healthcare will have cleared the levels of work expected. However, in the last quarter of 11/12 volumes of referrals exceeded forecast by 45,777. In addition we revised our forecast referrals upwards by 45,617 for April-July. This means that we do not expect to return to within optimum levels because of these increases until November 2012. The realignment plan continues to deliver the number of clearances, however there remains a risk of further slippage if actual volumes out strip forecasts. The Department,

ATOS Healthcare and Her Majesty's Courts and Tribunal Service have programmes of action and apply top level leadership scrutiny on these areas.

Previous Control Challenges

54. Last year the Department identified a challenge to the estimating process for forecasting Statutory Maternity Pay and Statutory Sick Pay. This followed identification of an additional funding requirement in respect of previous years that had not been fully reflected in the Spring Supplementary Estimate. There remains a risk that the Government Actuary Department will revise their December estimates as a result of more information becoming available, but given that they work on an annual cycle, and there is no precedent for this, the risk is small. It is no longer considered to be a significant control challenge for the Department.

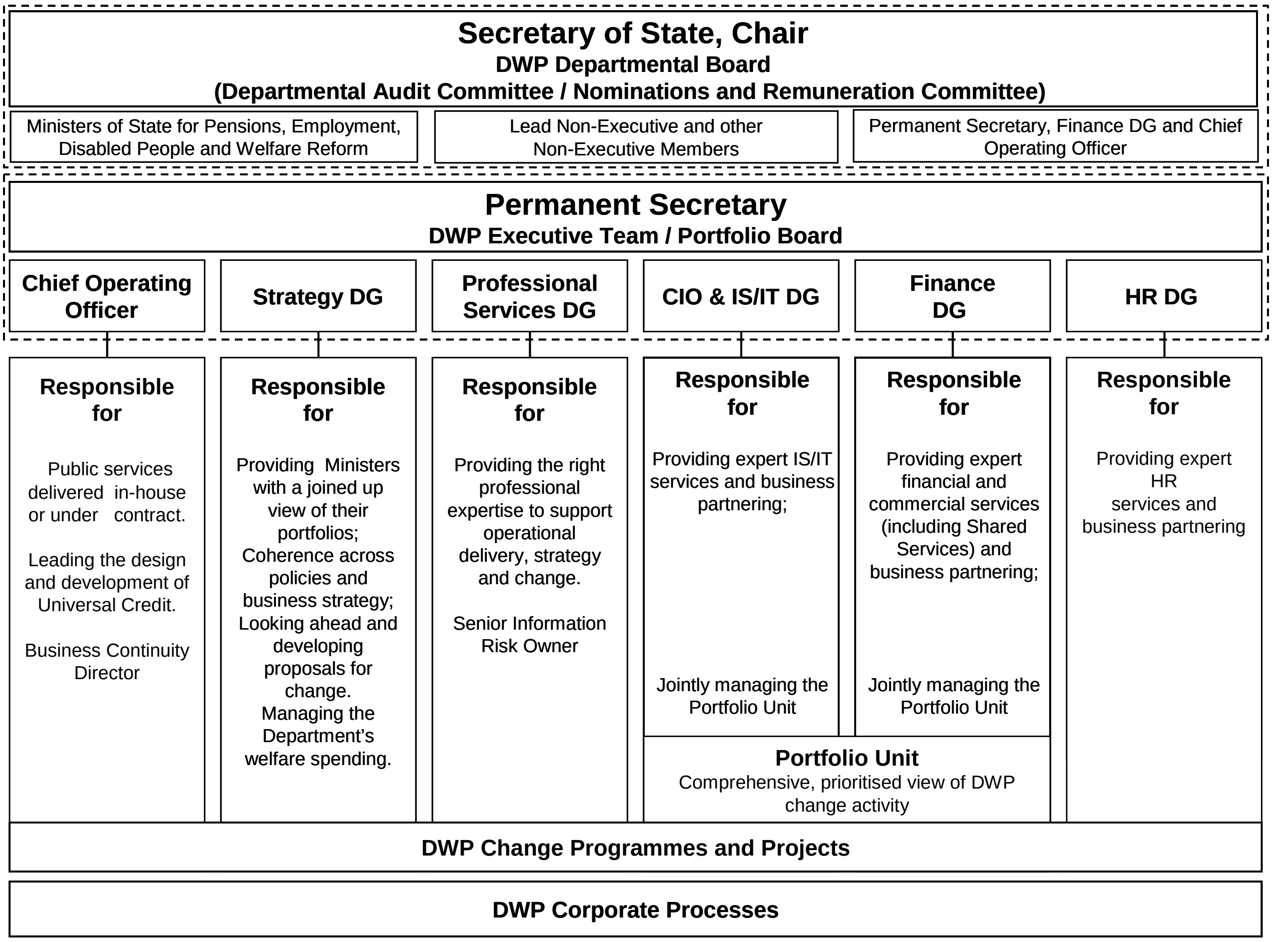
Conclusion

55. Subject to the above, the Department has an effective governance structure, operates to a high standard of probity, and has satisfactory internal controls in place.

Robert Devereux
Accounting Officer

9 July 2012

Annex A


Secretary of State, Chair
DWP Departmental Board
(Departmental Audit Committee / Nominations and Remuneration Committee)
Ministers of State for Pensions, Employment, Disabled People and Welfare Reform
Lead Non-Executive and other Non-Executive Members
Permanent Secretary, Finance DG and Chief Operating Officer
Permanent Secretary
DWP Executive Team / Portfolio Board
Chief Operating Officer
Strategy DG
Professional Services DG
CIO & IS/IT DG
Finance DG
HR DG
Responsible for
Public services delivered in-house or under contract.
Leading the design and development of Universal Credit.
Business Continuity Director
Responsible for
Providing Ministers with a joined up view of their portfolios;
Coherence across policies and business strategy;
Looking ahead and developing proposals for change.
Managing the Department's welfare spending.
Responsible for
Providing the right professional expertise to support operational delivery, strategy and change.
Senior Information Risk Owner
Responsible for
Providing expert IS/IT services and business partnering;
Jointly managing the Portfolio Unit
Responsible for
Providing expert financial and commercial services (including Shared Services) and business partnering;
Jointly managing the Portfolio Unit
Responsible for
Providing expert HR services and business partnering
Portfolio Unit
Comprehensive, prioritised view of DWP change activity
DWP Change Programmes and Projects
DWP Corporate Processes

Annex B

Localism

1. The Principal Accounting Officer oversees a proportion of the Department's budget, mainly for Housing Benefit, Council Tax Benefit, and Discretionary Housing Provision, which is distributed to Local Authorities to be administered in accordance with legislation set by the Department, with Local Authorities deciding how best to deliver the service, taking account of local needs and delivering value for money to taxpayers. Subsidy arrangements provide for the Department to reimburse Local Authorities for these benefits / awards, contribute towards their administration costs, and include independent external audit scrutiny of claims (through the Audit Commission, Audit Scotland, and Wales Audit Office).

2. The Department collects data from Local Authorities and works with them to support delivery and combat fraud including:

- estimating and publishing data on the national level (monetary value) of Housing Benefit fraud and error;
- publishing data such as caseload and speed of processing information at Local Authority level; and
- liaising with Local Authorities on performance matters (underpinned with powers of inspection and Secretary of State direction, as a matter of last resort).

3. The Department for Communities and Local Government, as the main distributor of funding to Local Authorities, has developed an Accountability System Statement that provides assurance that a core framework is in place to support propriety, regularity and value for money in the use of all of their resources.

Annex C

Departmental Board

1. A review of the effectiveness of the Departmental Board (the Board) was carried out by the lead non-executive, Ian Cheshire, in March 2012. The review concluded that, although still in its formative stages, the Board was heading in the right direction and was working well. A second effectiveness review – involving more detailed conversations between the lead non-executive and individual Board members – is scheduled to take place within 2012-13. Highlights of Board activity during the year are set out at below.

2. The Board is required to ensure that the Department complies with the provisions in the Corporate Governance Code1 or, where it has not, explains the reasons for that – the comply or explain approach. The Board is largely satisfied that the Department has complied with the Code. However, it should be noted that while a Nominations and Governance Committee has been established (chaired by Ian Cheshire, the Department's lead non-executive) it has yet to meet formally. The Board is, nonetheless, confident that each of the main responsibilities of the Committee have been met informally by the Principal Accounting Officer, HR Director General, and lead non-executive Board member.

3. During the year, the Board:

- scrutinised and challenged the Department's regular finance, planning and performance reports;
- identified the Department's top priorities, undertaking a deep dive scrutiny of one of them at each meeting;
- had an active overview of the capability review process to ensure that a thorough and rigorous appraisal of the Department was undertaken; and
- through its non-executive members:
    - undertook a review of the Department's arm's length bodies in terms of: understanding the landscape, strategic alignment, relationships with the Department, and proportionality;
    - reviewed and strengthened the Department's talent management arrangements;
    - is assessing the Department's IT capability against the context of preparing to deliver a number of large scale reforms in 2013;
    - received regular reports on the Department's transformation programme, which delivered a significant redesign of the Departmental corporate centre; and
    - commenced a review of how well the Department understands and manages its finances, and highlighting potential areas for further work.

4. There were no conflicts of interest between the members of the Board and its Committees and the Department.

5. The Board and its Committees received reports / papers at each of their meetings to support discussion. All reports / papers conform to a standard layout to ensure the appropriate focus on key issues and the steers required. Financial and performance data provided is extracted from corporate accounting and operational systems and is therefore subject to regular, planned

[1] Corporate Governance in Central Government Departments: Code of Good Practice

internal quality assurance checks, independent audits and occasional external assurance (e.g. from NAO). There have not been any concerns raised over the quality of information received.

6. Details of Board attendance are included below.

DEPARTMENTAL BOARD ATTENDANCE					
	27 April 2011	**18 July 2011**	**2 Nov 2011**	**6 Feb 2011 (Strategy day)**	**14 Mar 2012**
MINISTERS					
Rt Hon Iain Duncan Smith	✓	✓	✓	✓	✓
Rt Hon Chris Grayling	✓	✓	✓	✓	✓
Steve Webb	✓	✓	✓	✓	✓
Lord Freud	✓	✓	✓	✓	**x**
NON-EXECUTIVES					
Ian Cheshire	✓	✓	✓	✓	✓
John Clare	**x**	✓	✓	✓	✓
Adrian Fawcett	✓				
Dame Clara Furse[1]		✓	✓	✓	✓
David Lister[1]		**x**	✓	✓	✓
William Roe	✓	✓	✓	✓	✓
Helen Stevenson[2]	✓				
EXECUTIVES					
Robert Devereux	✓	✓	✓	✓	✓
Joe Harley	✓	✓	**x**	**x**	✓
Terry Moran	**x**	✓	✓	✓	✓
Hunada Nouss	✓	✓	✓	✓	✓
Darra Singh[3]	**x**	✓			

[1] Appointed 1 July 2011
[2] Appointment ended 30 June 2011
[3] Left Department on 1 October 2011

Annex D

Departmental Audit Committee (DAC)

1. The Departmental Audit Committee (DAC) is a permanent sub-committee of the Board and is chaired by a non-executive Board member. The other members of the DAC are not members of the Board. The membership of the DAC is entirely independent non-executives in line with Treasury guidance in the Audit Committee Handbook. DAC provides an independent view of the appropriateness, adequacy and value for money of the Department's governance, risk management and assurance processes.

2. A new Chair of the DAC was appointed in June 2011. In terms of the DAC's performance, the most recent effectiveness review completed by the Committee agreed it was continually improving its performance and had continued to add value for the Department.

3. The DAC received regular reports on the Department's plans to tackle and clear the Department's control challenges (including those that are significant), challenging the Department over the management of the ATOS Healthcare capacity challenge and highlighting this issue to the Board. Other activities of the DAC during the year, including details of those issues brought to the attention of the Board are set out at below.

4. During the course of the year, the DAC:

- examined and challenged the Information Security and Assurance Report, the Annual Assurance Report (including Quarterly Assurance Reports), and the Statement on Internal Control (and accompanying National Insurance Fund Letter of Assurance), providing a view on key management activity and steers on action plans etc;
- challenged the Department to define and promote clear understanding of Departmental cross-cutting interdependencies and accountabilities as part of its Transformation Programme, and also the behavioural changes that need to take place to ensure success; and
- challenged the Universal Credit programme to provide assurance that the risks to delivery of the programme are being effectively managed and controlled, and highlighting for the Board the need for closer scrutiny.

5. The following issues were also highlighted for the Board:

- the need for closer scrutiny of the risks to operational delivery as the Department continued to deliver its efficiency challenge;
- the need for DAC to have regular updates about the Department's transformation and the new collaborative culture; and
- the need to review the membership of and way in which the DAC operates to ensure maximum effectiveness.

6. The DAC has asked the C&AG, subsequent to publication of the Department's Annual Report and Accounts, to explain how he has reached his judgement to qualify the Department's Annual Report and Accounts, in respect of the level of Fraud and Error. The DAC recognises that the judgement is a matter reserved for C&AG. However, a better understanding would assist the

DAC to understand how it can support the Principal Accounting Officer in taking measures to address the qualifications.

7. The DAC recognised the continuing focus on reducing the levels of fraud and error reported by the Department and the performance achieved in a challenging operating environment. In particular, the DAC considers that in the case of the Social Fund White Paper Account, the achievement of an estimated error rate of 1.47 per cent (or £45.63 million) from a total Fund of £3,098 million was welcomed in the context of substantially high volume, low value payments with a high level of discretionary decision making; this also represented a significant improvement from 2010-11 when an estimated error rate of 2.73 per cent was reported. The DAC was not persuaded that this justified a continuation of the qualification.

8. The DAC is required to provide an annual report to support preparation of the Governance Statement. The annual report, which was presented to the Board on 2 November 2011 reported that the DAC was satisfied by the comprehensiveness, reliability, and integrity of the assurances it (and therefore the Board and Principal Accounting Officer) received in relation to the Department's governance, risk management and internal control. It noted that it was confident that it would continue to receive both Executive and Independent assurance on the key challenges and risks facing the Department going forward.

DEPARTMENTAL AUDIT COMMITTEE					
NON-EXECUTIVES	**14 Apr 11**	**16 Jun 2011**	**7 July 2011**	**5 Oct 2011**	**7 Feb 2012**
Dame Clara Furse[1]				✓	✓
Bill Griffiths	✓	✓	✓	✓	✓
Ken Ludlam	✓	✓	✓	✓	✓
Brian Woods-Scawen[2]	✓				

[1] Appointed 1 July 2011
[2] Serious long term illness. Deceased June 2012

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 and of its Departmental Group for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The Department consists only of the core Department. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2011. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply 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 and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; 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.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity

Note 37 to the Accounts records benefit expenditure of £159.0 billion in 2011-12. Some £74.2 billion (46.7 per cent) of this expenditure relates to State Pension and £84.8 billion (53.3 per cent) to other benefits administered by the Department. The Department estimates that in 2011-12 fraud and error within State Pension expenditure resulted in overpayments of £100 million (0.1 per cent of related expenditure) and underpayments of £150 million (0.2 per cent of related expenditure). For other benefits, the Department estimates that fraud and error resulted in overpayments of £3.1 billion (3.7 per cent of related expenditure) and underpayments of £1.15 billion (1.4 per cent of related expenditure). Where fraud and error result in over or underpayment of benefits, the transactions are not in conformity with primary legislation which specifies the entitlement criteria for each benefit and the method used to calculate the amount of benefit to be paid.

I have therefore qualified my opinion on the regularity of benefit expenditure other than State Pension because of the level of overpayments attributable to fraud and error which have not been applied to the purposes intended by Parliament and because 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 referred to in the basis for qualified opinion on regularity paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and
- the expenditure and revenue recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 and the Departmental Group's affairs as at 31 March 2012 and of the Department's net operating cost and Departmental Group's 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement 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

10 July 2012

Report by the Comptroller and Auditor General

Fraud and error in benefit expenditure

1 The accounts of the Department for Work and Pensions group (the Department) disclose net expenditure of £167.0 billion on benefits, employment programmes and their related administration costs in 2011-12.

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

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2012 and of its 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.

3 In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and revenue recorded 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 2011-12 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. Issuing an audit qualification is a serious matter, and the fact that similar qualifications have been in place for such a long period of time does not lessen that seriousness. I consider that the overall value of fraud and error in benefit expenditure remains unacceptably high, and the qualification of my audit opinion reflects that.

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. In determining whether this should lead to a qualification of my audit opinion, I have chosen to apply a materiality judgement. Consequently, I have decided that low levels of fraud and error will not lead to a qualification, which is why I have excluded State Pension from the qualification.

6 Over the past years both I and my predecessors have repeatedly set out this clear definition of what we consider to be irregular expenditure. The rules governing the regularity of expenditure are rightly rigorous. If the benefits system is so complex that it drives high levels of fraud and error that the Department considers cannot be reduced without disproportionate cost and effort, then in my view the remedy lies in the Department seeking legislative change.

7 Note 37 to the Department's accounts discloses the Department's best estimate of fraud and error within benefit expenditure. As shown in Note 37, the Department estimates total overpayments due to fraud and error in 2011-12 are £3.2 billion (2010-11 – £3.3 billion), which

equates to 2.0% of total benefit expenditure of £159.0 billion (2010-11 – 2.1% on expenditure of £153.6 billion). The Department estimates total underpayments in 2011-12 at £1.3 billion (2010-11 – £1.3 billion), which equates to 0.8% of total benefit expenditure (2010-11 – 0.8%).

8 Within those figures, the Department estimates that in 2011-12 fraud and error within State Pension resulted in overpayments of £0.1 billion (2010-11 – £0.1billion), 0.1% of related expenditure (2010-11 – 0.1%) and underpayments of £0.15 billion (2010-11 – £0.1 billion), 0.2% of related expenditure (2010-11 – 0.1%).

9 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 the levels of under and overpayments in such benefit expenditure 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 benefit expenditure and the actions the Department is taking to try to reduce it.

10 The report also explains 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 fraud and 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, such as Pension Credit, tend to be the ones exhibiting the highest estimated fraud and error rates.

11 On 8 March 2012 the Welfare Reform Act received Royal Assent. One of the main elements of the Act is the introduction of a new Universal Credit from 2013 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. The Department intends that this streamlining of benefit will remove or reduce some of the current complexities around benefit entitlement, verification of customer circumstances and administrative requirements that can increase the opportunities for fraud and error. In combination with that restructuring, the Act also includes plans for a revised approach to reducing fraud and error with the introduction of tougher penalties for the most serious offences in respect of customer fraud.

Where do the errors occur?

Overview

12 The Department's total expenditure on benefits in 2011-12 was some £159.0[1] billion, of which £131.4 billion was in respect of benefits paid directly by the Department and £27.6 billion in respect of benefits paid on the Department's behalf by local authorities, mainly Housing Benefit and Council Tax Benefit. Note 37 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. Some caution must therefore 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.

[1] Sourced from Note 37

13 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 HM Revenue & 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 or local authorities which administer benefits on the Department's behalf to claim money to which they are not entitled.

14 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, I 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 25 to 29.

15 The tables below report fraud and error rounded to the nearest £100 million, and rows and columns may not sum due to rounding. The percentages are, however, calculated on the basis of unrounded figures. This is a change form my previous report, and has been done to bring our calculations into alignment with those of the Department. As a result some of the numbers and percentages I reported in 2010-11 have changed slightly in this report.

Official error

16 The Department's 2011-12 estimate of official error (defined in paragraph 13 above) is broken down in Figure 1 below.

Figure 1 Estimated official error

Benefits	**2011-12** **Total expenditure** **£ million ***	**2011-12** **Official error overpayments** **£ million *** **(% of related expenditure)**	**2011-12** **Official error underpayments** **£ million *** **(% of related expenditure)**	**2010-11** **Official error overpayments** **£ million *** **(% of related expenditure)**	**2010-11** **Official error underpayments** **£ million *** **(% of related expenditure)**
Benefits administered directly by the Department	131,400	700 (0.5)	400 (0.3)	700 (0.5)	400 (0.3)
Housing related benefits administered by local authorities	27,600	100 (0.4)	100 (0.2)	100 (0.5)	100 (0.3)
All DWP benefits	159,000	800 (0.5)	400 (0.3)	800 (0.5)	400 (0.3)

NOTES

Figure Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System: Preliminary 2011-12 Estimates Revised Edition (for the 2011-12 estimates), Fraud and Error in the Benefit System: Preliminary 2010-11 Estimates (for the 2010-11 estimates). Percentages have been calculated on the unrounded figures.

* Rounded to the nearest £100 million. Rows and columns may not sum due to rounding.

17 Official errors can cause hardship to customers who are underpaid and unfairly reward others who are overpaid at an additional cost to the taxpayer. Such errors 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 official 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, State Pension has a negligible official error rate in overpayments (2010-11 – overpayments 0.1%) and 0.2% in underpayments (2010-11 – underpayments 0.1%). Whereas Pension Credit, which is more complex to administer due to its means-tested nature[1], has an official error rate of 2.1% in overpayments and 0.8% in underpayments (2010-11 – overpayments 2.0%; underpayments 1.2%).

Customer error

18 The Department's estimate of customer error, as defined in paragraph 13, is shown in Figure 2 below.

Figure 2 Estimated customer error

Benefits	**2011-12** **Total expenditure** **£ million ***	**2011-12** **Customer error overpayments** **£ million *** **(% of related expenditure)**	**2011-12** **Customer error underpayments** **£ million *** **(% of related expenditure)**	**2010-11** **Customer error overpayments** **£ million *** **(% of related expenditure)**	**2010-11** **Customer error underpayments** **£ million *** **(% of related expenditure)**
Benefits administered directly by the Department	131,400	600 (0.5)	600 (0.5)	600 (0.4)	600 (0.5)
Housing related benefits administered by local authorities	27,600	700 (2.6)	300 (1.0)	700 (2.5)	300 (1.0)
All DWP benefits	159,000	1,300 (0.8)	900 (0.5)	1,200 (0.8)	900 (0.6)

NOTES

Figure Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System: Preliminary 2011-12 Estimates Revised Edition (for the 2011-12 estimates), Fraud and Error in the Benefit System: Preliminary 2010-11 Estimates (for the 2010-11 estimates). Percentages have been calculated on the unrounded figures.

*Rounded to the nearest £100 million. Rows and columns may not sum due to rounding.

19 Customer error accounts for just under half 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 benefits with the highest customer error rates are means-tested benefits, such as 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

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

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.

20 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. Secondly, customers do not readily recognise that they have to report any changes in their circumstances. A significant proportion of customers (70% of those asked) thought that they did not have to report short term changes, and (40%) 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. My September 2011 Value for Money report into means testing[2] also found that means testing places a burden on customers. They often find it difficult to understand their obligations and the options they have in claiming benefits, as illustrated by the fact that in 2009-10 Citizens Advice Bureaux dealt with 1.2 million cases relating to means-tested benefits, 17% of their total caseload.

21 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. This relies on customers being pro-active in notifying changes. The Department has adopted this approach because it does not have routine access to verifiable third party sources of information, or the information may not exist that would allow them to track such changes.

Fraud

22 The Department's estimate of fraud, as defined in paragraph 13, is shown in Figure 3 below.

Figure 3 Estimated fraud

Benefits	2011-12 Total expenditure £ million *	2011-12 Fraud overpayments £ million * (% of related expenditure)	2010-11 Fraud overpayments £ million * (% of related expenditure)
Benefits administered directly by the Department	131,400	800 (0.6)	900 (0.7)
Housing related benefits administered by local authorities	27,600	400 (1.4)	300 (1.3)
All DWP benefits	159,000	1,100 (0.7)	1,200 (0.8)

NOTES

Figure Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System: Preliminary 2011-12 Estimates Revised Edition (for the 2011-12 estimates), Fraud and Error in the Benefit System: Preliminary 2010-11 Estimates (for the 2010-11 estimates). Percentages have been calculated on the unrounded figures.

*Rounded to the nearest £100 million. Rows and columns may not sum due to rounding.

[1] Reducing losses in the benefits system caused by customers' mistakes, HC 704, 21 January 2011
[2] Means testing, HC 1464, 14 September 2011

23 Of the benefits administered directly by the Department, it is the means-tested benefits, such as Jobseeker's Allowance, Income Support and Pension Credit, 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.

24 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

25 As noted in paragraph 12, 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 and Council Tax 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.

26 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 local 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 targets for identifying reductions in benefits overpaid and preventing overpayments due to customer error entering the system.

27 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 of, or entitled to, a qualifying benefit. In practice, given the lack of direct integration between the Department's systems and those of all local authorities, such errors will be difficult to eliminate.

28 There are additional fraud and error risks, which are specific to Housing Benefit and Council Tax Benefit, where 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.

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

29 The Department has continued implementing Automated Transfers to Local Authority Systems (ATLAS), which is an IT development that automatically informs local authorities of new awards or changes in benefits. From February 2012 local authorities have received details of changes in benefits administered by the Department on a daily basis. The Department hopes that the provision of more timely information on customer changes will lead to a significant reduction in fraud and error within local authority administered benefits.

Future plans

30 The Department fully recognises the problems created by the level of fraud and error in benefit expenditure 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 benefit expenditure remains high.

31 Savings are being sought at all levels of Government and as a result there is a strong and renewed imperative across Government to reduce fraud and error. This includes cross government initiatives such as the Cabinet Office's Fraud, Error and Debt Taskforce. In its report 'Tackling Fraud and Error in Government' published in February 2012, the Task Force set out a focused delivery programme that seeks to reduce levels of fraud and error across Government, which includes work undertaken by the Department.

32 The Department's four year fraud and error strategy, published jointly with HMRC in October 2010, was refreshed in February 2012 as part of 'Tackling Fraud and Error in Government' and intends to deliver significant reductions in the level of fraud and error across benefits and tax credits. The strategy sets out plans to invest £425 million to reduce the monetary value of fraud and error overpayments by over one quarter, or £1.4 billion per year, by March 2015. The Department's share of this planned reduction is some £600 million per year from existing benefits and £200 million per year from the introduction of Universal Credit.

33 Work undertaken by the Department in 2011-12 has included case cleansing activity to correct the existing stock of incorrect benefit expenditure. This work has so far concentrated on checking and correcting Pension Credit cases, as this is a means-tested benefit with some of the highest rates of fraud and error. Since the start of these initiatives, the Department estimates that it has so far corrected over 32,000 cases and identified some £49 million in overpayments with annual savings of £63 million.

34 The Department is also working with HMRC on proposals to establish a Joint Fraud Investigation Service (the Single Fraud Investigation Service), and has undertaken a number of joint criminal investigations with a view to prosecute customers who have committed both tax credit and benefit fraud. The Department is also committed to further exploit data sharing opportunities, both across Government and with Credit Reference Agencies and other third party data providers, to enhance its fraud prevention and detection capability.

35 The Department plans to start introducing Universal Credit from 2013 to replace a range of existing means-tested working-age benefits and tax credits, which are the benefits that have historically suffered from the highest rates of fraud and error. The Department plans to process and administer Universal Credit using on-line application processes and integrated computer systems and processing teams so as to try to reduce the number of complex interactions between different benefit systems. These plans also involve new procedures to verify identity and to undertake checks before payments are made. This 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.

36 Complementing these reforms, HMRC plans to introduce a real time information system for Pay As You Earn, which would link the tax and benefits systems for the first time. This offers the potential to significantly reduce some of the current problems around verification of entitlement for benefits which have means-tested elements to their eligibility criteria.

Conclusion

37 The estimated value of fraud and error overpayments in benefit expenditure in 2011-12 was £3.2 billion, or 2.0% of expenditure, a similar level to the previous year (2010-11 – £3.3 billion and 2.1% 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 benefit expenditure system since 1988-89. I consider that this view is consistent with the views expressed by the Government in the February 2012 Cabinet Office Fraud, Error and Debt Taskforce document 'Tackling Fraud and Error in Government', that the level of fraud and error in the welfare system is unacceptable.

38 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. If the benefits system is so complex that it drives high levels of fraud and error that the Department considers cannot be reduced without disproportionate cost and effort, then in my view the remedy lies in the Department seeking legislative change. Nevertheless, the Department should use the development of Universal Credit as an opportunity to enhance its processes so that it can properly demonstrate what a modern, effective and joined up benefits system will look like.

39 We note the refreshed approach that the Department intends to take in reducing fraud and error, which it sets out in more detail within the Annual Report and in note 37 to the accounts. In its implementation of some radical changes to the benefits system, we recognise the Department is also, in part, attempting to drive down incorrect payments. It needs to continue to enhance its understanding of the underlying root causes of fraud and error in benefit expenditure 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

10 July 2012

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

Financial Statements for the year ended 31 March 2012

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2011-12

	Note	Estimate Voted	Estimate Non-Voted	Estimate Total	Outturn Voted	Outturn Non-Voted	Outturn Total	2011-12 Voted outturn compared with Estimate: saving	Restated 2010-11 Outturn Total
		£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit									
- Resource	3(i)	6,815,094	821,152	7,636,246	6,667,050	821,152	7,488,202	148,044	8,850,922
- Capital	3(ii)	311,000	-	311,000	280,221	-	280,221	30,779	323,624
Annually Managed Expenditure									
- Resource	3(i)	75,301,366	85,713,654	161,015,020	74,662,020	84,640,629	159,302,649	639,346	151,336,701
- Capital	3(ii)	-	86,086	86,086	-	34,729	34,729	-	176,715
Total Budget		**82,427,460**	**86,620,892**	**169,048,352**	**81,609,291**	**85,496,510**	**167,105,801**	**818,169**	**160,687,962**
Non-Budget									
- Resource	3(i)	2,960,977	-	2,960,977	2,514,838	-	2,514,838	446,139	3,672,137
Total		**85,388,437**	**86,620,892**	**172,009,329**	**84,124,129**	**85,496,510**	**169,620,639**	**1,264,308**	**164,360,099**

Total Resource	85,077,437	86,534,806	171,612,243	83,843,908	85,461,781	169,305,689	1,233,529	163,859,760
Total Capital	311,000	86,086	397,086	280,221	34,729	314,950	30,779	500,339
Total	**85,388,437**	**86,620,892**	**172,009,329**	**84,124,129**	**85,496,510**	**169,620,639**	**1,264,308**	**164,360,099**

Net cash requirement 2011-12 Core Department

Note	2011-12 Estimate	2011-12 Outturn	2011-12 Outturn compared with Estimate: saving / (excess)	Restated 2010-11 Outturn
	£000	£000	£000	£000
5	84,927,755	82,822,542	2,105,213	82,560,647

Administration Costs 2011-12	2011-12 Estimate	2011-12 Outturn	Restated 2010-11 Outturn
	£000	£000	£000
4(ii)	1,425,512	1,332,920	1,476,433

Explanations of variances between Estimate and outturn are given in the Financial Overview.

Consolidated Statement of Comprehensive Net Expenditure
for the year to 31 March 2012

	Note	2011-12 Core Dept £000	2011-12 Departmental Group £000	Restated 2010-11 Core Dept £000	Restated 2010-11 Departmental Group £000
Administration costs					
Staff costs	7	557,742	648,076	668,949	771,995
Other costs	8	926,004	1,013,178	932,200	1,079,778
Income	17	(128,652)	(106,637)	(160,269)	(119,629)
Programme expenditure					
Staff costs	7	2,173,659	2,513,544	2,401,831	2,757,579
Other costs	10	162,943,612	163,463,674	156,323,709	156,821,275
Income	17	(530,715)	(552,608)	(937,381)	(969,957)
Grant in Aid to NDPBs	15	1,036,125	-	1,119,159	-
Net Operating Costs for the year ended 31 March 2012		**166,977,775**	**166,979,227**	**160,348,198**	**160,341,041**
Total expenditure		167,637,142	167,638,472	161,445,848	161,430,627
Total income	17	(659,367)	(659,245)	(1,097,650)	(1,089,586)
Net Operating Costs for the year ended 31 March 2012		**166,977,775**	**166,979,227**	**160,348,198**	**160,341,041**
Other Comprehensive Net Expenditure					
Net (gain)/ loss on:					
-revaluation of property, plant & equipment		(275,947)	(277,316)	(380,047)	(382,533)
-revaluation of intangibles		(4,419)	(4,096)	11,383	13,038
-revaluation of available for sale financial assets		(763)	(763)	(1)	(1)
-pensions		-	59	-	(53)
Total Comprehensive Expenditure for the year ended 31 March 2012		**166,696,646**	**166,697,111**	**159,979,533**	**159,971,492**

All income and expenditure is derived from continuing operations.

The notes on pages 103 to 191 form part of these accounts

Consolidated Statement of Financial Position
as at 31 March 2012

	Note	31 March 2012 Core Dept £000	31 March 2012 Departmental Group £000	Restated 31 March 2011 Core Dept £000	Restated 31 March 2011 Departmental Group £000	1 April 2010 Departmental Group £000
Non-current assets:						
Property, plant and equipment	18	1,976,994	2,071,387	2,044,017	2,141,627	2,051,576
Intangible assets	19	537,907	571,924	505,777	534,585	475,146
Financial assets	21	177,208	177,208	125,726	125,726	49,289
Trade and other receivables	24	1,244,429	1,245,495	1,084,147	1,085,194	1,159,935
Total non-current assets		**3,936,538**	**4,066,014**	**3,759,667**	**3,887,132**	**3,735,946**
Current assets:						
Assets held for sale	22	-	-	-	-	725
Inventories	23	-	615	-	981	1,113
Trade and other receivables	24	2,272,902	2,311,715	2,437,705	2,492,090	2,213,290
Cash and cash equivalents	25	329,499	342,583	375,228	381,141	511,579
Total current assets		**2,602,401**	**2,654,913**	**2,812,933**	**2,874,212**	**2,726,707**
Total assets		**6,538,939**	**6,720,927**	**6,572,600**	**6,761,344**	**6,462,653**
Current liabilities:						
Trade and other payables	26	(4,598,262)	(4,706,015)	(5,276,295)	(5,398,726)	(5,019,722)
Provisions	27 (ii)	(107,548)	(110,058)	(81,887)	(85,643)	(100,645)
Total current liabilities		**(4,705,810)**	**(4,816,073)**	**(5,358,182)**	**(5,484,369)**	**(5,120,367)**
Non-current assets less net current assets/liabilities		**1,833,129**	**1,904,854**	**1,214,418**	**1,276,975**	**1,342,286**
Non-current liabilities :						
Provisions	27 (ii)	(3,811,366)	(3,814,206)	(2,691,728)	(2,692,914)	(4,219,501)
Other payables	26	(851,067)	(957,330)	(985,092)	(1,093,314)	(1,222,868)
Pension liabilities	28	-	(1,282)	-	(1,235)	(1,434)
Total non-current liabilities		**(4,662,433)**	**(4,772,818)**	**(3,676,820)**	**(3,787,463)**	**(5,443,803)**
Assets less Liabilities		**(2,829,304)**	**(2,867,964)**	**(2,462,402)**	**(2,510,488)**	**(4,101,517)**
Taxpayers' equity and other reserves:						
General Fund		(4,148,928)	(4,196,480)	(3,707,618)	(3,764,176)	(5,144,571)
Revaluation Reserve		1,319,624	1,328,516	1,245,216	1,253,688	1,043,054
Total equity		**(2,829,304)**	**(2,867,964)**	**(2,462,402)**	**(2,510,488)**	**(4,101,517)**

Robert Devereux
Accounting Officer

9 July 2012

The notes on pages 103 to 191 form part of these accounts

Consolidated Statement of Cash Flows
for the year ended 31 March 2012

	Note	2011-12 £000	Restated 2010-11 £000
Cash flows from operating activities			
Net operating cost	4	(166,979,227)	(160,341,041)
Adjustments for non-cash transactions	12	1,675,889	(540,644)
Interest element of finance lease payments			
Decrease/(Increase) in trade and other receivables		20,074	(204,059)
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		51,917	(376,331)
Decrease in inventories	23	366	132
(Decrease)/Increase in trade and other payables		(1,341,103)	222,813
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		135,225	237,402
Use of provisions	27	(97,556)	(78,385)
Net cash outflow from operating activities		**(166,534,415)**	**(161,080,113)**
Cash flows from investing activities			
Purchase of property, plant and equipment	18(iii)	(34,896)	(52,085)
Purchase of intangible assets	19(ii)	(157,515)	(186,585)
Proceeds of disposal of property, plant and equipment		290	385
Proceeds of asset held for re-sale	22	-	725
Loans to other bodies		(54,436)	(81,018)
Repayments of loans	21	4,040	339
Net cash outflow from investing activities		**(242,517)**	**(318,239)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year	5	82,799,891	82,462,377
From the Consolidated Fund (Supply) – prior year	5	87,789	-
Net financing from the National Insurance Fund		83,471,852	78,987,291
Advances from the Contingencies Fund		77,256	-
Repayments to the Contingencies Fund		(77,256)	-
Financing in respect of NDPBs		10,300	10,800
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(139,742)	(158,831)
Net financing		**166,230,090**	**161,301,637**
Net (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(546,842)**	**(96,715)**
Payments of amounts due to the Consolidated Fund		(4,124)	(60,360)
Net (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	25	**(550,966)**	**(157,075)**
Cash and cash equivalents at the beginning of the period	25	**294,577**	**451,652**
Cash and cash equivalents at the end of the period	25	**(256,389)**	**294,577**

The notes on pages 103 to 191 form part of these accounts

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

		General Fund[a]		Revaluation Reserve[b]		Total Reserves	
		Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010		**(5,069,882)**	**(5,141,188)**	**1,034,799**	**1,042,827**	**(4,035,083)**	**(4,098,361)**
Restatements		-	(3,383)	-	227	-	(3,156)
Restated balance at 1 April 2010		**(5,069,882)**	**(5,144,571)**	**1,034,799**	**1,043,054**	**(4,035,083)**	**(4,101,517)**
Net Parliamentary Funding – drawn down (current year)		82,462,377	82,462,377	-	-	82,462,377	82,462,377
Net Parliamentary Funding – deemed		10,244	10,244	-	-	10,244	10,244
Funding from National Insurance Fund		78,987,291	78,987,291	-	-	78,987,291	78,987,291
Funding from Northern Ireland to ILF		-	10,800	-	-	-	10,800
Supply receivable adjustment	24(i)	88,026	87,789	-	-	88,026	87,789
CFERs payable to the Consolidated Fund		(8,202)	(8,998)	-	-	(8,202)	(8,998)
Comprehensive expenditure for the year (net operating costs)		(160,348,198)	(160,341,041)	-	-	(160,348,198)	(160,341,041)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	9	2,146	2,146	-	-	2,146	2,146
Actuarial gain on pensions	28	-	53	-	-	-	53
Movements in reserves:							
Recognised in Statement of Comprehensive Expenditure		-	-	368,665	369,496	368,665	369,496
Transfers between reserves (c)		157,872	158,486	(157,872)	(158,486)	-	-
Other		10,708	11,248	(376)	(376)	10,332	10,872
Balance at 31 March 2011		**(3,707,618)**	**(3,764,176)**	**1,245,216**	**1,253,688**	**(2,462,402)**	**(2,510,488)**
Net Parliamentary Funding – drawn down (current year)		82,799,891	82,799,891	-	-	82,799,891	82,799,891
Net Parliamentary Funding – deemed		-	-	-	-	-	-
Net Parliamentary Funding – drawn down (prior year)		88,026	87,789	-	-	88,026	87,789
Funding from National Insurance Fund		83,471,852	83,471,852	-	-	83,471,852	83,471,852
Funding from Northern Ireland to ILF		-	10,300	-	-	-	10,300
Supply receivable adjustment	24(i)	22,651	22,651	-	-	22,651	22,651

	Note	General Fund[a] Core Dept	General Fund[a] Departmental Group	Revaluation Reserve[b] Core Dept	Revaluation Reserve[b] Departmental Group	Total Reserves Core Dept	Total Reserves Departmental Group
		£000	£000	£000	£000	£000	£000
Supply receivable previous year clearance		(88,026)	(87,789)	-	-	(88,026)	(87,789)
CFERs payable to the Consolidated Fund		(1,144)	(1,535)	-	-	(1,144)	(1,535)
Advances from the Contingencies fund		77,256	77,256	-	-	77,256	77,256
Repayments to the Contingencies fund		(77,256)	(77,256)	-	-	(77,256)	(77,256)
Comprehensive expenditure for the year (net operating costs)		(166,977,775)	(166,979,227)	-	-	(166,977,775)	(166,979,227)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	9	1,989	1,989	-	-	1,989	1,989
Actuarial loss on pension	28	-	(59)	-	-	-	(59)
Movements in reserves:							
Recognised in Statement of Comprehensive Expenditure		-	-	281,130	282,175	281,130	282,175
Transfers between reserves (c)		206,722	207,347	(206,722)	(207,347)	-	-
Other		34,504	34,487	-	-	34,504	34,487
Balance at 31 March 2012		**(4,148,928)**	**(4,196,480)**	**1,319,624**	**1,328,516**	**(2,829,304)**	**(2,867,964)**

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:

	2011-12 Total	2010-11 Total
	£000	£000
Balance at 1 April	(2,951)	(18,770)
Net change in Revaluation Reserve	(2,083)	15,819
Balance at 31 March	**(5,034)**	**(2,951)**

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.

The notes on pages 103 to 191 form part of these accounts

Notes to the Departmental Accounts

1. Statement of Accounting Policies

1.1 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with the 2011-12 ‘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 prepared under IFRS, the FReM also requires the Department to prepare an additional primary statement. The ‘Statement of Parliamentary Supply’ and supporting notes show outturn against Estimate in terms of the Department’s net resource requirement and net cash requirement.

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), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) Interpretations and Amendments to published standards, effective at 31 March 2012 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 as of 1 April 2011:

IFRS 7 ‘Financial Instruments: Disclosures’. The Department is compliant with the IFRS in that it discloses both qualitative and quantitative information to enable the user to form an overall picture on the Department’s exposure to credit risk. In addition the Department holds its balances at fair value or at a reasonable approximation of fair value thereby disclosing the amount that represents the maximum exposure to credit risk.

IAS 24 ‘Related Party Transactions’. The amendment provides exemption for full disclosure of transactions with state-controlled entities and does not impact the current exemption allowed within the FReM. It also clarifies the definition of a related party. The Department is compliant with the IFRS by disclosing it is related to its Non-Departmental Public Bodies and Other Government Departments.

IFRIC 14 (IAS 19) 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. 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.

As a result of HM Treasury's Clear Line of Sight project (CLOS):

- The Departmental boundary has been 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 the Department's Non-Departmental Public Bodies have been incorporated into the accounting boundary.

- Estimates from 2011-12 have been based on Departmental budgets, reflecting the analysis between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). This has resulted in consequential changes to the presentation of the financial statements.

- Estimates have been amended with Voted totals being compiled net of income. As a result, Appropriations-in-Aid have been removed from accounts and Estimates.

Impending application of newly issued accounting standards not yet effective

The following IFRSs, 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.

An assessment on the Department and its Non-Departmental Public Bodies will be undertaken to consider the impact of the IFRSs on the Department's financial statements.

Accounting Standard	Description	Effective Date
IFRS 7 Financial Instruments: Disclosure	Increases disclosure required for transfers of financial assets.	Effective for periods beginning on or after 1 July 2011, to be adopted by the FReM with effect from the 2012-13 financial year
IFRS 9 Financial Instruments: Classification and Measurement	Simplifies classification and measurement. Identifies how impairments of financial assets should be calculated and recorded. Provides more detailed guidance and principles on hedge accounting.	Effective for periods beginning on or after 1 January 2015
IFRS 10 Consolidated Financial Statements	Provides additional guidance to assist in the determination of control when considering if an entity should be	Effective for periods beginning on or after 1 January 2013

	included within the consolidated financial statements of the parent company.	
IFRS 11 Joint Arrangements	Provides definition of joint arrangements based on rights and obligations rather than legal form.	Effective for periods beginning on or after 1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	Requires more disclosure of interests in other entities in respect of the financial effects on, and risks to, the consolidating entity.	Effective for periods beginning on or after 1 January 2013
IFRS 13 Fair Value Measurement	Provides a precise definition of fair value, guidance on fair value measurement techniques and disclosure requirements.	Effective for periods beginning on or after 1 January 2013
IAS 1 Presentation of financial statements	Requires other comprehensive income to be grouped by items which may potentially be reclassified to profit or loss and those that will not, and presentation of their tax. Also allows simplified reporting for discontinued operations.	Effective for periods beginning on or after 1 June 2012
IAS 12 Income Taxes	Simplifies the assessment of deferred tax by introducing a presumption that recovery of the carrying amount of an asset will normally be through sale rather than asset use.	Effective for periods beginning on or after 1 January 2012
IAS 19 Employee Benefits	Eliminates the option to defer the recognition and presentation of gains and losses from defined benefit plans (the ‘corridor approach’) and improves disclosure requirements regarding the risks arising from those plans. Also modifies accounting for termination benefits.	Effective for periods beginning on or after 1 January 2013
IPSAS 32 Service Concession Arrangement		Effective for periods beginning on or after 1 January 2014

1.3 Accounting convention

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

1.4 Basis of consolidation

These accounts comprise a consolidation of the Core Department and the Department's Non-Departmental Public Bodies (NDPBs) which fall within the Departmental boundary as defined in the FReM and make up the 'Departmental Group'. The Non-Departmental Public Bodies consist of the Department's Crown, Executive, Tribunal and Advisory bodies. With the exception of most Advisory bodies, 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 40. Transactions between these entities are eliminated on consolidation.

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.

With effect from 3 October 2011, the Department has dissolved its two executive agencies Jobcentre Plus and the Pension, Disability and Carers Service and has returned their functions back to the core Department. In this instance it was not necessary to restate the consolidated financial statements as these agencies were always consolidated into the Department's accounts.

In addition, following HM Treasury's designation order the Department's Executive and Tribunal Non-Departmental Public Bodies have been incorporated into the Department's accounting boundary from 1 April 2011 under Statutory Instrument (SI). Prior to the SI only Department's Crown and Advisory Non-Departmental Public Bodies were included in the accounting boundary. The financial statements have been restated to include these bodies in the consolidation. See Note 41.

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 non-current asset revaluations, 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 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 24 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.

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.

Exceptions to this are as follows:

a. Social Fund, contributory and non-contributory benefit receivables

The 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 receivables

The impairment for payments made by the Compensation Recovery Unit (CRU) is calculated by applying an historical percentage by debt category.

c. European Social Fund (ESF) receivables

The impairment of ESF receivables is calculated on a case by case basis, with receivables greater than one year old subject to 100 per cent impairment except where a reduction in the impairment amount is justified.

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.

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. 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 2011-12 and comparative year estimate calculations have been sourced from the Government Actuary's Department in accordance with the requirements of The Contributions and Benefits Act 1992.

The most recent year for which full data is available for SSP/SMP is 2009-10. 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 2009-10. These include both demographic factors (including changes in the number of births) and also economic factors (such as inflation and its effect on benefit rates and changes in employment rates).

Employee leave accrual

IAS 19 requires the Department to determine short term employee benefit liability for employee leave at the date of the Consolidated Statement of Financial Position. The Department has adopted a sampling approach for calculation of the accrual.

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 uses the latest available Office for National Statistics (ONS) published indices at the point at which the intangible asset revaluation is run, two working days prior to 31 March.

a. Internally developed software

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.

b. Software licences

The Department uses the Producer Price Index MM22 series for computers and peripheral equipment as a suitable proxy to establish fair value as this adequately reflects the movements in the costs of licences during changing market conditions.

Independent Living Fund (ILF) recoverability of grants to individuals

Where the estimated period of recovery of a grant is under 10 years, it is assumed that the full amount will be recovered. Where the period is over 10 years only the amount likely to be recovered within 10 years is included.

1.8 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure (SoCNE) is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the *FReM* issued by HM Treasury.

Administration costs reflect the costs of running the Department by covering the costs of all administration except for direct frontline service provision. Support activities that are directly associated with frontline service delivery are considered to be programme. Other expenditure that does not fall within administration budgets is known as programme expenditure.

Programme costs include costs directly associated with frontline service delivery, contributory benefit expenditure funded from the National Insurance Fund, expenditure borne by the Social Fund, expenditure that is within the Supply Process, overheads, non-administration costs, payments of grants and other disbursements by the Department, which have been agreed as programme expenditure with HM Treasury.

1.9 Employee benefits

In accordance with IAS 19 Employee benefits, an accrual is made for short-term employee benefits, such as salaries, paid absences and general staff bonuses. Bonuses in relation to Senior Civil Service employees are not recognised until payments to individuals have been determined and notified. 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 or IAS 16 Property, Plant & Equipment. 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 (SoCNE).

1.12 Value Added Tax (VAT)

For VAT purposes the Department is treated as a single entity with the exception of its Crown Non-Departmental Pubic Bodies, the Health and Safety Executive and the Child Maintenance and Enforcement Commission, as these bodies have separate individual VAT statuses. Most of the activities of the Department are outside the scope of VAT. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

The Department's Executive and Tribunal Non-Departmental Public Bodies are not VAT registered.

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 that can be retained in the Department 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 land and buildings 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. The following thresholds apply:

Computer hardware	£1,000
Leasehold improvements	£100,000
Other tangible assets	£5,000

The Pensions Non-Departmental Public Bodies have lower capitalisation thresholds for all non-current assets as follows:

The Pensions Regulator (TPR) £1,000
The Pensions Advisory Service (TPAS) and The Pensions Ombudsman (PO) £500

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 SoCNE 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

The Department's 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 on the Intangibles Fixed Asset Register.

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 SoCNE.

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.

Directly attributable staff costs are capitalised in accordance with IAS 38. 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 to reflect the 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. 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 20 years)
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, 63 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, to reflect the 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 (over useful life for Independent Living Fund and The Pensions Advisory Service)
Internally developed software	3 to 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. Assets under 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 SoCNE. 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 Revaluation 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 SoCNE.

b. Impairment

In accordance with the FReM, impairment losses that result from a clear consumption of economic benefit are taken directly to the SoCNE. Other impairment losses are debited to the Revaluation Reserve up to the level of depreciated historic cost, with any excess being taken to the SoCNE. 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

In line with IAS 39, financial assets and liabilities are recognised when the Department becomes party to the contracts that give rise to them. It is the Department’s policy that no trading in financial instruments is undertaken.

Fair value

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

The fair value of trade receivables is usually the original invoiced amount. Any changes in value are recognised in the SoCNE.

Cash and cash equivalents comprise cash in hand, short term deposits with an initial maturity of three months or less and current balances with banks and similar institutions. 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 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 SoCNE.

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.

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 SoCNE. 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

In accordance with IFRS 5 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 SoCNE.

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. Where it is not cost effective to recover, overpayments are written off, with the exception of fraud cases, exception cases and direct payments after death.

Receivables are recognised in the accounts when 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 where, following judicial review, the Courts have ordered we should not seek recovery.

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, 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 claimants 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.

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 in accordance with IAS 37. They are valued using 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 (2010-11 2.2 per cent) and 2.8 per cent for Industrial Injuries Benefit Payments and Early Departure Costs (2010-11 2.9 per cent). The increase in the provision due to unwinding of the discount is recognised as an interest expense in the SoCNE.

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 HM Treasury discount rate of 2.8 per cent (2010-11 2.9 per cent) in real terms. Where the Department funds these early release schemes a provision is created.

From 22 December 2010, all exit costs falling to be paid by the Department under the Civil Service compensation 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 7. 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 makes 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 SoCNE.

Pension charges for The Pensions Advisory Service Ltd. (TPAS) represent the contributions made by the company to its pension plans with Black Rock and PCSPS. In addition the 2010-11 comparative data includes a payment which was made to The Pensions Trust Growth Plan relating to TPAS' share of the scheme's fund deficit, which became due during the 2010-11 year when TPAS ceased to have members in the scheme. No further liability exists in this respect.

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 SoCNE 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 SoCNE 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 disclosed in accordance with IAS 37.

In addition, 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)

CMEC holds temporarily, as custodian, monies belonging to third parties relating to maintenance collected under the existing statutory child maintenance schemes (see Note 39). The transactions are included within a Client Funds Account, which is published separately by CMEC.

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.

1.35 Grant in Aid (GiA)

GiA to the Department's Non-Departmental Public Bodies (see Note 15) is treated as expenditure in the core Department's Consolidated Statement of Comprehensive Net

Expenditure and as financing in the accounts of the Non-Departmental Public Bodies, credited to their reserves. It is accounted for on a cash basis.

2. Statement of Operating Costs by Operating Segment

					2011-12
	Operations	**Housing Benefit**	**Employment Programmes**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
AME*	127,576,092	27,233,549	207,835	4,284,573	159,302,049
DEL Admin:*					
Staff Costs	172,823	-	-	475,253	648,076
Other Costs	35,537	-	-	453,038	488,575
Income	(315)	-	-	(106,323)	(106,637)
Non-Cash Costs	862,647	-	-	(338,044)	524,603
DEL Programme:*					
Staff Costs	2,075,260	-	25	437,459	2,512,745
Other Costs	938,627	545,694	1,017,053	1,615,901	4,117,275
Income	(16,101)	-	(35,506)	(445,256)	(496,863)
Non-Cash Costs	(247)	-	2,300	(12,648)	(10,595)
DEL Total	**4,068,231**	**545,694**	**983,872**	**2,079,381**	**7,677,178**
Total	**131,644,323**	**27,779,243**	**1,191,707**	**6,363,954**	**166,979,227**

*The Department's expenditure is divided into two different types:

- Departmental Expenditure Limit (DEL) - expenditure which is generally within the Department's control and can be managed within fixed multi-year limits. Some elements may be demand led. DEL is further analysed into DEL programme and DEL admin expenditure to reflect the distinction between front line services and back office services.
- Annually Managed Expenditure (AME) - expenditure which is generally less predictable and controllable than expenditure in DEL.

					Restated 2010-11
	Operations	**Housing Benefit**	**Employment Programmes**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
AME*	123,629,070	25,825,357	312,339	1,554,577	151,321,343
DEL Admin:*					
Staff Costs	219,298	-	-	552,697	771,995
Other Costs	33,977	-	-	539,396	573,373
Income	(349)	-	-	(119,281)	(119,630)
Non-Cash Costs	949,260	7	-	(442,862)	506,405
DEL Programme:*					
Staff Costs	2,311,849	-	-	437,026	2,748,875
Other Costs	912,045	576,009	2,136,519	1,830,688	5,455,261
Income	(18,655)	-	(118,734)	(787,263)	(924,652)
Non-Cash Costs	2,426	-	1,718	3,927	8,071
DEL Total	**4,409,851**	**576,016**	**2,019,503**	**2,014,328**	**9,019,698**
Total	**128,038,921**	**26,401,373**	**2,331,842**	**3,568,905**	**160,341,041**

Description of segments[1]

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:

Operations

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 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.

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.

Employment Programmes

The Department manages 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. The Department also creates high performing partnerships with its providers and a more competitive and robust system of employment provision.

Employment programmes are delivered by specialist providers to help support people to find and stay in work. They provide work experience, training and further support tailored to individual needs and circumstances.

Other

Other areas include corporate functions that support the business, payments of SSP/SMP to HMRC, TV Licence for the over 75s and Motability. It also includes the Department's Non-

[1] Segments may not sum due to rounding

Departmental Public Bodies (see Note 40) because from 1 April 2011 these have been incorporated into the accounting boundary.

Restatement of prior year operating segments

With effect from 3 October 2011 the functions of the Department's two executive agencies, Jobcentre Plus and the Pension, Disability and Carers Service, have returned back to the core department and are now incorporated within the segments of Operations and Employment Programmes.

3. Net Outturn

(i) Analysis of net resource outturn by section

									2011-12	Restated
							Outturn		Estimate	2010-11 Outturn
	Administration			Programme					Net total compared to Estimate	
	Gross	Income	Net	Gross	Income	Net	Total	Net Total		Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit										
Voted:										
A Jobcentre Plus	214,555	(205)	214,350	2,109,262	(10,260)	2,099,002	2,313,352	2,339,695	26,343	2,040,205
B Pension, Disability and Carers Service	100,209	(121)	100,088	214,364	(1,707)	212,657	312,745	348,100	35,355	254,677
C Child Maintenance and Enforcement Commission	120,981	(190)	120,791	365,486	(2,731)	362,755	483,546	545,000	61,454	390,851
D Health and Safety Executive	128,821	(17,368)	111,453	162,811	(98,881)	63,930	175,383	181,975	6,592	200,797
E Financial Assistance Scheme	-	-	-	72,543	-	72,543	72,543	77,000	4,457	44,809
F European Social Fund	-	-	-	263,828	(248,560)	15,268	15,268	1	(15,267)	(1)
G Executive Non-Departmental Bodies (Net)	15,153	-	15,153	360,258	-	360,258	375,411	383,306	7,895	395,116
H Employment Programmes	-	-	-	877,981	(2,401)	875,580	875,580	1,015,114	139,534	1,813,876
I Housing Benefit and Council Tax Benefit Administration	-	-	-	545,688	-	545,688	545,688	549,400	3,712	585,147
J Other Programmes	-	-	-	229,966	(46,638)	183,328	183,328	87,729	(95,599)	200,480
K Departmental operating costs	858,869	(87,784)	771,085	595,976	(52,855)	543,121	1,314,206	1,287,774	(26,432)	1,832,074
	1,438,588	**(105,668)**	**1,332,920**	**5,798,163**	**(464,033)**	**5,334,130**	**6,667,050**	**6,815,094**	**148,044**	**7,758,031**
Non-voted:										
L National Insurance Fund	-	-	-	821,152	-	821,152	821,152	821,152	-	1,092,891
	-	**-**	**-**	**821,152**	**-**	**821,152**	**821,152**	**821,152**	**-**	**1,092,891**
Annually Managed Expenditure										
Voted:										
M Severe Disablement Allowance	-	-	-	880,687	-	880,687	880,687	876,263	(4,424)	888,494
N Industrial Injuries Disablement Benefit	-	-	-	887,638	-	887,638	887,638	886,483	(1,155)	888,446
O Jobseeker's Allowance	-	-	-	4,179,103	(6,425)	4,172,678	4,172,678	4,363,822	191,144	3,667,797
P Employment and Support Allowance	-	-	-	2,167,611	(76)	2,167,535	2,167,535	2,170,179	2,644	1,281,534

									2011-12	Restated
							Outturn		Estimate	2010-11 Outturn
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Q Income Support	-	-	-	6,953,140	(31,586)	6,921,554	6,921,554	7,028,414	106,860	7,791,113
R Pension Credit and Minimum Income Guarantee	-	-	-	8,112,235	-	8,112,235	8,112,235	8,083,142	(29,093)	8,323,122
S Financial Assistance Scheme	-	-	-	1,171,098	-	1,171,098	1,171,098	963,195	(207,903)	(1,480,637)
T TV licences for the over 75's	-	-	-	587,285	-	587,285	587,285	578,344	(8,941)	578,234
U Attendance Allowance	-	-	-	5,339,425	-	5,339,425	5,339,425	5,424,081	84,656	5,227,751
V Disability Living Allowance	-	-	-	12,565,735	-	12,565,735	12,565,735	12,591,664	25,929	11,876,621
W Carer's Allowance	-	-	-	1,732,977	-	1,732,977	1,732,977	1,729,962	(3,015)	1,572,082
X Housing Benefit	-	-	-	16,940,593	-	16,940,593	16,940,593	17,328,792	388,199	15,736,316
Y Council Tax Benefit	-	-	-	4,825,095	-	4,825,095	4,825,095	4,842,082	16,987	4,792,535
Z Rent Rebates	-	-	-	5,447,418	-	5,447,418	5,447,418	5,495,010	47,592	5,278,591
AA Statutory Sick Pay and Statutory Maternity Pay	-	-	-	2,548,002	-	2,548,002	2,548,002	2,548,477	475	2,460,013
AB Other benefits	-	-	-	394,803	-	394,803	394,803	410,456	15,653	498,503
AC Other expenditure	-	-	-	(32,738)	-	(32,738)	(32,738)	(19,000)	13,738	(8,787)
	-	**-**	**-**	**74,700,107**	**(38,087)**	**74,662,020**	**74,662,020**	**75,301,366**	**639,346**	**69,371,728**
Non-voted										
AD Incapacity Benefit	-	-	-	4,938,989	-	4,938,989	4,938,989	4,859,899	(79,090)	5,561,530
AE Jobseeker's Allowance	-	-	-	735,416	-	735,416	735,416	761,998	26,582	788,126
AF Employment and Support Allowance	-	-	-	1,413,909	-	1,413,909	1,413,909	1,458,075	44,166	962,912
AG Maternity Allowance	-	-	-	365,536	-	365,536	365,536	357,541	(7,995)	342,927
AHState Pension	-	-	-	74,218,860	-	74,218,860	74,218,860	74,717,373	498,513	69,883,836
AI Bereavement benefits	-	-	-	593,970	-	593,970	593,970	592,036	(1,934)	613,528
AJ Expenditure incurred by the Social Fund	-	-	-	2,373,949	-	2,373,949	2,373,949	2,966,732	592,783	3,812,114
	-	**-**	**-**	**84,640,629**	**-**	**84,640,629**	**84,640,629**	**85,713,654**	**1,073,025**	**81,964,973**
Non-budget resource										
Voted:										
AK Cash paid in to the Social Fund	-	-	-	2,514,838	-	2,514,838	2,514,838	2,960,977	446,139	3,672,137
	-	**-**	**-**	**2,514,838**	**-**	**2,514,838**	**2,514,838**	**2,960,977**	**446,139**	**3,672,137**
Total	**1,438,588**	**(105,668)**	**1,332,920**	**168,474,889**	**(502,120)**	**167,972,769**	**169,305,689**	**171,612,243**	**2,306,554**	**163,859,760**

(ii) Analysis of net capital outturn by section

	2011-12					Restated 2010-11
	Outturn			Estimate		Outturn
	Gross	Income	Net	Net	Net total compared to Estimate	Net
	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit						
Voted:						
A Jobcentre Plus	30,564	-	30,564	43,864	13,300	58,678
B Pension, Disability and Carers Service	6,431	-	6,431	18,630	12,199	7,351
C Child Maintenance and Enforcement Commission	11,839	-	11,839	-	(11,839)	8,389
D Health and Safety Executive	5,436	(561)	4,875	5,550	675	6,269
E Financial Assistance Scheme	-	-	-	-	-	-
F European Social Fund	-	-	-	-	-	-
G Executive Non-Departmental Public Bodies (Net)	868	-	868	764	(104)	466
H Employment Programmes	2,911	-	2,911	-	(2,911)	1
I Housing Benefit and Council Tax Benefit Administration	-	-	-	-	-	-
J Other programmes	52,171	-	52,171	1,200	(50,971)	81,210
K Departmental operating costs	176,057	(5,495)	170,562	240,992	70,430	161,260
Non-voted:						
	286,277	**(6,056)**	**280,221**	**311,000**	**30,779**	**323,624**
Spending in Annually Managed Expenditure						
Voted:						
Non-voted:						
AE Incapacity Benefit	-	-	-	-	-	-
AF Jobseeker's Allowance	-	-	-	-	-	-
AG Employment and Support Allowance	-	-	-	-	-	-
AH Maternity Allowance	-	-	-	-	-	-
AI State Pension	-	-	-	-	-	-
AJ Bereavement benefits	-	-	-	-	-	-
AK Expenditure incurred by the Social Fund	34,729	-	34,729	86,086	51,357	176,715
	34,729	**-**	**34,729**	**86,086**	**51,357**	**176,715**
Total	**321,006**	**(6,056)**	**314,950**	**397,086**	**82,136**	**500,339**

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	2011-12 Outturn £000	Restated 2010-11 Outturn £000
Total resource outturn in Statement of Parliamentary Supply	Budget		166,790,851	160,187,623
	Non-Budget		2,514,838	3,672,137
		3(i)	**169,305,689**	**163,859,760**
Add:	Capital Grants		1,939	11,836
	Other PFI Adjustment		187,972	150,580
			169,495,600	**164,022,176**
Less:	Income payable from the Consolidated Fund		(1,535)	(8,998)
	Cash paid to the Social Fund – Voted Non-Budget		(2,514,838)	(3,672,137)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			**166,979,227**	**160,341,041**

(ii) Outturn against final Administration Budget and Administration net operating cost

	Note	2011-12 Outturn £000	Restated 2010-11 Outturn £000
Administration costs limit - Estimate		1,425,512	5,843,600
Less CLOS impact		-	(4,133,575)
Administration costs limit - Revised		**1,425,512**	**1,710,025**
Gross Administration Costs	3	1,438,588	1,545,224
Gross Income relating to administration costs	3	(105,668)	(68,791)
Administration costs - Net outturn	3	**1,332,920**	**1,476,433**
Reconciliation to operating costs:			
Add: PFI adjustment		270,266	255,711
Less: other		(48,569)	-
Administration net operating costs		**1,554,617**	**1,732,144**

5. Reconciliation of net cash requirement to increase/(decrease) in cash

	31 March 2012 £000	31 March 2011 £000
Net cash requirement – Core Department and agencies	(82,822,542)	(82,560,647)
From the Consolidated Fund (Supply) – current year	82,799,891	82,462,377
From the Consolidated Fund (Supply) – prior year	87,789	-
Amounts due to the Consolidated Fund received and not paid over	506	2,715
Amounts due to the Consolidated Fund received in prior year and paid over	(4,124)	(60,360)
Other: Transfer of functions	-	-
Non-voted cash movements	(622,247)	4,590
(Decrease) in cash held by core department	**(560,727)**	**(151,325)**
Increase/(decrease) in cash held by arms length bodies	9,761	(5,750)
Net (decrease) in cash held by departmental group (from the Consolidated Statement of Cash Flows)	**(550,966)**	**(157,075)**

6. Income payable to the Consolidated Fund

(i) Analysis of income payable to the Consolidated Fund

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

	Outturn 2011-12		Outturn 2010-11	
	Income £000	*Receipts £000*	Income £000	*Receipts £000*
Excess cash surrenderable to the Consolidated Fund	1,541	*1,541*	8,998	*9,031*
Total income payable to the Consolidated Fund	**1,541**	***1,541***	**8,998**	***9,031***

(ii) Consolidated Fund income

Consolidated Fund income shown 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.

7. Staff numbers and related costs

	2011-12 Core Dept £000	2011-12 Departmental Group £000	Restated 2010-11 Core Dept £000	Restated 2010-11 Departmental Group £000
Administration staff costs	557,742	648,076	668,949	771,995
Programme staff costs	2,173,659	2,513,544	2,401,831	2,757,579
Total staff costs	**2,731,401**	**3,161,620**	**3,070,780**	**3,529,574**

Staff costs comprise:

	Permanently employed staff	Others	Ministers	Special Advisers	2011-12 Total	Restated 2010-11 Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,536,601	20,032	158	124	2,556,915	2,868,874
Employers' National Insurance	168,439	207	14	14	168,674	187,736
Superannuation and pension costs	435,897	134	-	-	436,031	472,964
	3,140,937	**20,373**	**172**	**138**	**3,161,620**	**3,529,574**
Less recoveries in respect of outward secondments	(4,527)	-	-	-	(4,527)	(7,577)
Less other recoveries of staff costs	(3,870)	-	-	-	(3,870)	(3,531)
Total net costs	**3,132,540**	**20,373**	**172**	**138**	**3,153,223**	**3,518,466**
Of which:						
Core department	**2,709,632**	**13,239**	**172**	**138**	**2,723,181**	**3,060,075**
NDPBs	**422,908**	**7,134**	**-**	**-**	**430,042**	**458,391**

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. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the accounts of the Cabinet Office: Civil Superannuation: (www.civilservice.gov.uk/pensions/governance-and-rules).

The Scheme's Actuary usually reviews employer contributions every four years following a full scheme valuation. Consequently, a formal actuarial valuation would have been due in 2011. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The amounts recognised in these financial statements have been prepared using full membership data, such as would have been provided for a formal valuation.

For 2011-12, employers' contributions of £434.1 million were payable to the PCSPS (2010-11 £470.4 million restated) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions amounting to £39.6 million (2010-11 £42.8 million restated) were payable to the Civil Superannuation Vote at 31 March 2012 and are included in Trade and other payables (see Note 26).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £1.679 million (2010-11 £2.284 million restated), 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 £0.117 million (2010-11 £0.149 million restated) 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 £0.136 million. Contributions prepaid at that date were £nil.

In 2011-12, 159 persons (2010-11 125 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £0.309 million (2010-11 £0.234 million).

(i) 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 Non-Departmental Public Bodies included within the consolidated Departmental Account.

			2011-12 Number			Restated 2010-11 Number
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Numbers of Staff	103,781	307	5	2	104,095	116,385
Staff engaged on capital projects	-	1	-	-	1	-
Total	**103,781**	**308**	**5**	**2**	**104,096**	**116,385**
Of which:						
Core department	**92,141**	**172**	**5**	**2**	**92,320**	**104,044**
NDPBs	**11,640**	**136**	**-**	**-**	**11,776**	**12,341**

(ii) Reporting of Civil Service and other compensation schemes - exit packages – 2011-12

			Core Dept			**Departmental Group**
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
< £10,000	-	280	**280**	-	365	**365**
£10,001 - £25,000	-	442	**442**	1	616	**617**
£25,001 - £50,000	1	300	**301**	1	336	**337**
£50,001 - £100,000	1	152	**153**	1	159	**160**
£100,001 - £150,000	-	78	**78**	-	78	**78**
£150,001 - £200,000	-	16	**16**	-	16	**16**
£200,001 - £250,000	-	4	**4**	-	4	**4**
£250,001 - £300,000	**-**	1	**1**	**-**	1	**1**
Total number of exit packages by type	**2**	**1,273**	**1,275**	**3**	**1,575**	**1,578**
Total resource cost £000	**107**	**43,438**	**43,545**	**130**	**48,196**	**48,326**

Reporting of Civil Service and other compensation schemes – exit packages – 2010-11 restated

	Core Dept			Departmental Group		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
< £10,000	-	602	602	1	679	680
£10,001 - £25,000	-	581	581	-	676	676
£25,001 - £50,000	-	487	487	-	606	606
£50,001- £100,000	-	442	442	-	537	537
£100,001 - £150,000	-	107	107	-	115	115
£150,001 - £200,000	-	27	27	-	27	27
£200,001 - £250,000	-	5	5	-	6	6
Total number of exit packages by type	**-**	**2,251**	**2,251**	**1**	**2,646**	**2,647**
Total resource cost £000	**-**	**78,115**	**78,115**	**6**	**92,484**	**92,490**

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 27.

8. Administration costs

		2011-12		Restated 2010-11	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	**£000**	**£000**	**£000**	**£000**
Goods and services	8a	162,646	197,988	144,884	188,807
IT services		182,344	173,124	146,659	170,660
Non-cash items	9	507,314	524,603	481,832	506,405
Accommodation costs		41,871	46,960	42,231	53,823
Finance lease charges		13,815	13,815	53,331	53,331
Research and Development expenditure		-	1,514	-	1,425
PFI and other service concession arrangements service charges		7,169	27,907	44,320	65,922
Rentals under operating leases:		2,682	9,464	10,797	17,131
Compensation payments to customers		7,470	7,474	7,358	7,360
Audit fee for NDPBs		-	678	-	819
Interest charges		159	159	-	-
Other administration costs		534	9,492	788	14,095
		926,004	**1,013,178**	**932,200**	**1,079,778**

a. Goods and Services expenditure of £198 million (2010-11 £189 million restated) includes medical services, bank and encashment costs, postage, printing and stationery, external consultancy costs, utilities and staff training.

9. Administration costs - non-cash items

		2011-12		Restated 2010-11	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Auditor's remuneration		1,989	1,989	2,146	2,146
Depreciation of non-current assets		322,724	330,548	257,431	265,382
Amortisation of non-current assets		123,730	130,363	109,559	115,455
Loss on disposal of non-current assets		26,232	26,511	55,325	55,455
Impairment of non-current assets	20	26,395	26,526	19,622	20,150
Amortisation of prepayments		5,000	5,000	41,849	41,849
Movement in impairment of receivables		635	333	(6,140)	(6,391)
Provisions:					
Movement in year		609	3,333	2,040	12,359
		507,314	**524,603**	**481,832**	**506,405**

10. Programme costs

		2011-12		Restated 2010-11	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Goods and services		461,330	541,891	535,212	597,683
IT services		491,878	532,444	526,222	566,508
Non-cash items	11	1,161,377	1,151,286	(1,037,832)	(1,047,048)
Accommodation costs		399,832	427,495	397,550	391,868
Finance lease charges		34,106	34,106	-	-
Research and development expenditure		-	7,108	-	20,269
PFI and other service concession arrangements service charges		40,689	40,689	-	-
Rentals under operating leases		6,936	7,856	7,698	9,263
Compensation payments to customers		6,097	7,303	13,943	15,688
Audit fee for NDPBs		-	61	-	61
Grants and other current expenditure	13	77,491,418	77,821,079	76,891,888	77,245,624
Non-Voted expenditure: contributory benefits	14	82,237,185	82,237,185	78,075,786	78,075,786
Agency payments on behalf of EU to third parties	10a	266,291	266,291	556,045	556,045
Programme balances written off	16	344,341	344,341	354,366	354,366
Other programme expenditure		2,132	44,539	2,831	35,162
		162,943,612	**163,463,674**	**156,323,709**	**156,821,275**

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.

11. Programme costs - non-cash items

	2011-12 Core Dept £000	2011-12 Departmental Group £000	Restated 2010-11 Core Dept £000	Restated 2010-11 Departmental Group £000
Depreciation of non-current assets	-	73	-	96
Amortisation of non-current assets	-	40	-	-
(Profit)/Loss on disposal of non-current assets	(3)	4	153	134
Impairment of non-current assets	-	1	-	-
Movement in impairment of receivables:				
Contributory benefits	(17,256)	(17,256)	28,241	28,241
Non-contributory benefits	79,854	79,854	101,452	101,452
Social Fund payments	(138,842)	(138,842)	303,447	303,447
Other	(247)	(11,467)	(630)	(402)
Provisions:				
Movement in year	1,078,671	1,077,732	(1,881,070)	(1,891,526)
Unwinding of discount	160,811	160,827	412,973	412,973
Revaluation (gain)/loss	(1,611)	320	(2,801)	(1,866)
Other non-cash costs	-	-	403	403
	1,161,377	**1,151,286**	**(1,037,832)**	**(1,047,048)**

12. Non-cash items

	Note	2011-12 Core Dept £000	2011-12 Departmental Group £000	Restated 2010-11 Core Dept £000	Restated 2010-11 Departmental Group £000
Administration costs	9	507,314	524,603	481,832	506,405
Programme costs	11	1,161,377	1,151,286	(1,037,832)	(1,047,048)
Income: Government Grant Reserve		-	-	(1)	(1)
		1,668,691	**1,675,889**	**(556,001)**	**(540,644)**

13. Grants and other current expenditure

	2011-12 Core Dept £000	2011-12 Departmental Group £000	2010-11 Core Dept £000	2010-11 Departmental Group £000
Non Contributory Benefits				
Disability Living Allowance	12,551,861	12,551,861	11,896,183	11,896,183
Income Support	6,836,284	6,836,284	7,638,479	7,638,479
Pension Credit/Minimum Income Guarantee	8,035,708	8,035,708	8,271,129	8,271,129
Attendance Allowance	5,317,985	5,317,985	5,208,464	5,208,464
Jobseeker's Allowance	4,147,393	4,147,393	3,641,322	3,641,322
Carer's Allowance	1,718,883	1,718,883	1,558,884	1,558,884
Severe Disablement Allowance	879,411	879,411	887,079	887,079
Industrial Injuries Disablement Benefit	854,149	854,149	852,308	852,308
Employment Support Allowance	2,127,739	2,127,739	1,249,464	1,249,464
Other	185,375	185,375	189,382	189,382
Social Fund Expenditure				
Winter Fuel Payments	2,148,273	2,148,273	2,757,288	2,757,288
Cold Weather Payments	128,709	128,709	435,296	435,296
Community Care Grants	142,638	142,638	141,104	141,104
Maternity Payments	46,185	46,185	130,894	130,894
Grants Paid to Local Authorities				
Housing Benefit Rent Allowances and Rebates	22,388,011	22,388,011	21,014,908	21,014,908
Council Tax Benefit	4,825,095	4,825,095	4,792,534	4,792,534
Administration Grants	539,930	539,930	578,531	578,531
Other	29,499	29,499	25,456	25,456
Employment Programmes	1,211,391	1,211,391	2,336,676	2,336,676
Other Expenditure				
Statutory Sick Pay and Statutory Maternity Pay	2,548,002	2,548,002	2,460,013	2,460,013
TV Licences for the over 75s	587,286	587,286	578,234	578,234
Independent Living Fund	-	325,978	-	349,836
Grants and Grants in Aid to External Bodies	230,377	230,376	230,938	230,938
Other	11,234	14,918	17,322	21,222
	77,491,418	**77,821,079**	**76,891,888**	**77,245,624**

Grants and other current expenditure is the amount of expenditure incurred in year (net of overpayments) and excludes programme overheads.

14. Non-voted expenditure

(i) Contributory benefits

	2011-12 Core Dept £000	2011-12 Departmental Group £000	Restated 2010-11 Core Dept £000	Restated 2010-11 Departmental Group £000
Retirement Benefit	74,084,490	74,084,490	69,739,681	69,739,681
Christmas Bonus	123,296	123,296	122,263	122,263
Bereavement benefits	594,764	594,764	609,102	609,102
Unemployment benefits:				
Jobseeker's Allowance	746,763	746,763	797,897	797,897
Employment and Support Allowance	1,389,370	1,389,370	944,652	944,652
Incapacity Benefit	4,933,146	4,933,146	5,519,494	5,519,494
Maternity benefits	365,356	365,356	342,697	342,697
	82,237,185	**82,237,185**	**78,075,786**	**78,075,786**

(ii) Total non-voted expenditure

	2011-12 Core Dept £000	2011-12 Departmental Group £000	Restated 2010-11 Core Dept £000	Restated 2010-11 Departmental Group £000
Contributory benefits	82,237,185	82,237,185	78,075,786	78,075,786
NIF income	(4,633)	(4,633)	(1,466)	(1,466)
NIF write-offs and movement in impairment of receivables	29,740	29,740	78,097	78,097
NIF movement on Compensation Recovery Unit provision	(308)	(308)	443	443
	82,261,984	**82,261,984**	**78,152,860**	**78,152,860**

15. Grant in Aid to Non-Departmental Public Bodies

	2011-12 £000	Restated 2010-11 £000
Child Maintenance and Enforcement Commission	495,982	527,001
Independent Living Fund	328,000	340,500
Health and Safety Executive	170,885	211,592
The Pensions Regulator	35,017	33,272
The Pensions Advisory Service	3,211	3,984
The Pensions Ombudsman	3,030	2,810
	1,036,125	**1,119,159**

Grant in Aid to the Non-Departmental Public Bodies above is shown as grant in aid expenditure in the Consolidated Statement of Comprehensive Net Expenditure. These balances are eliminated on consolidation into the Departmental Group.

16. Programme balances written off

These consist of the write-off of the following benefits:

	2011-12 Core Dept £000	2011-12 Departmental Group £000	2010-11 Core Dept £000	2010-11 Departmental Group £000
Contributory benefits				
Pensions benefits	14,075	14,075	16,954	16,954
Incapacity Benefit	18,831	18,831	18,505	18,505
Other	14,091	14,091	14,397	14,397
Non-contributory benefits				
Disability benefits	42,084	42,084	39,135	39,135
Income Support (including Pension Credit)	178,603	178,603	192,551	192,551
Other	30,363	30,363	29,118	29,118
Social Fund payments				
Funeral payments	40,127	40,127	41,228	41,228
Other	6,167	6,167	2,478	2,478
	344,341	**344,341**	**354,366**	**354,366**

17. Income

(i) Analysis of income

	2011-12 Core Dept	2011-12 Departmental Group	Restated 2010-11 Core Dept	Restated 2010-11 Departmental Group
	£000	£000	£000	£000
Administration				
Income from Other Government Departments	70,684	70,056	64,904	64,986
CMEC income	36,113	-	46,518	-
ESF income	3,690	3,690	5,058	5,058
Income from mortgage lenders	194	194	311	311
Income from outside bodies	2,644	2,967	10,603	10,905
Income from accommodation	4,905	4,905	4,767	4,767
Law costs from defendants	1,765	1,898	2,642	2,645
Secondments	2,764	2,891	4,690	4,678
CFER income	959	1,286	7,645	8,440
Operating lease rental income	3,267	-	12,761	-
HSE administrative income	-	17,022	-	17,427
Amortisation of government grants	-	-	1	1
Other miscellaneous income	1,667	1,728	369	411
	128,652	**106,637**	**160,269**	**119,629**
Programme				
Benefit income				
New Deal	18	18	86	86
Help for unemployed people	1,184	1,184	984	984
Income Support	31,586	31,586	40,440	40,440
Jobseeker's Allowance	1,868	1,868	1,994	1,994
Motability receipts	992	992	1,003	1,003
Pension levy receipts	46,583	46,583	54,764	54,764
CMEC income	71,113	-	76,018	-
Income from Other Government Departments	35,062	36,269	13,710	15,380
ESF income	33,133	33,133	116,575	116,575
EU income where DWP acts as agent for payments to third parties	246,887	246,887	547,511	547,511
Exchange rate gain	16,720	16,720	-	-
HSE programme income	-	98,079	-	104,942
International Labour Organisation	1	1	16,233	16,233
Single International Programme	388	388	30,282	30,282
European Union division	-	-	8,159	8,159
Income from mortgage lenders	1,011	1,011	1,021	1,021
Income from outside bodies	1,986	3,610	3,572	5,011
Income from accommodation	40	40	-	-
Law costs from defendants	1,041	1,132	21	150
Secondments	1,605	1,636	2,485	2,899
CFER income	185	249	558	558
Operating lease rental income	8,119	-	-	-
Other programme income	26,560	26,589	20,499	20,499
NIF income	4,633	4,633	1,466	1,466
	530,715	**552,608**	**937,381**	**969,957**
Total income	**659,367**	**659,245**	**1,097,650**	**1,089,586**

HSE administrative income includes licensing and safety of the nuclear industry, control of major accident hazards and offshore safety.

(ii) Analysis of fees and charges

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	Full Cost	Core Dept Surplus/ (Deficit)	Income	Full Cost	2011-12 Departmental Group Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
Pension levy receipts	44,465	44,465	-	44,465	44,465	-
Licensing of nuclear installations	-	-	-	40,023	40,023	-
Enforcement of offshore safety legislation	-	-	-	15,673	15,682	(9)
Shared Services to other Government Departments	15,780	15,684	96	15,780	15,684	96
Biocides and plant protection	-	-	-	13,315	13,667	(352)
Control of major accident hazards	-	-	-	12,394	11,394	1,000
Generic design assessment	-	-	-	7,980	7,980	-
Legal services	7,292	7,292	-	7,292	7,292	-
Health and Safety Laboratory external customers	-	-	-	7,189	7,189	-
Civil Service HR	5,358	5,358	-	5,358	5,358	-
Civil nuclear security	-	-	-	4,189	4,189	-
IT service charges	-	-	-	1,649	1,649	-
Income from Mortgage Lenders	1,205	1,205	-	1,205	1,205	-
	74,100	**74,004**	**96**	**176,512**	**175,777**	**735**

	Income	Full Cost	Core Dept Surplus/ (Deficit)	Income	Full Cost	Restated 2010-11 Departmental Group Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
Pension levy receipts	54,764	54,764	-	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	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	-	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	-
Income from Mortgage Lenders	1,332	1,332	-	1,332	1,332	-
	78,714	**78,142**	**572**	**188,401**	**186,717**	**1,684**

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

18. Property, plant and equipment

(i) Consolidated property, plant and equipment by category – 2011-12

	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 2011		2,663,021	24,621	335,731	39,753	12,982	3,300	1,377	3,080,785
Additions	18e	623	1,205	27,908	4,214	504	628	2,713	37,795
Disposals		(58,430)	(5,190)	(24,471)	(1,431)	(2,651)	(650)	-	(92,823)
Impairments	18c	1,528	-	-	(8)	-	-	-	1,520
Reclassifications		766	-	(40)	334	-	-	(1,377)	(317)
Revaluations	18c	275,501	21	(20)	-	-	-	-	275,502
At 31 March 2012		2,883,009	20,657	**339,108**	**42,862**	**10,835**	**3,278**	**2,713**	**3,302,462**
Depreciation									
At 1 April 2011		654,188	14,271	247,215	15,381	6,693	1,410	-	939,158
Charged in year	18d	268,511	2,105	50,660	7,915	896	534	-	330,621
Disposals		(3,881)	(5,189)	(24,316)	(1,108)	(2,386)	(401)	-	(37,281)
Impairments	18c	-	-	-	(8)	-	-	-	(8)
Reclassifications		-	-	(52)	-	-	-	-	(52)
Revaluations	18c	(1,363)	19	(19)	-	-	-	-	(1,363)
At 31 March 2012		**917,455**	**11,206**	**273,488**	**22,180**	**5,203**	**1,543**	**-**	**1,231,075**
Carrying amount at 31 March 2012		**1,965,554**	**9,451**	**65,620**	**20,682**	**5,632**	**1,735**	**2,713**	**2,071,387**
Carrying amount at 31 March 2011		**2,008,833**	**10,350**	**88,516**	**24,372**	**6,289**	**1,890**	**1,377**	**2,141,627**
Asset financing:									
Owned		11,925	9,451	20,762	4,903	3,382	1,735	2,713	54,871
Finance leased		60,840	-	42,793	15,779	-	-	-	119,412
On-Statement of Financial Position PFI contracts		1,892,789	-	2,065		2,250	-	-	1,897,104
Carrying amount at 31 March 2012		**1,965,554**	**9,451**	**65,620**	**20,682**	**5,632**	**1,735**	**2,713**	**2,071,387**
Of the total:									
Department		1,896,292	259	61,628	15,927	212	-	2,676	1,976,994
NDPBs		69,262	9,192	3,992	4,755	5,420	1,735	37	94,393
Carrying amount at 31 March 2012		**1,965,554**	**9,451**	**65,620**	**20,682**	**5,632**	**1,735**	**2,713**	**2,071,387**

Consolidated 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 restated		2,325,450	23,712	445,066	29,200	28,983	3,318	673	2,856,402
Additions	18e	18,823	960	30,014	21,408	772	931	1,376	74,284
Disposals		(65,037)	-	(133,200)	(10,436)	(4,762)	(886)	-	(214,321)
Impairments	18c	(5,629)	-	(727)	(493)	(12,002)	(63)	-	(18,914)
Reclassifications		598	-	(5,377)	74	-	-	(672)	(5,377)
Revaluations	18c	388,816	(51)	(45)	-	(9)	-	-	388,711
At 31 March 2011		**2,663,021**	**24,621**	**335,731**	**39,753**	**12,982**	**3,300**	**1,377**	**3,080,785**
Depreciation									
At 1 April 2010 restated		436,819	12,130	319,868	22,346	12,237	1,426	-	804,826
Charged in year	18d	219,871	2,179	38,431	3,784	2,121	547	-	266,933
Disposals		(2,421)	-	(108,849)	(10,422)	(4,429)	(563)	-	(126,684)
Impairments	18c	-	-	(93)	(327)	(3,230)	-	-	(3,650)
Reclassifications		-	-	(2,087)	-	-	-	-	(2,087)
Revaluations	18c	(81)	(38)	(55)	-	(6)	-	-	(180)
At 31 March 2011		**654,188**	**14,271**	**247,215**	**15,381**	**6,693**	**1,410**	**-**	**939,158**
Carrying amount at 31 March 2011		**2,008,833**	**10,350**	**88,516**	**24,372**	**6,289**	**1,890**	**1,377**	**2,141,627**
Carrying amount at 31 March 2010		**1,888,631**	**11,582**	**125,198**	**6,854**	**16,746**	**1,892**	**673**	**2,051,576**
Asset financing:									
Owned		11,811	10,350	32,132	4,800	3,847	1,890	613	65,443
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
Carrying amount at 31 March 2011		**2,008,833**	**10,350**	**88,516**	**24,372**	**6,289**	**1,890**	**1,377**	**2,141,627**
Of the total:									
Department		1,939,136	-	84,719	19,805	357	-	-	2,044,017
NDPBs		69,697	10,350	3,797	4,567	5,932	1,890	1,377	97,610
Carrying amount at 31 March 2011		**2,008,833**	**10,350**	**88,516**	**24,372**	**6,289**	**1,890**	**1,377**	**2,141,627**

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 £276.9 million (2010-11 £388.9 million) has been transferred to the Revaluation Reserve. The movement in impairment in property, plant and equipment of

£1.5 million (2010-11 £15.3 million) has been charged to the Statement of Comprehensive Net Expenditure.

d. Total depreciation in the year was £330.6 million (2010-11 £266.9 million restated). This consists of £330.6 million (2010-11 £264.9 million restated) charged to the Statement of Comprehensive Net Expenditure and £nil million (2010-11 £2.0 million) relating to assets purchased prior to 2011-12. The in year depreciation charge for On-Statement of Financial Position PFI Contracts is £265.7 million (2010-11 £217.0 million). The loss on sale of property, plant and equipment charged to the Statement of Comprehensive Net Expenditure in the year is £26.5 million (2010-11 £55.6 million).

e. Total additions in the year were £37.8 million (2010-11 £74.3 million restated). This consisted of £37.8 million (2010-11 £69.6 million restated) of capital expenditure and £nil million (2010-11 £4.7 million) of assets which had been purchased prior to 2011-12 but which had previously been charged as expenditure.

(ii) Land and buildings

Land and buildings by category – 2011-12

	Note	Land £000	Freehold Buildings £000	Leasehold Buildings £000	Total £000
Cost or Valuation					
At 1 April 2011		1,169,779	9,677	1,483,565	2,663,021
Additions		-	623	-	623
Disposals		(33,419)	(9)	(25,002)	(58,430)
Impairments	18c	-	-	1,528	1,528
Reclassifications		-	766	-	766
Revaluations	18c	147,853	(1,702)	129,350	275,501
At 31 March 2012		**1,284,213**	**9,355**	**1,589,441**	**2,883,009**
Depreciation					
At 1 April 2011		271,808	480	381,900	654,188
Charged in year	18d	125,474	1,517	141,520	268,511
Disposals		(2,340)	(9)	(1,532)	(3,881)
Impairments	18c	-	-	-	-
Reclassifications		-	-	-	-
Revaluations	18c	-	(1,363)	-	(1,363)
At 31 March 2012		**394,942**	**625**	**521,888**	**917,455**
Carrying amount at 31 March 2012		**889,271**	**8,730**	**1,067,553**	**1,965,554**
Carrying amount at 31 March 2011		**897,971**	**9,197**	**1,101,665**	**2,008,833**
Of the total:					
Department		886,739	4,933	1,004,620	1,896,292
NDPBs		2,532	3,797	62,933	69,262
Carrying amount at 31 March 2012		**889,271**	**8,730**	**1,067,553**	**1,965,554**

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 – 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	18c	-	-	(5,629)	(5,629)
Reclassifications		-	-	598	598
Revaluations	18c	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	18d	95,628	359	123,884	219,871
Disposals		(1,216)	-	(1,205)	(2,421)
Impairments	18c	-	-	-	-
Reclassifications		-	-	-	-
Revaluations	18c	-	13	(94)	(81)
At 31 March 2011		**271,808**	**480**	**381,900**	**654,188**
Carrying amount at 31 March 2011		**897,971**	**9,197**	**1,101,665**	**2,008,833**
Carrying amount at 31 March 2010		**787,446**	**8,783**	**1,092,402**	**1,888,631**
Of the total:					
Department		895,357	5,047	1,038,732	1,939,136
NDPBs		2,614	4,150	62,933	69,697
Carrying amount at 31 March 2011		**897,971**	**9,197**	**1,101,665**	**2,008,833**

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 2012 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 January and February 2012. The valuation signatory was William Hall MRICS.

Health and Safety Executive

DTZ professionally valued the HSE Headquarters at Redgrave Court as at 30 September 2011 with a desktop valuation completed at 31 March 2012. 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

	2011-12	Restated 2010-11
	£000	£000
Capital payables and accruals at 1 April	28,977	11,515
Capital additions	37,795	69,547
Less: Leased capital additions	(29,747)	-
Capital payables and accruals at 31 March	(2,129)	(28,977)
Purchases of property, plant and equipment as per Statement of Cash Flows	**34,896**	**52,085**
Of the total:		
Department	27,816	45,307
NDPBs	7,080	6,778
Carrying amount at 31 March 2012	**34,896**	**52,085**

19. Intangible assets

(i) Consolidated 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 – 2011-12

	Note	Websites	Purchased Software Licences	Internally Developed Software	Payments on Account and Assets Under Construction	Total
		£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2011		38,878	130,021	514,438	249,944	933,281
Additions	19a	9	14,535	4,755	174,137	193,436
Disposals		-	(4,560)	(24,428)	(4)	(28,992)
Impairments	19b	-	(2,081)	-	(27,767)	(29,848)
Reclassifications		-	10,275	252,286	(262,244)	317
Revaluations	19b	1,122	215	9,082	-	10,419
At 31 March 2012		**40,009**	**148,405**	**756,133**	**134,066**	**1,078,613**
Amortisation						
At 1 April 2011		11,090	59,208	328,398	-	398,696
Charged in year	19c	8,658	26,663	95,694	-	131,015
Disposals		-	(4,309)	(23,163)	-	(27,472)
Impairments	19b	-	(1,383)	-	-	(1,383)
Reclassifications		-	-	52	-	52
Revaluations	19b	335	240	5,206	-	5,781
At 31 March 2012		**20,083**	**80,419**	**406,187**	**-**	**506,689**
Carrying amount at 31 March 2012		**19,926**	**67,986**	**349,946**	**134,066**	**571,924**
Carrying amount at 31 March 2011		**27,788**	**70,813**	**186,040**	**249,944**	**534,585**
Of the total:						
Department		19,894	53,881	349,621	114,511	537,907
NDPBs		32	14,105	325	19,555	34,017
Carrying amount at 31 March 2012		**19,926**	**67,986**	**349,946**	**134,066**	**571,924**

Consolidated intangible assets by category – 2010-11

	Note	Websites	Purchased Software Licences	Internally Developed Software	Payments on Account and Assets Under Construction	Total
		£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2010 restated		24,417	148,994	503,314	126,770	803,495
Additions	19a	24	21,413	3,211	168,742	193,390
Disposals		-	(13,201)	(7,748)	-	(20,949)
Impairments	19b	-	(15,410)	(2,739)	(468)	(18,617)
Reclassifications		14,618	748	35,112	(45,100)	5,378
Revaluations	19b	(181)	(12,523)	(16,712)	-	(29,416)
At 31 March 2011 restated		**38,878**	**130,021**	**514,438**	**249,944**	**933,281**
Amortisation						
At 1 April 2010 restated		2,107	68,154	258,088	-	328,349
Charged in year	19c	1,280	21,807	93,996	-	117,083
Disposals		-	(13,179)	(7,423)	-	(20,602)
Impairments	19b	-	(12,254)	(1,297)	-	(13,551)
Reclassifications		7,665	-	(5,578)	-	2,087
Revaluations	19b	38	(5,320)	(9,388)	-	(14,670)
At 31 March 2011 restated		**11,090**	**59,208**	**328,398**	**-**	**398,696**
Carrying amount at 31 March 2011 restated		**27,788**	**70,813**	**186,040**	**249,944**	**534,585**
Carrying amount at 31 March 2010 restated		**22,310**	**80,840**	**245,226**	**126,770**	**475,146**
Department		27,728	51,632	185,492	240,925	505,777
NDPBs		60	19,181	548	9,019	28,808
Carrying amount at 31 March 2011		**27,788**	**70,813**	**186,040**	**249,944**	**534,585**

a. Total additions in the year were £193.4 million (2010-11 £193.4 million restated). This consisted of £192.9 million (2010-11 £186.6 million restated) of capital expenditure and £0.5 million (2010-11 £6.8 million) of assets which had been purchased prior to 2011-12 but which had previously been charged as expenditure.

b. The net increase in asset values arising from the revaluation of intangibles of £4.6 million (2010-11 £14.7 million decrease) has been transferred to the Revaluation Reserve. The impairment in intangible assets arising from the permanent decrease in value of £28.5 million (2010-11 £5.1 million decrease) in excess of previous revaluation has been charged to the Statement of Comprehensive Net Expenditure.

c. Total amortisation in the year was £131.0 million (2010-11 £117.1 million restated). This consisted of £130.5 million (2010-11 £115.4 million restated) charged to the Statement of Comprehensive Net Expenditure and £0.5 million (2010-11 £1.7 million) relating to assets purchased prior to 2011-12 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 2012 was £109 million. A further £0.2 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 £553.1 million.

(ii) Cash flow reconciliation

	2011-12 £000	Restated 2010-11 £000
Capital payables and accruals at 1 April	63	-
Capital additions	192,940	186,648
Capital payables and accruals at 31 March	(35,488)	(63)
Purchases of intangible assets as per Statement of Cash Flows	**157,515**	**186,585**
Of the total:		
Department	148,034	174,612
NDPBs	9,481	11,973
Carrying amount at 31 March 2012	**157,515**	**186,585**

20. Non-current assets impairment

	Note	2011-12 Core Dept £000	2011-12 Departmental Group £000	Restated 2010-11 Core Dept £000	Restated 2010-11 Departmental Group £000
Charged to Statement of Comprehensive Net Expenditure					
Property, plant and equipment	18	(1,528)	(1,528)	14,927	15,264
Intangible assets	19	27,923	28,465	4,875	5,066
Transferred from Revaluation Reserve					
Intangible assets		-	(410)	(180)	(180)
Total		**26,395**	**26,527**	**19,622**	**20,150**

21. Financial assets

	Note	2011-12 £000	2010-11 £000
Working Links (Employment) Ltd	21 (i)	3,352	2,589
National Employment Savings Trust Corporation	21 (ii)	171,128	119,957
HP Enterprise Services UK Ltd	21 (iii)	324	3,180
Loans to new enterprise allowance	21 (iv)	2,404	-
		177,208	**125,726**

(i) Working Links (Employment) Limited

	2011-12	2010-11
	£000	£000
Balance at 1 April	2,589	2,588
Additions	-	-
Disposals	-	-
Revaluations	763	1
Balance at 31 March	**3,352**	**2,589**

The investment held by the Department 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 30 September 2011. 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 2010-11 are summarised below:

	2010-11
	£000
Net assets at 30 September	10,058
Surplus for the year (before financing)	8,408

(ii) Loan to National Employment Savings Trust Corporation (NEST)

	2011-12	2010-11
	£000	£000
Balance at 1 April	119,957	41,059
Additions	51,171	78,898
Loan repayments	-	-
Loans repayable within 12 months transferred to receivables	-	-
Balance at 31 March	**171,128**	**119,957**

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 UK Ltd

	2011-12	2010-11
	£000	£000
Balance at 1 April	3,180	5,642
Additions	851	2,415
Loan repayments	(4,040)	(339)
Revaluations	10	106
Prior year transfer to receivables	4,644	-
Loans repayable within 12 months transferred to receivables	(4,321)	(4,644)
Balance at 31 March	**324**	**3,180**

The Department has made total loans to HP Enterprise Services Limited amounting to £9,265,520. No interest is chargeable on the loans. The loans have been disclosed at fair value.

(iv) Loan to New Enterprise Allowance

	2011-12	2010-11
	£000	£000
Balance at 1 April	-	-
Additions	2,909	-
Loan impairment	(505)	-
Revaluations	-	-
Balance at 31 March	**2,404**	**-**

New Enterprise Allowance was launched in January 2011 and is a national programme. Approved loan providers have been appointed by the Department to administer loans to customers. Loans are provided to customers setting up a new business and customers will typically repay the loan over 3 years.

22. Assets held for sale

	2011-12		2010-11	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Balance at 1 April	-	-	725	725
Disposals	-	-	(725)	(725)
Balance at 31 March	**-**	**-**	**-**	**-**

In 2010-11 the Department transferred one of its freehold buildings (Alfreton Tannery House) to Telereal Trillium for a value of £0.725 million.

23. Inventories

	31 March 2012		31 March 2011	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Work in progress	-	297	-	705
Finished inventories for sale	-	318	-	276
Total	**-**	**615**	**-**	**981**

Inventories consist of publications, stationery and protective clothing in relation to the Health and Safety Executive.

24. Trade receivables and other current assets

(i) Analysis by type

		31 March 2012		31 March 2011	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	**£000**	**£000**	**£000**	**£000**
Amounts falling due within one year					
Trade receivables		17,397	31,522	12,058	27,722
Deposits and advances	24a	1,718	2,097	2,108	2,484
Amounts due from other government departments		41,358	42,971	40,599	42,838
Benefit overpayments:					
Contributory benefits	24b	25,091	25,091	19,549	19,549
Non-contributory benefits	24b	206,010	206,010	159,861	159,861
Housing Benefit and Council Tax Benefit	24c	170,796	170,796	283,123	283,123
Social Fund		722	722	666	666
Prepayments:					
Contributory benefits		631,482	631,482	278,686	278,686
Non-contributory benefits		122,210	122,210	146,318	146,318
Other Prepayments and accrued income	24e	73,892	95,414	165,804	196,247
Social Fund:					
Funeral payments		18,152	18,152	11,505	11,505
Other loans		426,546	426,546	365,103	365,103
European Social Fund & Other EU receivables		498,736	498,736	775,302	775,302
VAT		57,236	60,390	65,114	72,534
Current part of the HP loan	21(iii)	4,321	4,321	4,644	4,644
Amounts due from the Consolidated Fund		22,651	22,651	88,026	87,789
Other receivables		25,803	26,482	81,925	94,894
Gross receivables		**2,344,121**	**2,385,593**	**2,500,391**	**2,569,265**
Less: Provision for impairment		(71,219)	(73,878)	(62,686)	(77,175)
Net receivables		**2,272,902**	**2,311,715**	**2,437,705**	**2,492,090**
Amounts falling due after more than one year					
Deposits and advances	24a	274	358	429	546
Prepayments and accrued income	24e	25,000	25,000	-	96
Benefit overpayments:					
Contributory benefits		226,489	226,489	223,919	223,919
Non-contributory benefits		1,847,382	1,847,382	1,725,112	1,725,112
Social Fund loans	24d	787,654	787,654	866,153	866,153
Other receivables		710	1,692	711	1,545
Gross receivables		**2,887,509**	**2,888,575**	**2,816,324**	**2,817,371**
Less: Provision for impairment		(1,643,080)	(1,643,080)	(1,732,177)	(1,732,177)
Net receivables		**1,244,429**	**1,245,495**	**1,084,147**	**1,085,194**
Total net receivables		**3,517,331**	**3,557,210**	**3,521,852**	**3,577,284**

a. Deposits and advances due within one year includes £0.1 million (2010-11 £0.1 million) of house purchase advances due from 75 (2010-11 95) members of staff. Those due after more than one year include £ 0.4 million (2010-11 £0.5 million) due from 63 (2010-11 82) members of staff.

b. Included in contributory benefit overpayments is an amount of £2.7 million (2010-11 £3.7 million) in respect of Compensation Recovery Unit receivables. The amount included within non-contributory benefit overpayments is £12.7 million (2010-11 £15.9 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 26).

d. 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.

e. Other prepayments and accrued income includes a prepayment of £5.0 million due within one year and £25.0 million due after one year in respect of accommodation for the PRIME contract.

(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 2012		31 March 2011	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Balances with other central government bodies		184,132	186,266	223,074	231,867
Balances with local authorities		176,124	176,222	287,638	287,851
Balances with NHS bodies		95	101	65	71
Balances with public corporations and trading funds		25,599	25,818	20,862	20,940
Intra-government balances		**385,950**	**388,407**	**531,639**	**540,729**
Balances with bodies external to government		1,886,952	1,923,308	1,906,066	1,951,361
Total receivables at 31 March	24(i)	**2,272,902**	**2,311,715**	**2,437,705**	**2,492,090**

		Amounts falling due after one year			
		31 March 2012		31 March 2011	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Balances with local authorities		-	-	-	-
Intra-government balances		-	-	-	-
Balances with bodies external to government		1,244,429	1,245,495	1,084,147	1,085,194
Total receivables at 31 March	24(i)	**1,244,429**	**1,245,495**	**1,084,147**	**1,085,194**

25. Cash and cash equivalents

		31 March 2012		Restated 31 March 2011	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	**£000**	**£000**	**£000**	**£000**
Balances at 1 April		291,298	294,577	442,623	451,652
Net change in cash and cash equivalent balances		(560,727)	(550,966)	(151,325)	(157,075)
Balances at 31 March		**(269,429)**	**(256,389)**	**291,298**	**294,577**
Represented by:					
Cash and cash equivalents		329,499	342,583	375,228	381,141
Bank Overdraft and paying agent balances	26	(598,928)	(598,972)	(83,930)	(86,564)
		(269,429)	**(256,389)**	**291,298**	**294,577**

The following balances at 31 March were held at:

		31 March 2012		31 March 2011	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	**£000**	**£000**	**£000**	**£000**
Government Banking Services	25a	(315,472)	(315,493)	213,716	211,133
Commercial banks and cash in hand		20,209	33,270	16,356	22,218
Cash with paying agents		25,834	25,834	61,226	61,226
		(269,429)	**(256,389)**	**291,298**	**294,577**

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.

26. Trade payables and other current liabilities

(i) Analysis by type

	Note	31 March 2012 Core Dept £000	31 March 2012 Departmental Group £000	Restated 31 March 2011 Core Dept £000	Restated 31 March 2011 Departmental Group £000
Amounts falling due within one year					
Taxation and social security		47,074	55,196	53,004	61,463
Superannuation		34,085	39,551	37,308	42,781
Trade payables:					
Non capital		28,161	30,229	111,930	115,742
Capital		-	111	-	532
Amounts due to other government departments		34,580	34,804	16,888	16,918
Accruals and deferred income:					
Contributory benefits		1,353,962	1,353,962	1,804,292	1,804,292
Non-contributory benefits		827,524	827,524	778,860	778,860
Social Fund benefits		2,829	2,829	4,376	4,376
Local authorities		403,595	403,595	354,809	354,809
European Social Fund		81,718	81,718	197,115	197,115
Other accruals and deferred income		436,769	507,068	972,118	1,053,653
Capital accruals		34,316	37,506	27,831	28,508
Bank overdrafts	25	598,928	598,972	83,930	86,564
Imputed finance lease element of on-Statement of Financial Position PFI contracts		98,971	100,401	98,881	100,201
Finance lease obligations		30,540	30,540	37,233	37,233
CFERs due to be paid to the Consolidated Fund – received		185	506	2,715	3,096
CFERs due to be paid to the Consolidated Fund – receivable		-	-	3	3
Third party payments	26a	65,227	65,227	49,562	49,562
European Social Fund & other EU payables	26b	475,019	475,019	601,706	601,706
Other payables		44,779	61,257	43,734	61,312
		4,598,262	**4,706,015**	**5,276,295**	**5,398,726**
Amounts falling due after more than one year					
Imputed finance lease element of on-Statement of Financial Position PFI contracts		575,832	680,951	702,271	808,820
Finance lease obligations		100,935	100,935	104,358	104,358
European Social Fund	26c	174,300	174,300	178,463	178,463
Other payables		-	1,144	-	1,673
		851,067	**957,330**	**985,092**	**1,093,314**
Total payables		**5,449,329**	**5,663,345**	**6,261,387**	**6,492,040**

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 £174.3 million (31 March 2011 £178.5 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 £905.6 million (31 March 2011 £1,501.6 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 2012 Core Dept £000	31 March 2012 Departmental Group £000	31 March 2011 Core Dept £000	31 March 2011 Departmental Group £000
Balances with other central government bodies		187,817	204,903	573,583	617,184
Balances with local authorities		404,171	404,179	361,429	361,445
Balances with NHS bodies		18	18	102	179
Balances with public corporations and trading funds		10,514	10,800	19,426	19,594
Intra-government balances		**602,520**	**619,900**	**954,540**	**998,402**
Balances with bodies external to government		3,995,742	4,086,115	4,321,755	4,400,324
Total payables at 31 March	26(i)	**4,598,262**	**4,706,015**	**5,276,295**	**5,398,726**

Amounts falling due after one year

	Note	31 March 2012 Core Dept £000	31 March 2012 Departmental Group £000	31 March 2011 Core Dept £000	31 March 2011 Departmental Group £000
Balances with bodies external to government		851,067	957,330	985,092	1,093,314
Total payables at 31 March	26(i)	**851,067**	**957,330**	**985,092**	**1,093,314**

27. Provisions for liabilities and charges

	31 March 2012 Core Dept £000	31 March 2012 Departmental Group £000	31 March 2011 Core Dept £000	31 March 2011 Departmental Group £000
Early departure provision	48,200	48,229	66,897	68,081
Other administration provisions	6,595	11,916	5,418	9,176
Programme provisions	3,864,119	3,864,119	2,701,300	2,701,300
	3,918,914	**3,924,264**	**2,773,615**	**2,778,557**

(i) Analysis by type

Early departure and pension commitments	Gross Provision 2011-12		Gross Provision 2010-11	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Balance at 1 April	66,897	68,081	79,573	80,067
Provided in year	2,875	2,893	13,615	14,658
Provisions not required written back	(1,534)	(1,562)	(54)	(91)
Provisions utilised in year	(22,620)	(23,776)	(26,322)	(26,638)
Borrowing costs (unwinding of discount)	2,582	2,593	85	85
Balance at 31 March	**48,200**	**48,229**	**66,897**	**68,081**

a. The discount rate used is 2.8 per cent (2010-11 2.9 per cent).

Other administration provisions	Industrial Injuries (Note b)		Other (Note c)		Total	
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	3,299	3,299	2,119	5,877	5,418	9,176
Provided in year	1,777	1,902	975	3,323	2,752	5,225
Provisions not required written back	(444)	(444)	(598)	(1,117)	(1,042)	(1,561)
Utilised in year	(233)	(241)	(609)	(996)	(842)	(1,237)
Borrowing costs (unwinding of discount)	269	273	40	40	309	313
Balance at 31 March 2012	**4,668**	**4,789**	**1,927**	**7,127**	**6,595**	**11,916**

	Industrial Injuries		Other		Total	
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010	3,817	3,817	4,085	12,746	7,902	16,563
Provided in year	305	305	518	1,264	823	1,569
Provisions not required written back	(230)	(230)	(244)	(1,413)	(474)	(1,643)
Utilised in year	(173)	(173)	(2,285)	(6,765)	(2,458)	(6,938)
Borrowing costs (unwinding of discount)	(420)	(420)	45	45	(375)	(375)
Balance at 31 March 2011	**3,299**	**3,299**	**2,119**	**5,877**	**5,418**	**9,176**

b. 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 2.8 per cent (2010-11 2.9 per cent) in real terms.

c. 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 Recoveries (Note d)		FAS (Note e)		Other Provisions (Notef/g/h)		Total	
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	4,436	4,436	2,686,230	2,686,230	10,634	10,634	2,701,300	2,701,300
Provided in year	-	-	1,085,722	1,085,722	589	589	1,086,311	1,086,311
Provisions not required written back	(1,310)	(1,310)	-	-	(7,558)	(7,558)	(8,868)	(8,868)
Utilised in year	-	-	(72,543)	(72,543)	-	-	(72,543)	(72,543)
Borrowing costs (unwinding of discount)	-	-	157,919	157,919	-	-	157,919	157,919
Balance at 31 March 2012	**3,126**	**3,126**	**3,857,328**	**3,857,328**	**3,665**	**3,665**	**3,864,119**	**3,864,119**

	Compensation Recoveries		FAS		Other Provisions		Total	
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010	2,818	2,818	4,166,866	4,166,866	53,832	53,832	4,223,516	4,223,516
Provided in year	1,618	1,618	-	-	6,391	6,391	8,009	8,009
Provisions not required written back	-	-	(1,849,091)	(1,849,091)	(49,589)	(49,589)	(1,898,680)	(1,898,680)
Utilised in year	-	-	(44,809)	(44,809)	-	-	(44,809)	(44,809)
Borrowing costs (unwinding of discount)	-	-	413,264	413,264	-	-	413,264	413,264
Balance at 31 March 2011	**4,436**	**4,436**	**2,686,230**	**2,686,230**	**10,634**	**10,634**	**2,701,300**	**2,701,300**

d. Compensation Recoveries – the Department recognises that it is likely to collect recoveries from insurance companies in respect of ongoing 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. A provision is created for successful appeals.

e. 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.

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.

Since April 2010, £323.2 million of FAS assets and equivalent liabilities have been transferred to Government, including £273.1 million during the year ended 31st March 2012 and £50.1 million during the year ended 31st March 2011.

The value of the provision as at 31 March 2012 has been impacted by the following:

- The FAS long term forecasting model has used a larger data set of 44,254 members in 2011-12 (2010-11 data set 16,414 members);

- Scheme membership data is continually assessed to ensure that it is accurate and legislative requirements are being fulfilled. As a result, these reassessments have led to continuing higher payments to members; and

- The inflation rate used to discount the provision is 2.0 per cent (2010-11 2.65 per cent). This change has contributed to an increase in the provision of around £0.4 billion.

f. 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. On review, it was found that the 2010-11 provision of £4.2 million in respect of claim forms received but not yet processed was not required and has therefore been written back.

g. 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.

The Supreme Court heard the case on 14th December 2011 and upheld the decision of the lower courts that the Department was unable to make recoveries via deductions from benefit for customers who had applied for a DRO. It is estimated that refunds of approximately £3.2 million will be required.

h. 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 court 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 initial investigation of the cases involved concluded that 56 per cent of the debts affected by the Supreme Court ruling would require a refund. The live running of the exercise from August to November 2011 resulted in 22,069 cases being investigated and of these 7,114 were due a refund. This shows the actual refund rate as 32.24 per cent of cases and this is the percentage used currently to establish the correct potential liability to make refunds.

Each month records are maintained, either on Debt Manager for live debts or clerically for archived debts, of the value of refunds actually issued to customers. The value of refunds issued on these official error debts between 1 April 2011 and 31 March 2012 amounted to £1.7 million and this amount has been deducted from the outstanding provision. Total outstanding provision as at 31 March 2012 amounts to £0.4 million.

i. 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	
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000	£000	£000	£000	£000
Not later than one year	18,468	18,483	1,406	3,901	87,674	87,674	107,548	110,058
Later than one year and not later than five years	13,826	13,840	1,212	3,950	391,867	391,867	406,905	409,657
Later than five years	15,906	15,906	3,977	4,065	3,384,578	3,384,578	3,404,461	3,404,549
Balance at 31 March 2012	**48,200**	**48,229**	**6,595**	**11,916**	**3,864,119**	**3,864,119**	**3,918,914**	**3,924,264**

28. 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 Actuary's Department (GAD) at 31 March 2012.

The results of the actuarial assessment are shown below:

	31 March 2012		31 March 2011	
	£000	%	£000	%
Financial assumptions*				
The RPI inflation rate assumptions		-		-
The CPI inflation rate assumptions		2.00		2.65
The rate of increase in salaries		4.25		4.90
The rate of increase for pensions in payment and deferred pensions		2.00		2.65
The rate used to discount scheme liabilities		4.85		5.6
Amounts charged to Statement of Comprehensive Net Expenditure				
The current service cost (net of employee contributions)	-		-	
Any past service costs	-		(128)	
Interest cost	67		59	
	67		**(69)**	
Actuarial gains and losses during year:				
Experience losses (gains)	38		18	
Effect of changes in assumptions underlying the present value of the scheme's liabilities	21		(71)	
Total actuarial losses (gains)	**59**		**(53)**	
Liability				
Deferred	-		-	
Pensioners and dependant pensioners	1,282		1,235	
Total present value of the scheme liabilities	**1,282**		**1,235**	

*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)
Year to 31 March 2012	59
Total actuarial loss	920

HSE complies with IAS 19 and used longevity assumptions based on appropriate life expectancies advised by GAD.

29. Financial instruments

(i) Financial instruments by category

		Loans and Receivables		Available for Sale			31 March 2012 Total
		Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000	£000	£000
Financial Assets							
Working Links investment	21(i)	-	-	3,352	3,352	3,352	3,352
Loan to National Employment Savings Trust Corporation	21(ii)	171,128	171,128	-	-	171,128	171,128
Loan to HP Enterprise Services		4,645	4,645	-	-	4,645	4,645
Loan to New Enterprise Allowance	21(iv)	2,909	2,909	-	-	2,909	2,909
Trade receivables	24(i)	17,397	31,522	-	-	17,397	31,522
Amounts due from Other Government Departments	24(i)	41,358	42,971	-	-	41,358	42,971
Other receivables		26,513	28,174	-	-	26,513	28,174
Deposits and advances		1,992	2,455	-	-	1,992	2,455
Cash and cash equivalents	25	329,499	342,583	-	-	329,499	342,583
Benefit overpayments		2,475,768	2,475,768	-	-	2,475,768	2,475,768
Social Fund		1,233,074	1,233,074	-	-	1,233,074	1,233,074
European Social Fund & Other EU receivables		498,736	498,736	-	-	498,736	498,736
Total		**4,803,019**	**4,833,965**	**3,352**	**3,352**	**4,806,371**	**4,837,317**
Less provision for impairment		**(1,714,804)**	**(1,717,463)**	**-**	**-**	**(1,714,804)**	**(1,717,463)**
		3,088,215	**3,116,502**	**3,352**	**3,352**	**3,091,567**	**3,119,854**

	Loans and Receivables		Available for Sale			Restated 31 March 2011 Total
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000	£000	£000
Financial Assets						
Working Links investment	-	-	2,589	2,589	2,589	2,589
Loan to National Employment Savings Trust Corporation	119,957	119,957	-	-	119,957	119,957
Loan to HP Enterprise Services	7,824	7,824	-	-	7,824	7,824
Trade receivables	12,058	27,722	-	-	12,058	27,722
Amounts due from Other Government Departments	40,599	42,838	-	-	40,599	42,838
Other receivables	82,637	96,440	-	-	82,637	96,440
Deposits and advances	2,537	3,019	-	-	2,537	3,019
Cash and cash equivalents	375,228	381,141	-	-	375,228	381,141
Benefit overpayments	2,411,564	2,411,564	-	-	2,411,564	2,411,564
Social Fund	1,243,427	1,243,427	-	-	1,243,427	1,243,427
European Social Fund & Other EU receivables	775,302	775,302	-	-	775,302	775,302
Total	**5,071,133**	**5,109,234**	**2,589**	**2,589**	**5,073,722**	**5,111,823**
Less provision for impairment	**(1,794,863)**	**(1,809,352)**	**-**	**-**	**(1,794,863)**	**(1,809,352)**
	3,276,270	**3,299,882**	**2,589**	**2,589**	**3,278,859**	**3,302,471**

	Notes	31 March 2012 Core Dept	31 March 2012 Departmental Group	Restated 31 March 2011 Core Dept	Restated 31 March 2011 Departmental Group
		£000	£000	£000	£000
Financial liabilities					
Trade payables	26(i)	28,161	30,340	111,930	116,274
Accruals	26(i)	3,140,713	3,214,202	4,139,401	4,221,613
Bank overdraft	25	598,928	598,972	83,930	86,564
Amounts due to Other Government		34,580	34,804		
Departments	26(i)			16,888	16,918
Other payables	26(i)	44,779	62,401	43,734	62,985
European Social Fund and Other EU payables	26(i)	649,319	649,319	780,169	780,169
Total		**4,496,480**	**4,590,038**	**5,176,052**	**5,284,523**

(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 2012 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 and between advance payment and final settlement, the Department is exposed to movements in the Euro/Sterling exchange rate. Other than 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	1,847	1,339	422	518	777	**4,903**
Amounts due from Other Government Departments	3,139	676	823	147	368	**5,153**
Other receivables	1,394	293	54	491	888	**3,120**
As at 31 March 2012	**6,380**	**2,308**	**1,299**	**1,156**	**2,033**	**13,176**
Of the total:						
Department	4,036	661	838	640	1,054	7,229
NDPBs	2,344	1,647	461	516	979	5,947
	6,380	**2,308**	**1,299**	**1,156**	**2,033**	**13,176**

The above table relates to administration receivables only.

30. 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 2012		31 March 2011	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Property, plant and equipment	-	412	-	958
Intangible Assets	4,223	4,230	29,043	29,047
	4,223	**4,642**	**29,043**	**30,005**

31. 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 2012	Land		Buildings		Other	
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000	£000	£000
Not later than 1 year	576	638	2,326	5,162	5,532	5,687
Later than 1 year and not later than 5 years	2,302	2,302	3,172	8,921	2,164	2,258
Later than 5 years	5,950	5,950	6,816	10,821	-	-
	8,828	**8,890**	**12,314**	**24,904**	**7,696**	**7,945**

Restated 31 March 2011	Land		Buildings		Other	
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000	£000	£000
Not later than 1 year	587	656	7,158	10,319	8,249	8,802
Later than 1 year and not later than 5 years	2,348	2,348	3,619	11,140	6,458	6,900
Later than 5 years	9,564	9,564	7,535	13,100	-	-
	12,499	**12,568**	**18,312**	**34,559**	**14,707**	**15,702**

Included in 'other', 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 2012 Buildings Core Dept £000	Buildings Departmental Group £000	Other Core Dept £000	Other Departmental Group £000
Gross Liabilities				
Not later than 1 year	8,206	8,206	30,714	30,714
Later than 1 year and not later than 5 years	32,825	32,825	30,222	30,222
Later than 5 years	93,288	93,288	-	-
Total gross liabilities	**134,319**	**134,319**	**60,936**	**60,936**
Less: interest element	(59,605)	(59,605)	(4,175)	(4,175)
Present value of obligations	**74,714**	**74,714**	**56,761**	**56,761**

	31 March 2012 Buildings Core Dept £000	Buildings Departmental Group £000	Other Core Dept £000	Other Departmental Group £000
Present value of obligations				
Not later than 1 year	2,420	2,420	28,119	28,119
Later than 1 year and not later than 5 years	11,753	11,753	28,642	28,642
Later than 5 years	60,541	60,541	-	-
	74,714	**74,714**	**56,761**	**56,761**

	Restated 31 March 2011 Buildings Core Dept £000	Buildings Departmental Group £000	Other Core Dept £000	Other Departmental Group £000
Gross Liabilities				
Not later than 1 year	8,206	8,206	37,673	37,673
Later than 1 year and not later than 5 years	32,825	32,825	31,620	31,620
Later than 5 years	101,494	101,494	-	-
Total gross liabilities	**142,525**	**142,525**	**69,293**	**69,293**
Less: interest element	(65,540)	(65,540)	(4,659)	(4,659)
Present value of obligations	**76,985**	**76,985**	**64,634**	**64,634**

	31 March 2011 Buildings Core Dept £000	Buildings Departmental Group £000	Other Core Dept £000	Other Departmental Group £000
Present value of obligations				
Not later than 1 year	2,243	2,243	34,936	34,936
Later than 1 year and not later than 5 years	10,890	10,890	29,698	29,698
Later than 5 years	63,852	63,852	-	-
	76,985	**76,985**	**64,634**	**64,634**

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 the Department for Work and Pensions and HM Revenue & Customs 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 IAS 17, 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 and Desktop Services

The Department has two contracts with HP Enterprise Services (HPES – formerly EDS) for the provision of a wide range of IT hardware, software and associated maintenance services. The first contract commenced in August 2005 to run for an initial period of five years with options to extend (see Note 33). The current TREDSS contract consists of four towers: Hosting Services, Application Development, Application Maintenance and Support, and Service Integration and Management (SIAM). The second contract commenced in January 2012 for desktop services and runs to March 2017. The Department is of the opinion that certain assets used to deliver services within the Hosting tower of the TREDSS contract and the Desktop Services contract 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 continues 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 Services

The contract with Ricoh UK Ltd for photocopiers expired during the year. The Department has entered into a contract with Xerox for the supply of multi-function devices. The contract runs from January 2010 until the end of June 2014. The Department has determined that the multi-function devices are recognised as non-current assets in the Statement of Financial Position.

32. 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 the 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, the Health and Safety Laboratory (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) Ltd (ICB), 2 years and 29 weeks being the design and build period prior to occupation.

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 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 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. This contract has been extended for an additional year to October 2012 and HSE is in the process of procuring new services using a Government framework 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 2012		31 March 2011	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	135,790	145,975	136,598	146,783
Later than 1 year and not later than 5 years	543,159	584,252	546,390	587,342
Later than 5 years	135,556	329,286	273,195	477,251
Total gross obligations	**814,505**	**1,059,513**	**956,183**	**1,211,376**
Less Interest element	(139,702)	(278,161)	(156,886)	(304,211)
Present value of obligations	**674,803**	**781,352**	**799,297**	**907,165**

	31 March 2012		31 March 2011	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Present value of obligations				
Not later than 1 year	98,971	100,401	98,153	99,472
Later than 1 year and not later than 5 years	465,214	472,622	467,675	474,375
Later than 5 years	110,618	208,329	233,469	333,318
	674,803	**781,352**	**799,297**	**907,165**

(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 £47.9 million (2010-11 £44.3 million). The contingent rent figures as at the 31 March are based on a 5.16 per cent per annum increase of the 31 March 2011 rental figure as the rental payments within the PRIME lease contract are linked to the RPI.

33. 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 current contract consists of four towers: 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 February 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 2012		Restated 31 March 2011	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	540,963	540,963	586,940	586,940
Later than 1 year and not later than 5 years	765,613	765,613	1,189,231	1,189,231
Later than 5 years	12,000	12,000	-	-
	1,318,576	**1,318,576**	**1,776,171**	**1,776,171**

34. 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. Therefore they have been 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.

	Restated - 1 April 2011	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2012	Amount reported to Parliament by Departmental Minute
	£000	£000	£000	£000	£000	£000
Letters of comfort and Letters of intent	905,325	903,000	-	905,325	903,000	-

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.

As at the 31 March 2012 there are two Letters of Comfort (LOC) in place.

(i) A LOC was issued on the 10 May 2011 to the Independent Living Fund to guarantee funding of £348 million will be made available to cover all financial obligations of the Independent Living Fund incurred before 31 March 2011, as they fall due up to March 2012. This includes ongoing support to individual claimants who were already in receipt of funding or had a firm offer of funding before 31 March 2011.

(ii) A LOC was issued on the 20 July 2011 to Remploy Ltd to guarantee that core funding of £555 million will be made available to cover all financial obligations of Remploy Ltd including the Remploy Modernisation Plan until 31 March 2013.

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.

35. Contingent liabilities disclosed under IAS 37

Remploy Limited

The Secretary of State for Work and Pensions has given a formal guarantee in respect of Remploy Limited. 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. 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 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.

There is no provision in the Department's accounts to cover financial corrections in the 2007-13 ESF programme. The Audit Authority produces an annual control report and opinion for the EU. The opinion is largely based on the amount of error found during checks of claims submitted by the Managing Authority to the EU over a calendar year. If this exceeds the EU's defined 2 per cent tolerable error the opinion is likely to be qualified, with the risk that the EU would impose a financial correction, which may not be recoverable. The 2011 annual opinion was unqualified but it is possible that future years may be qualified.

A further risk arises because ESF commitments are made in sterling, whereas funds are reimbursed from the EU in euros and are fixed at the start of the seven year programme. An overspend against the euro allocation is not expected but should it arise, it would have to be funded by the Department.

Because of 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.

Financial Assistance Scheme (FAS)

In December 2007, the Government announced its intention for the Financial Assistance Scheme (FAS) 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 has increased by £273 million for liabilities associated with the assets transferred in 2011-12.

Vaccine Damage Payments

Currently there are approximately 3,300 Vaccine Damage Payment claims 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 Pension, Disability and Carers Service (PDCS) concluded its review of data matching opportunities between DLA/AA and State Pension and identified 34,866 cases for investigation of customers who are in receipt of an incorrect combined payment of State Pension with either DLA/AA.

Errors have occurred due to a breakdown in communication between Pension Centres and Disability Centres and in particular, the reliance on a clerical process involving Authorities to Pay (ATPs). These errors are considered to be avoidable and steps have been taken to prevent it happening again.

Since the 34,866 cases were identified, some of the errors have been resolved via normal work processes, and the current estimate of cases still to be actioned is 22,000.

Ministers gave permission to review the cases identified and 5,478 cases have been reviewed in this financial period. 1,382 cases were found underpaid, resulting in arrears payments of £7.0 million. In addition to this, special payments of £0.3 million were paid to 998 customers as financial redress. Overpayments totalling £1.8 million arose on 595 cases and are disclosed within the Losses section of the accounts.

Based on the findings of the work carried out in 2011-12, it is estimated that further arrears of benefit will need to be paid out on c5,500 cases amounting to £28.2 million, with special payments of £1.4 million expected on c4,000 cases. However, as the number of cases in the exercise fluctuates, these numbers can only be estimated and are expected to reduce.

Transfer of State Pensions and Benefits

Since 2007 regulations have been in place allowing staff employed in certain EU institutions to transfer an enhanced cash value of potential entitlement to the state pension and other contributory benefits to the Pension Scheme for Officials and Servants of Community Institutions. Until the transfer value has been calculated, a contingent liability arises.

The overall time limit is 10 months between the date of application and the transfer payment however the limits can be extended if needed. No information is held on the number of eligible applicants but since 2007 we've received 1,040 transfer applications, 80 per cent of which have resulted in transfer payments. In 2011-12 the overall cash equivalent transfer valuation was over £5.2 million amounting to an average transfer value of around £34,800 a case. Recent changes to the status and rules of certain EU institutions could result in around 500 additional potential applicants.

DLA Exportability

In October 2007, the Court of Justice of the European Union (CJEU) decided that Disability Living Allowance (DLA) (care component only), Attendance Allowance (AA) and Carer's Allowance (CA) should be classed as sickness benefits and therefore become exportable to other European Economic Area (EEA) states and Switzerland.

Following the CJEU ruling, guidance was issued in February 2009 stating that people claiming these benefits for the first time would have to satisfy a 'past presence test', meaning that they would have to have spent 26 of the previous 52 weeks in the United Kingdom (UK) on the date of claim.

The European Commission (EC) argued against the use of the 'past presence test' and commenced legal proceedings against the UK challenging this, arguing that it is a residence test and contrary to European Legislation. Legal action was expected to conclude in mid-late 2012.

However, the potential impact of these proceedings has been brought forward following a recent CJEU decision on an Incapacity Benefit in Youth case. Lawyers have advised that it is no longer appropriate to operate the 'past presence test' when someone living in another EEA state or Switzerland claims DLA (care), AA or CA, where the claimant can demonstrate a "genuine sufficient link to the UK" by some other means. To become entitled following this new judgement, people will have to demonstrate a genuine and sufficient link to the UK.

The Department currently has 711 cases that are being evaluated although it is not possible to assess the likely outcome of these claims or estimate a likely award rate.

Although estimates as to the number of potential new customers that this judgement could affect are upwards of 80,000, actual numbers are currently uncertain.

Lump sum compensation payments in respect of pneumoconiosis and certain other dust related diseases

The Department is accountable for lump sum compensation payments in relation to pneumoconiosis and certain other dust related diseases.

The diseases covered by the Pneumoconiosis etc. (Workers' Compensation) Act 1979 and the Mesothelioma Scheme (2008) 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.

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 2012, the total potential liability is £1.165 million.

IT Supplier Disputes

The Department has contingent liabilities arising from three IT supplier disputes; two regarding termination of contracts and a third resulting from contract revisions.

The first dispute is in relation to the termination of the contract in March 2011 for the provision of desktop IT equipment. The second is in relation to a supplier seeking compensation in respect of IT work undertaken without commercial cover between September 2011 and December 2011.

In the third instance during November 2011 the Department requested changes to the services provided by one of its IT application deployment service providers and is currently in discussion regarding the costs of the changes.

Negotiations about the financial impact of the three IT disputes are ongoing and as such the information usually required by IAS 37 is not being disclosed because the Department believes that to do so would seriously prejudice the outcome of these discussions.

Debt Manager Contract

The contract with the supplier for support and maintenance of the Debt Manager system covers volumes of up to 3.1 million accounts and the Department is contractually obliged to pay for additional cover for up to 3.8 million accounts. If the past volumes are found to be in excess of 3.8 million when the supplier completes an audit in September 2012 then the additional liability may be up to 14 pence per account over and above the level already accounted for.

Fixed Term Appointments

The Department's position is that the release of Fixed Term Appointment employees at the agreed end date of their contract of employment does not constitute a redundancy situation. That view is challenged by the Department's Trade Unions and lead cases will be robustly defended at Employment Tribunal. The Department has not disclosed the information usually required for IAS 37 because it believes that to do so would seriously prejudice the outcome of these cases.

Intellectual Property Rights

The Health and Safety Executive (HSE) has recently been made aware of a potential claim for a breach of copyright by a company alleging use of their intellectual property which had not been agreed in advance. No formal claim has yet been received and at this stage there is a significant element of uncertainty concerning liability.

Refunds of deductions made during bankruptcy

On 14 December 2011 the Supreme Court passed judgment that recoveries made by deduction from benefits against Social Fund or overpayment debts included in a Bankruptcy Order were unlawful. On legal advice, the liability to refund deductions is limited to those made since 15 December 2005. The Department is presently liaising with the Insolvency Service to obtain details of those benefit debtors who were subject to Bankruptcy Orders who are potentially due a refund. When this data has been analysed, the Department should be in a better position to quantify the financial implications and risk in making these refunds.

Completion of child maintenance system testing

The Child Maintenance and Enforcement Commission has a liability as at 31 March 2012 in respect of a sum payable to a supplier when it successfully completes a specific piece of testing work on the Commission's new child maintenance system. The value of the contingent liability is £276,490 all of which is expected to crystallise during 2012-13**.**

36. Losses and Special Payments

(i) Summary of Losses and Special Payments[1]

Losses	2011-12				Restated 2010-11			
	Core Dept £000	Departmental Group £000	Core Dept Cases	Departmental Group Cases	Core Dept £000	Departmental Group £000	Core Dept Cases	Departmental Group Cases
Benefit related losses								
Vote								
Fraud	3,606	3,606	2,547	2,547	408	408	33	33
Specific benefit losses	2,525	2,525	67,015	67,015	1,951	1,951	59,357	59,357
General losses	246,328	246,328	1,001,652	1,001,652	261,292	261,292	1,097,126	1,097,126
CPAG/DRO	1,355	1,355	6,826	6,826	-	-	-	-
Missing payments	823	823	7,724	7,724	691	691	7,573	7,573
National Insurance Fund								
Fraud	686	686	195	195	122	122	8	8
Specific benefit losses	104,228	104,228	59,971	59,971	18,966	18,966	10,747	10,747
General losses	46,689	46,689	197,706	197,706	50,510	50,510	267,889	267,889
CPAG/DRO	351	351	2,370	2,370	-	-	-	-
Missing payments	194	194	1,560	1,560	171	171	1,584	1,584
Social Fund								
Funeral payments	40,127	40,127	32,739	32,739	41,723	41,723	33,952	33,952
Irrecoverable overpayments/loans	6,168	6,168	55,575	55,575	2,476	2,476	11,732	11,732
General losses	6	6	37	37	30	30	109	109
European Social Fund	-	-	-	-	37,667	37,667	14	14
Housing Benefit								
Housing Benefit/Council Tax Benefit	895	895	183	183	5,590	5,590	208	208
Write Offs	5	5	1	1	-	-	-	-
Total benefit related losses	**453,986**	**453,986**	**1,436,101**	**1,436,101**	**421,597**	**421,597**	**1,490,332**	**1,490,332**
Non-benefit related losses								
Cash losses	5,464	27,120	18,881	36,832	7,847	30,178	19,541	59,541
Claims waived or abandoned	-	316	-	127	1	199	-	211
Stores losses	767	842	910	1,011	841	1,238	1,273	1,342
Fruitless payments	2,901	2,913	6	31	89,340	89,520	14	46
Constructive losses	116,827	116,959	70	71	29,511	29,511	24	24
Losses from failure to make adequate charges	-	-	-	-	4,110	4,110	10	10
Total non-benefit related losses	**125,959**	**148,150**	**19,867**	**38,072**	**131,650**	**154,756**	**20,862**	**61,174**
Total Losses	**579,945**	**602,136**	**1,455,968**	**1,474,173**	**553,247**	**576,353**	**1,511,194**	**1,551,506**

[1] Categories of Losses and Special Payments are explained in HM Treasury's Managing Public Money annexes 4.10 and 4.13 http://www.hm-treasury.gov.uk/psr_mpm_annexes.htm

Special Payments	2011-12				2010-11			
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	Cases	Cases	£000	£000	Cases	Cases
Benefit related Special Payments								
Extra-statutory payments	-	-	-	-	27	27	1	1
Non-benefit related Special Payments								
Payments to staff & members of the public	16,453	18,233	36,793	41,729	23,566	25,842	49,980	57,990
Total Special Payments	**16,453**	**18,233**	**36,793**	**41,729**	**23,593**	**25,869**	**49,981**	**57,991**

Details of cases over £250,000

	2011-12
	£000

(ii) Benefit Related Losses Statement

General losses

General losses are cash losses, mainly due to non recoverable overpayments of benefit which we do not have the legal right to pursue or cannot enforce repayment. These are written off during the year where monies cannot be recovered.	293,023

Customer Fraud Losses

Customer fraud is included within the benefit related losses and have been written off following exhaustion of debt recovery processes. These frauds relate to customers and other perpetrators, such as people who continue to encash benefits after the death of the customer.	4,292

Incorrect payment of Disability Living Allowance or Attendance Allowance

The Department identified 34,886 customers at risk of being paid Disability Living Allowance (DLA) or Attendance Allowance (AA) alongside their State Pension (SP), either at the wrong rate or when no payments are due. Ministerial approval was obtained to correct any errors found and to waive recovery of overpayments, as they were caused by Departmental error and not by any failure by the customers involved.	1,839

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. Subsequent awards of State Pension have changed Pension Credit entitlement, resulting in overpayments which we do not have the legal right to pursue.	2,058

State Pension Case Cleanse

As a result of work undertaken by HM Revenue & Customs (HMRC) and the Department, it was identified that a number of State Pension cases had been incorrectly calculated. The errors were a result of discrepancies between Guaranteed Minimum Pension values shown on the National Insurance Recording System (NIRS) and the Pensions Strategy Computer System. Identified overpayments of State Pension were recorded as a loss.	101,950

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. The number of duplicate Christmas Bonus payments for 2011-12 is 66,412 with a value of £686k.	686

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.	777

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, 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 183 local authorities, decided to waive recovery of overpaid HB/CTB subsidy estimated at £895k in respect of 2006-07 to 2010-11 inclusive.	895

Child Poverty Action Group Judicial Review

In June 2007, the Child Poverty Action Group (CPAG) challenged the practice of the Department to recover overpayment of benefits in cases where the overpayment arose due to ’official error’. On 25 October 2010, the Supreme Court upheld the judgement that the Department has no right to recover overpayments arising due to official error, where the error arose pursuant to an award of benefit.	1,606

The Department ceased deductions in all cases where recovery was ongoing and refunded approximately £546k 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. In 2011-12, refunds have been made to customers to the value of £1.6 million.

Social Fund

Recoverable loans impracticable to pursue (volume 39,785)	4,945
Claims for recoverable funeral expenses abandoned due to insufficient estate (volume 16,973)	21,722
Claims for recoverable funeral expenses abandoned because they are impossible/unreasonable to pursue (volume 15,766)	18,405
Losses due to irrecoverable overpayments (non loans) recorded during the year (volume 15,790)	1,223

(iii) Non-Benefit Related Losses Statement

Flexible New Deal Contracts

The Department has incurred a loss of £63.6 million in 2011-12 (2010-11: £89.3 million) in respect of the balance of compensation payments made to Flexible New Deal Providers following the early cancellation of a number of contracts. This was as a result of a change in Government policy, whereby the Flexible New Deal Programme was replaced 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. Included within the total compensation settlement was an estimated £63 million in respect of individuals registered with providers when the contracts were cancelled. Although providers did not have time to achieve successful employment outcomes with these individuals, they had worked with them to varying degrees, leaving them more 'work ready' and therefore better placed to gain employment following transfer to the Work Programme.	63,615

Automated Service Delivery Project

The Department embarked upon a programme of work known as Automated Service Delivery (ASD) in 2010 to modernise the way we interact with customers, including migrating some activity to lower cost and more convenient on-line systems. Following the Government's decision to introduce Universal Credit, the Department is now investing in fundamental changes to its systems and infrastructure to underpin a modern on line service. As a consequence the earlier investment in ASD has more limited future value. A total of £62.3 million was spent on ASD between February 2010 and 31 March 2012. The Department is making as much use as possible of software already built and £16.7 million, invested in software assets and licences, has been identified for potential reuse. The remaining £45.6 million has been recognised as a loss.	45,644

DWP Change Programme

A loss of £7.4 million has been recognised in respect of investment spend on the

DWP Change Programme. This was as the result of de-scoping or closing some elements of the Programme taking account of the introduction of Universal Credit and following prioritisation of the programme. The loss represents 2.5 per cent of the £294.1 million investment costs incurred to date on the DWP Change Programme.	7,380
Hewlett Packard Enterprise Services (HPES) Contract	
The Department terminated the contract to transition the IT hosting of its Resource Management (RM) application from Fujitsu to HP Enterprise Services (HPES). Under the terms of the HPES contract, the Department is required to pay termination costs of £1 million and to compensate HPES for the cost of any assets purchased. The Department has already incurred £1.9 million of costs relating to the hosting transition project.	2,900
Independent Living Fund (ILF) Grant Losses	
The Independent Living Fund (ILF) seeks formal recovery of grants paid to individuals where the provision of incorrect information has led to incorrect payment, or where grants have not been used for their intended purpose. During 2011-12, the ILF wrote off such grants where recovery was deemed to be unachievable.	1,531
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 (CMEC) 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 CMEC makes a refund to the non-resident parent.	5,805
Other Government Department (OGD) Aged Debt Cleanse	
During 2011-12, the Department completed a review of administration debt relating to Other Government Departments (OGDs). Activity to review each case was undertaken and information collated on an individual case basis. The Department identified 97 debts with a total value of £715k which it was no longer able to pursue and for which it has received approval from HM Treasury for write off.	715
European Social Fund (ESF) Bad Debt Write Offs	
During 2011-12, the final ESF claim for the Equal initiative had been settled by the European Commission. When agreeing the final payment it was found that unrecoverable expenditure arising due to spending in excess of the agreed ESF intervention rate was understated by £1.7 million.	1,696

Work, Welfare and Equality Group Cash Losses

Jobcentre offices pay funds to customers to buy items such as clothes and travel fares needed for a customer to attend a job interview. The customer is expected to provide receipts in order to validate the payment. Where the customer does not provide receipts, or provides incomplete/incorrect receipts, the funding is treated as a loss. 1,037

CMEC Un-Recovered Fees Write Off

The Child Maintenance and Enforcement Commission (CMEC) incurred a loss for the write off of aged debt relating to un-recovered fees. This debt was created when the Child Support Agency was first established and relates to a number of customers on which a fee was levied. The debt is around 19 years old and information on the number of customers the fee relates to is no longer available, so the case count has been set at 1 to reflect the single write off exercise. 12,350

(iv) Non-Benefit Related Special Payments Statement

Special Payments general

HM 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):

Home Responsibilities Protection Error Initiative

Home Responsibilities Protection (HRP) was introduced in 1978 to reduce the number of qualifying years required in order to receive a full, basic State Pension. A weakness in the system affecting State Pension entitlement was found and a correction exercise began in July 2009 to amend historical HRP records. During the year the Department has paid compensation to 15,390 affected customers. 7,931

Incorrect Payment of Disability Living Allowance or Attendance Allowance 340

Following a thorough review of data matching activities by the former Pension, Disability and Carers Service, a control weakness was identified in the interface between the former Disability and Carers Service and the Pensions Service 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. During the year, the Department has made special payments to 988 affected customers as financial redress.

State Pension Case Cleanse

As a result of work undertaken by HM Revenue & Customs (HMRC) and the Department, it was identified that a number of State Pension cases had been incorrectly calculated. The errors were a result of discrepancies between Guaranteed Minimum Pension values shown on the National Insurance Recording System (NIRS) and the Pensions Strategy Computer System. These cases are now being corrected and 2,877 customers compensated. 1,821

(v) Other accountability issues

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 NI credits to the National Insurance and PAYE System (NPS). NPS identifies and notifies the Carer’s Unit of any accounts where there are overlapping credits and contributions from employment, as it could indicate undeclared earnings over the level permitted when claiming Carer’s Allowance. It was identified in 2007-08 that the Department 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. Spend to Save funding has been secured for this exercise until 2014-15 and work is now progressing on these cases.

Non-Benefit Fraud

Internal Fraud

Salary, expenses, contract and other non-benefit losses:
90 investigations were completed, resulting in proven fraud of £110k.

Non-contributory and Jobseeker's Allowance (contributory) benefits:
49 investigations were completed, resulting in proven fraud of £425k.

Recovery action is taken at local level and recoveries are not recorded separately for disclosure.

Contractor Fraud

A total of 7 investigations of potential fraud by Welfare to Work providers were completed between 1 April 2011 and 31 March 2012 which resulted in a case to answer. 4 had evidence of false representation and 3 had evidence of procedural non-compliance. The total loss for these cases was £65,168, which has been recovered or identified as recoverable. The largest single loss was £37,519, as a result of an employee of a sub contractor of a provider fraudulently submitting false paperwork in order to claim European Social Fund Job Outcome Fees. The case is being currently investigated by the police.

Serious and Organised Fraud

The Fraud Investigation Service conducts investigations into organised and systematic abuse of the benefits system. 178 operations were closed in the financial year. Recovery action is taken at a local level and not recorded separately for disclosure. One operation resulting in a fraud of £409k, whilst deemed recoverable, will not be pursued as the perpetrator is due to be deported. This loss will be written off in the next financial year.

Taxation payments to HMRC

An analysis of cases indicates that duplicate taxation payments to HM Revenue & Customs (HMRC) on State Pension deferral cases 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 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. The incorrect accounting process has been corrected and the Department is working with HMRC to resolve the duplicate payment cases.

37. 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 2011-12 fraud and error preliminary estimates, published on 6 June 2012, show that the value of benefit overpaid has decreased from £3.3 billion in the 2010-11 preliminary estimates to £3.2 billion; the proportion has also decreased from 2.1 per cent to 2.0 per cent of total benefit expenditure. However, these changes are not statistically significant and are likely to be due to sampling variance rather than real change over time. Please see figures 1-4 below for more detail and also refer to the 'Summary of methodology changes' section when interpreting the figures.

The Department first set out the strategy to reduce fraud and error in October 2010. The joint Department for Work and Pensions / HM Revenue & Customs strategy, together with the introduction of Universal Credit (UC), is expected to reduce the level of fraud and error overpayments across the welfare system by one quarter (£1.4 billion), by March 2015[1]. This reduction will be comprised of £600 million from DWP benefits, £600 million from Tax Credits and £200 million from UC. Over the 2010 Spending Review period, the Government will be spending up to £425 million on implementing its Fraud and Error strategy. The Department estimates cumulative Annually Managed Expenditure savings of £2.4 billion from the Fraud and Error strategy will be delivered over this period.

Following the publication of the strategy in October 2010, the Department published a Fraud and Error Strategy Refresh in February 2012, in a joint document with HM Revenue & Customs and the Cabinet Office. A refresh of the original strategy was necessary to reflect the wider changes in the Government's Welfare Agenda and the lessons learned since the launch in October 2010. The plans focus on using better intelligence and working in partnership across all sectors and Government bodies to prevent and detect fraud. It is hoped this will increase checking systems in place before payments are made, to prevent money lost through fraud and error.

The Department is creating an Integrated Risk and Intelligence Service (IRIS), and analysing claimant information and applying Fraud and Error prevention filters. IRIS will not only stop incorrect payments but it will support investigation and prosecutions of fraud. An

[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

important source of intelligence will be working with Credit Reference Agencies to inform IRIS and to detect existing fraud and error in the current system. The Department is also developing the Single Fraud Investigation Service with HMRC and Local Authorities, joining expertise and efforts in investigating fraud. At the same time the Department is reviewing sanctions legislation to enable it to impose tougher penalties and improve the amount and speed of debt recovery.

The Department uses statistically valid, random sampling to estimate the overall level of fraud and error[1] with an acceptable precision. According to the 2011-12 preliminary estimates, fraud and error resulting in overpayment of benefit currently stands at 2.0 per cent (£3.2 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, although comparisons should be treated with some caution due to changes in measurement methodology[2]. This improvement has been achieved through a reduction in fraud overpayments from 2.1 per cent to 0.7 per cent, whilst customer error overpayments have increased slightly from 0.7 per cent to 0.8 per cent, and official error overpayments have increased from 0.4 per cent and currently stands at 0.5 per cent. The level of underpayments for the preliminary 2011-12 estimates 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[3]. Please refer to the 'Summary of methodology changes' section when interpreting these figures.

[1] 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.

[2] 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

[3] The 2010-11 estimates used in this report are the preliminary estimates that were published in the 2010-11 Annual Report and Accounts. However, these have since been replaced with the final 2010-11 fraud and error estimates that were published on 23 February 2012.

Figure 1: Estimated levels of overall fraud and error including confidence intervals

Estimated overpayments	Percentage 2011-12		Amount 2011-12		Percentage 2010-11		Amount 2010-11	
Overpayments								
Fraud	0.7%	(0.6,1.0)	£1.1bn	(0.9,1.6)	0.8%	(0.7,1.1)	£1.2bn	(1.0,1.6)
Customer Error	0.8%	(0.7,1.0)	£1.3bn	(1.1,1.7)	0.8%	(0.7,1.0)	£1.2bn	(1.0,1.6)
Official Error	0.5%	(0.4,0.7)	£0.8bn	(0.6,1.1)	0.5%	(0.4,0.8)	£0.8bn	(0.7,1.2)
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	0.5%	(0.3,0.8)	£0.9bn	(0.5,1.3)	0.6%	(0.3,0.8)	£0.9bn	(0.5,1.2)
Official Error	0.3%	(0.2,0.4)	£0.4bn	(0.3,0.6)	0.3%	(0.2,0.4)	£0.4bn	(0.3,0.6)
Total Overpayments	2.0%	(1.7,2.4)	£3.2bn	(2.8,3.8)	2.1%	(1.9,2.5)	£3.3bn	(2.9,3.8)
Total Underpayments	0.8%	(0.6,1.1)	£1.3bn	(0.9,1.7)	0.8%	(0.6,1.1)	£1.3bn	(0.9,1.7)
Total Expenditure			£159.0bn				£153.6bn	

Notes to table:

1. Source of 2010-11 data: DWP National Statistics: Fraud and Error in the Benefit System: Preliminary 2010-11 Estimates. Figures are based on fraud and error National Statistics for the period covering October 2009 - September 2010 and benefit expenditure for 2010-11.
Source of the 2011-12 data: DWP National Statistics: Fraud and Error in the Benefit System: Preliminary 2011-12 Estimates. Figures are based on fraud and error National Statistics for the period covering October 2010 - September 2011 and benefit expenditure for 2011-12.
2. Total expenditure figures for 2010-11 and 2011-12 are the latest forecast expenditure figures available for the financial year at the time of producing the fraud and error estimates.
3. Figures expressed as percentages (%) give the overpayments as a percentage of the benefit paid out in the year.
4. Rows and columns may not sum to totals due to rounding.
5. 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.
6. None of the changes are statistically significant at a 95 per cent level of confidence. This suggests that any changes are more than likely to be due to sampling variation and that these estimates are stable over time and little change occurs year on year.

Figure 2: Comparison between income-related benefits (continuously measured)

Income-related benefits		**Income Support**		**Jobseeker's Allowance**		**Pension Credit**		**Housing Benefit**	
Expenditure	2011-12	£7.1bn		£5.0bn		£8.2bn		£22.7bn	
	2010-11	£7.9bn		£4.5bn		£8.3bn		£21.6bn	
Within which are estimated:									
Total overpayments	2011-12	4.4%	£320m	5.0%	£250m	5.6%	£460m	4.4%	£1000m
	2010-11	4.4%	£350m	6.5%	£290m	6.0%	£500m	4.4%	£960m
Total underpayments	2011-12	1.1%	£80m	0.4%	£20m	1.8%	£150m	1.2%	£280m
	2010-11	1.1%	£90m	0.3%	£20m	2.1%	£180m	1.3%	£290m
Analysed between:									
Fraud overpayment	2011-12	2.7%	£190m	2.8%	£140m	1.5%	£120m	1.4%	£310m
	2010-11	2.4%	£190m	4.1%	£180m	2.3%	£190m	1.3%	£290m
Customer error overpayment	2011-12	1.0%	£70m	0.6%	£30m	2.0%	£170m	2.6%	£600m
	2010-11	1.1%	£90m	0.3%	£20m	1.7%	£140m	2.6%	£560m
Official error overpayment	2011-12	0.8%	£50m	1.7%	£80m	2.1%	£170m	0.4%	£90m
	2010-11	0.9%	£70m	2.1%	£100m	2.0%	£170m	0.5%	£110m

Notes:

1. Source of 2010-11 data: DWP National Statistics: Fraud and Error in the Benefit System: Preliminary 2010-11 Estimates. 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.
Source of the 2011-12 data: DWP National Statistics: Fraud and Error in the Benefit System: Preliminary 2011-12 Estimates. 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 2010 - September 2011 and benefit expenditure for 2011-12.
2. Total expenditure figures for 2010-11 and 2011-12 are the latest forecast expenditure figures available for the financial year at the time of producing the fraud and error estimates.
3. Figures expressed as percentages (%) give the over and underpayments as a percentage of the benefit paid out in the year.
4. Rows and columns may not sum to totals due to rounding.
5. None of the changes are statistically significant at a 95 per cent level of confidence. This suggests that any changes are more than likely to be due to sampling variation and that these estimates are stable over time and little change occurs year on year.

Figure 3: Comparison between contributory and disability benefits

Contributory & disability benefits		Contributory				Disability	
		Incapacity Benefit		State Pension		Disability Living Allowance	
Expenditure	2011-12	£5.0bn		£74.2bn		£12.6bn	
	2010-11	£5.6bn		£69.9bn		£12.0bn	
Within which are estimated:							
Total overpayment	2011-12	2.4%	£120m	0.1%	£100m	1.9%	£240m
	2010-11	2.4%	£130m	0.1%	£100m	1.9%	£220m
Total underpayment	2011-12	0.7%	£30m	0.2%	£150m	2.5%	£320m
	2010-11	0.7%	£40m	0.1%	£100m	2.5%	£300m
Analysed between:							
Fraud overpayment	2011-12	0.3%	£10m	0.0%	£0m	0.5%	£60m
	2010-11	0.3%	£20m	0.0%	£0m	0.5%	£60m
Customer error overpayment	2011-12	0.9%	£40m	0.1%	£60m	0.6%	£80m
	2010-11	0.9%	£50m	0.1%	£60m	0.6%	£70m
Official error overpayment	2011-12	1.2%	£60m	0.0%	£40m	0.8%	£100m
	2010-11	1.2%	£70m	0.1%	£40m	0.8%	£90m

Notes:

1. Incapacity Benefit – Both the preliminary 2011-12 and preliminary 2010-11 Incapacity Benefit (IB) percentage estimates for fraud, customer error and official error are taken from continuous measurement exercises for the period October 2009 to September 2010, which was the last time that IB was continuously measured. These have then been applied to the relevant financial year expenditure data to produce the MVFE totals.

2. State Pension(1) – Both the preliminary 2011-12 and preliminary 2010-11 State Pension (SP) percentage estimates for fraud and customer error are taken from the National Benefit Review exercise that was carried out in 2005-06. These have then been applied to the relevant financial year expenditure data to produce the MVFE totals.

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. State Pension(2) – Preliminary 2010-11 official error estimates for State Pension are derived from continuous measurement exercises in the period October 2009 to September 2010 and benefit expenditure for 2010-11. Preliminary 2011-12 official estimates for State Pension are derived from continuous measurement exercises in the period October 2010 to September 2011 and benefit expenditure for 2011-12.

4. Disability Living Allowance – Both the preliminary 2011-12 and preliminary 2010-11 Disability Living Allowance (DLA) percentage estimates for fraud, customer error and official error are taken from the National Benefit Review exercise that was carried out in 2004-05. These have then been applied to the relevant financial year expenditure data to produce the MVFE totals.

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. Total expenditure figures for 2010-11 and 2011-12 are the latest forecast expenditure figures available for the financial year at the time of producing the fraud and error estimates.

6. Rows and columns may not sum to totals due to rounding.

7. None of the changes are statistically significant at a 95 per cent level of confidence. This suggests that any changes are more than likely to be due to sampling variation and that these estimates are stable over time and little change occurs year on year.

Figure 4: Level of fraud and error in other benefits:

Benefit		Expenditure	Fraud & error overpayments		Fraud & error underpayments	
Carer's Allowance	2011-12	£1.8bn	5.5%	£100m	0.1%	£0m
	2010-11	£1.6bn	5.5%	£90m	0.1%	£0m
Instrument of Payment fraud	2011-12			£0m		
	2010-11			£0m		
Interdependencies	2011-12			£50m		
	2010-11			£40m		
Council Tax Benefit	2011-12	£4.9bn	4.0%	£200m	1.1%	£50m
	2010-11	£5.0bn	4.0%	£200m	1.2%	£60m
Other unreviewed	2011-12	£17.6bn	2.2%	£390m	1.3%	£230m
	2010-11	£17.2bn	2.3%	£390m	1.3%	£220m

Notes:

1. Carer's Allowance – Both the preliminary 2011-12 and preliminary 2010-11 Carer's Allowance (CA) percentage estimates are taken from the National Benefit Review exercise that was carried out in 1996-97. These have then been applied to the relevant financial year expenditure data to produce the MVFE totals.
2. 'Instrument of Payment' (IoP) is an area of fraud that is not measured as part of the benefit reviews. It concerns fraud associated with abuse of types of payment (e.g. where a third party intercepts a giro cheque intended for someone else and cashes it, or where the customer gets more benefit than they are entitled to by means of manipulating payments or reporting them as not received or stolen, obtains a replacement then cashes both). The reported amounts of IoP frauds are decreasing over time due to nearly all payments now being made directly into either the customer's bank or post office account.
3. '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
4. 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.
5. 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.
6. Total expenditure figures for 2010-11 and 2011-12 are the latest forecast expenditure figures available for the financial year at the time of producing the fraud and error estimates.
7. None of the changes are statistically significant at a 95 per cent level of confidence. This suggests that any changes are more than likely to be due to sampling variation and that these estimates are stable over time and little change occurs year on year.

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 (usually published in May and November) for the continuously reviewed benefits (Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit). However, the 2010-11 (finalised estimates) publication was postponed from November 2011 to February 2012 to give the Department three months development time, to improve and speed up its processes.

Samples are drawn from 'live in payment' benefit caseload Departmental system scans. Due to the nature of these snapshot scans there may be some claimants that are not captured and therefore fall outside the parameters of Performance Measurement (PM) review. These include clerical claims and claims that are new between the point of sampling and the PM review.

In addition to this, there may be instances where the Performance Measurement (PM) review will not uncover all fraud and error. This is because fraud is, by its nature, a covert activity, complex official error can be difficult to identify and some suspicions of fraud on the sample cases cannot be proven. For example, unreported earnings in the informal economy will be much harder to detect than those in the formal economy.

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.

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.

All National Statistics reports on fraud and error are available at
http://statistics.dwp.gov.uk/asd/asd2/index.php?page=fraud_error_arc

[1] 'International benchmark of fraud and error in social security systems.' Report by the Comptroller and Auditor General, HC 1387 Session 2005-06, July 2006

Summary of Methodology Changes

Methodology changes have been made between the publication of the preliminary 2010-11 and preliminary 2011-12 estimates. The impact of these changes on the estimates are detailed below. However, all movements in the estimates between these two time periods, both before and after the methodology changes, are not statistically significant.

1) During 2011 the Department has carried out a series of changes to the calculation processes and methodology in order to simplify and align these across the individual benefits. This work has made our processing quicker, more efficient, robust and transparent and easier to quality assure. This in turn will reduce risk in our calculation processes and will enable our team, in the future, to make changes to the computer programs more easily, especially with the advent of Universal Credit, and be more flexible with resources. The new aligned processing system will also make it easier for our customers to interpret and compare findings across the individual benefits.

2) The Department has introduced a change to the order in which Income Support, Jobseeker's Allowance and Pension Credit errors are capped within our calculation methodology in order to align these benefits with the Housing Benefit capping hierarchy. They are now capped for Customer Fraud first, then Customer Error, then Official Error. In previous reports they were capped for Official Error first, then Customer Fraud, then Customer Error. This introduces a small change in the percentage of overpayments with official error falling and customer fraud and customer error rising, as expected, although changes are relatively low (less than +/- 0.12 per cent on any error type by benefit).

The overall impact of changes 1) and 2) has been tested, see below for the impact the changes have made when applied to the preliminary 2010-11 estimates.

- For Income Support, Jobseeker's Allowance and Pension Credit.

OVERPAYMENTS – Impact of Changes on Preliminary 2010-11 estimates

Benefit	Published % overpayment estimate	Revised % overpayment estimate	% change	Published overpayment MVFE (£m)	Revised overpayment MVFE (£m)	Change in MVFE (£m)
Income Support Disabled/Other	4.2%	4.3%	+0.1%	£230m	£230m	-
Income Support Lone Parents	4.8%	4.8%	-	£120m	£120m	-
Jobseeker's Allowance	6.5%	6.6%	+0.1%	£300m	£300m	-
Pension Credit	6.0%	6.1%	+0.1%	£500m	£510m	+£10m

UNDERPAYMENTS – Impact of Changes on Preliminary 2010-11 estimates

Benefit	Published % underpayment estimate	Revised % underpayment estimate	% change	Published underpayment MVFE (£m)	Revised underpayment MVFE (£m)	Change in MVFE (£m)
Income Support Disabled/Other	1.2%	1.2%	-	£70m	£60m	-£10m
Income Support Lone Parents	0.8%	0.8%	-	£20m	£20m	-
Jobseeker's Allowance	0.3%	0.3%	-	£20m	£10m	-£10m
Pension Credit	2.1%	2.1%	-	£180m	£180m	-

All figures above have been rounded to the nearest £10 million.

- For Housing Benefit there has been zero impact on the overpayment and underpayment estimates, after rounding to the nearest £10 million.
- For all benefits there has been zero impact on the overpayment and underpayment estimates, after rounding to the nearest £10 million.

3) Since the introduction of Employment and Support Allowance in October 2008 no new claimants have been awarded Incapacity Benefit as they claim Employment and Support Allowance instead. In addition, all current claimants of Incapacity Benefit are being reassessed and will be moved to either Employment and Support Allowance or Jobseeker's Allowance in the near future. For this reason we have stopped measuring Incapacity Benefit for fraud and error on a continuous basis and have re-deployed resources to measure Employment and Support Allowance for Official Error instead, which will be reported for the first time in May 2013.

Therefore, the last time that Incapacity Benefit was measured on a continuous basis was for the preliminary 2010-11 report. For all reports after this the 2010-11 preliminary Incapacity Benefit estimates will be used and applied to the latest expenditure figures to provide the most up to date monetary values of fraud and error.

4) The Department introduced a change to its extrapolation processes for IS, JSA and PC. Adjustments are made to overpayment levels to recognise that a certain proportion of benefit claims are too new to be included in our samples and to be reviewed in respect of fraud and customer error. The adjustments model error rates in these claims based on the newest claims for which data is available. However, changes to the benefit regulations, for Income Support in particular, has meant that we needed to revisit some of the assumptions. For some benefits the proportion of newer claims has decreased significantly, leading the overpayment rates for these cases to become more volatile. We have adjusted the calculation to take account of the lower proportion of new claims, and have combined several years of data to 'smooth' the overpayment rates and make them more stable. These smoothed overpayment rates have been introduced for Income Support, Jobseeker's Allowance and Pension Credit.

The new fixed proportions and smoothed overpayment rates have been used in the calculation of the preliminary 2011-12 estimates.

To estimate the effect of the change in the extrapolation methodology, the preliminary 2011-12 results have been calculated twice. Firstly, using the old fixed proportions and non-smoothed overpayment rates and then using the newly updated fixed weights and smoothed overpayment rates for fraud and customer error.

Differences between estimated overpayments using old and new extrapolation adjustments: Preliminary 2011-12

	Fraud	Customer Error	Official Error	Total
IS Working Age				
% benefit overpaid	-0.7%	+0.1%	0.0%	-0.7%
Amount overpaid	-£50m	+£0m	£0m	-£40m
JSA				
% benefit overpaid	+0.1%	-0.1%	0.0%	-0.1%
Amount overpaid	£0m	-£10m	£0m	£0m
IS & JSA Working Age				
% benefit overpaid	-0.4%	0.0%	0.0%	-0.4%
Amount overpaid	-£40m	£0m	£0m	-£50m
Pension Credit				
% benefit overpaid	+0.1%	0.0%	0.0%	+0.1%
Amount overpaid	+£10m	£0m	£0m	+£10m
All benefits				
% benefit overpaid	-0.1%	0.0%	0.0%	-0.1%
Amount overpaid	-£0.1bn	£0bn	£0bn	-£0.1bn

1. A negative number in the table indicates the overpayment estimates using the new methodology are lower than the estimates using the old fixed proportions and non-smoothed overpayments.
2. Tables may not sum due to rounding (to the nearest £10 million).

More details of methodology changes can be found in section 1 'Methodology Changes' and Annex 4 of the Preliminary 2011-12 Fraud and Error in the Benefit System report available at: http://statistics.dwp.gov.uk/asd/asd2/fem/fem_preliminary_1112.pdf

38. Related party transactions

The Department for Work and Pensions sponsors the Non-Departmental Public Bodies listed at Note 40. It also sponsors three public corporations: Pension Protection Fund, 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 & Customs, the Treasury Solicitor, the Department for Education and the Valuation Office Agency.

No Minister, Board member, key manager or other related party has undertaken any material transactions with the Department during the year.

39. 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 £16.825 million (2010-11 £16.832 million).

40. Entities within the Departmental Boundary

The entities within the boundary during 2011-12 were as follows:

Supply Financed:	Core Department
Crown NDPBs:	Health and Safety Executive
	Child Maintenance and Enforcement Commission
Executive NDPBs:	Independent Living Fund
	The Pensions Advisory Service Limited
	The Pensions Regulator
Tribunal NDPBs	The Pensions Ombudsman/Ombudsman for the Board of the Pension Protection Fund
Advisory NDPBs:	Equality 2025
	Industrial Injuries Advisory Council
	Social Security Advisory Committee
	Disability Living Allowance Advisory Board

41. Transfer of functions and restatements

(i) Reconciliation of Financial Position at 31 March 2011

	Published accounts at 31 March 2011	NDPBs	Re-distribution of costs under CLOS	Restated at 31 March 2011
	£000	£000	£000	£000
Non-current assets				
Property, plant and equipment	2,140,440	1,187	-	2,141,627
Intangible assets	533,726	859	-	534,585
Financial assets	125,726	-	-	125,726
Trade and other receivables	1,084,360	834	-	1,085,194
Current assets				
Assets classified as held for sale	-	-	-	-
Inventories	981	-	-	981
Trade and other receivables	2,490,538	1,552	-	2,492,090
Cash and cash equivalents	375,448	5,693	-	381,141
Current liabilities				
Trade and other payables	(5,380,624)	(18,102)	-	(5,398,726)
Non-current liabilities				
Provisions	(2,777,025)	(1,532)	-	(2,778,557)
Other payables	(1,093,241)	(73)	-	(1,093,314)
Pension liabilities	(1,235)	-	-	(1,235)
Net Assets/(Liabilities)	**(2,500,906)**	**(9,582)**	**-**	**(2,510,488)**
Taxpayers' Equity				
General Fund	(3,754,417)	(9,759)	-	(3,764,176)
Revaluation Reserve	1,253,511	177	-	1,253,688
Government Grant Reserve	-	-	-	-
	(2,500,906)	**(9,582)**	**-**	**(2,510,488)**

(ii) Reconciliation of net operating costs for the year ended 31 March 2011

	Published accounts 2010-11	NDPBs added under CLOS	Re-distribution of costs under CLOS	Restated 2010-11
	£000	£000	£000	£000
Administration costs				
Staff costs	3,498,470	31,104	(2,757,579)	771,995
Other administration costs	2,665,476	16,870	(1,602,568)	1,079,778
Gross administration costs				
Operating income	(298,227)	(36)	178,634	(119,629)
Net administration costs	**5,865,719**	**47,938**	**(4,181,513)**	**1,732,144**
Programme costs				
Staff Costs	-	-	2,757,579	2,757,579
Expenditure	155,249,438	(30,731)	1,602,568	156,821,275
Income	(791,323)	-	(178,634)	(969,957)
Net programme costs	**154,458,115**	**(30,731)**	**4,181,513**	**158,608,897**
Net Operating cost	**160,323,834**	**17,207**	**-**	**160,341,041**

Reported figures at 31 March 2011 have been restated as a result of the following:

Following HM Treasury's designation order the Department's Crown, Executive, Tribunal and Advisory Non-Departmental Public Bodies have been incorporated into the accounting boundary from 1 April 2011.

From 2011-12, Estimates have been based on Departmental budgets, reflecting the analysis between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). This has resulted in consequential changes to the presentation of the financial statements and the comparative period.

The Radioactive Materials Transport function was transferred to HSE from the Department of Transport on the 24 October 2011. The accounts have not been restated on the grounds of materiality. The net effect of this Machinery of Government change would have been to increase operating costs by £1.8 million and net liabilities on the Statement of Financial Position by £84,000.

Financial Assistance Scheme Trust Statement

for the year ended 31 March 2012

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.

Governance Statement

The Department's Governance Statement, covering both the Departmental Accounts and the Trust Statement, is shown on page 69.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of The Financial Assistance Scheme Trust Statement for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of 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 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 circumstances of the Financial Assistance Scheme 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.

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

Opinion on regularity

In my opinion, in all material respects the revenue and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 of the Financial Assistance Scheme Trust Statement as at 31 March 2012 and of the net revenue 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 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement 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

10 July 2012

Statement of Revenue, Other Income and Expenditure

for the year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
Income			
Income from pension schemes	2	273,081	50,147
Total income from pension schemes		**273,081**	**50,147**
Other income			
Interest on operating bank accounts	3	-	-
Investment income	4	318	3
Change in fair value of investments	5	680	(5)
Total other income		**998**	**(2)**
Total revenue and other income		**274,079**	**50,145**
Expenditure		-	-
Total expenditure		-	-
Net Revenue for Consolidated Fund		**274,079**	**50,145**

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 200 to 206 form part of this statement.

Statement of Financial Position
as at 31 March 2012

	Note	31 March 2012 £000	31 March 2011 £000
Non-current assets			
Financial assets	5	15,522	524
Total non-current assets		**15,522**	**524**
Current assets			
Transfer-in receivables		134	75
Cash and cash equivalents		49,871	48
Total current assets		**50,005**	**123**
Current liabilities		**-**	**-**
Net current assets		**50,005**	**123**
Net current assets plus non-current assets		**65,527**	**647**
Non current liabilities		**-**	**-**
Assets less Liabilities		**65,527**	**647**
Represented by			
Balance on Consolidated Fund Account	7	65,527	647
Total Funds		**65,527**	**647**

Robert Devereux
Accounting Officer

9 July 2012

The notes on pages 200 to 206 form part of this statement.

Statement of Cash Flows
for the year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
Net cash flow from operating activities	A	259,022	49,546
Cash paid to the Consolidated Fund		(209,199)	(49,498)
Increase in cash in the period		**49,823**	**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	274,079	50,145
Increase in non-current assets	(14,998)	(524)
Increase in receivables	(59)	(75)
Net cash flow from operating activities	**259,022**	**49,546**
B: Analysis of changes in net funds		
Increase in cash in this period	49,823	48
Net Funds at 1 April (net cash at bank)	48	-
Net Funds at 31 March (Closing Balance)	**49,871**	**48**

The notes on pages 200 to 206 form part of this statement.

Notes to the Trust Statement

for the year ended 31 March 2012

1. Statement of Accounting Policies

1.1 Basis of preparation

The Trust Statement is prepared in accordance with the Accounts Direction issued on 20 December 2011 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 2011-12 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. Net assets recognised under this policy are stated net of amounts due for professional services or other liabilities incurred by scheme trustees prior to the transfer of a scheme into the Financial Assistance Scheme.

Annuity income arising from insurance policies held by the Financial Assistance Scheme after transfer from pension schemes is recognised on a cash basis.

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 comprise 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. This valuation process requires management to make estimates and assumptions that affect reported amounts. The selection of valuation assumptions, for example, the discount rate to apply to cash flows generated by annuity contracts, requires management to exercise judgement. Actual results could differ from the values produced by these estimates and judgements.

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.

- 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

	2011-12	2010-11
	£000	**£000**
FAS 1 Scheme Assets transferred	1,163	81
FAS 2 Scheme Assets transferred	271,918	50,066
Total income from pension schemes	**273,081**	**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, Other Income and Expenditure relates to income from annuity policies.

5. Financial assets

Financial Assets held throughout the year consisted entirely of annuity policies.

	31 March 2012	31 March 2011
	£000	**£000**
Balance at 1 April	524	-
Asset transfers	14,318	529
Change in fair value	680	(5)
Balance at 31 March	**15,522**	**524**

6. Financial Instruments and related risks

(i) Financial Instruments by category

	31 March 2012	31 March 2011
	£000	**£000**
Financial assets designated at fair value through profit or loss		
Annuity policies	15,522	524
	15,522	**524**
Loans and receivables		
Cash and cash equivalents	49,871	48
Transfer-in receivables	134	75
	50,005	**123**
Total Financial Instruments	**65,527**	**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 2012	**31 March 2011**
	£000	**£000**
Annuity policies	15,522	524
Cash and cash equivalents	49,871	48
Transfer-in receivables	134	75
Total	**65,527**	**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 £21,000 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

	2011-12	2010-11
	£000	**£000**
Balance on Consolidated Fund account at 1 April	647	-
Net revenue for the Consolidated Fund	274,079	50,145
Amount paid to the Consolidated Fund	(209,199)	(49,498)
Balance on Consolidated Fund account at 31 March	**65,527**	**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 2012 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 2011-12.

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
Deputy Director, Assurance and Financial Reporting Policy
HM Treasury
20 December 2011

Annexes to the Annual Report[1]

[1] These Annexes do not form part of the Accounts, but do form part of the Annual Report. They are only covered by the consistency statement in the Audit Certificate.

Annex 1: Expenditure Tables (core tables)

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

	£ Millions [12]								
	2007-08 Outturn	**2008-09 Outturn**	**2009-10 Outturn** [7]	**2010-11 Outturn**	**2011-12 Outturn**	**2012-13 Plans**	**2013-14 Plans**	**2014-15 Plans**	**2015-16 Plans**
Resource DEL [6]									
Section A: Operational Delivery	1,802	1,723	1,399	1,294	2,487	2,423	2,143	1,917	-
Section B: Child Maintenance and Enforcement Commission	550	579	448	391	484	515	476	387	-
Section C: Health and Safety Executive	215	218	231	203	175	182	166	155	-
Section D: Financial Assistance Scheme	13	38	33	45	73	42	70	85	-
Section E: European Social Fund	-	(1)	-	-	15	6	6	6	-
Section F: Executive Non-Departmental Public Bodies (Net)	335	399	431	391	375	382	378	377	-
Section G: Employment Programmes	844	920	1,313	1,814	876	1,101	914	934	-
Section H: Housing Benefit and Council Tax Benefit Administration	648	548	614	585	546	425	408	390	-
Section I: Other Programmes	160	183	145	197	183	90	117	119	-
Section J: Departmental Operating Costs	2,278	2,232	3,100	2,835	1,453	1,367	1,173	1,104	-
Section K: Unallocated Provision[9]	-	-	-	-	-	809	1,240	1,727	-
Section L: National Insurance Fund[8]	1,096	1,001	1,056	1,093	821	706	706	706	-
Consolidated Fund Extra Receipts	-	-	-	-	-	-	-	-	-
Total Resource DEL	**7,942**	**7,841**	**8,770**	**8,848**	**7,488**	**8,047**	**7,797**	**7,907**	**-**
Of which:									
-Pay	3,199	3,104	3,520	3,522	3,172	3,260	2,501	2,294	-
-Net current procurement[1]	3,172	3,267	3,591	3,729	2,826	2,816	2,858	2,716	-
-Current grants and subsidies to the private sector and abroad	458	518	587	586	287	424	466	482	-
-Current grants to local government	753	660	741	686	556	412	472	434	-
-Depreciation[2]	155	151	222	163	202	241	145	137	-
-Other	206	141	111	163	445	893	1,355	1,845	-
Resource AME[10]									
Section M: Severe Disablement Allowance	897	888	907	888	881	895	850	204	169
Section N: Industrial Injuries Disablement Benefit	797	819	845	888	888	912	915	912	909
Section O: Jobseekers	1,790	2,128	3,589	3,668	4,173	4,537	4,583	4,367	3,953

Allowance									
Section P: Employment and Support Allowance	-	63	689	1,282	2,168	4,088	5,799	6,931	7,585
Section Q: Income Support	8,706	8,597	8,273	7,791	6,922	5,121	3,340	2,655	2,576
Section R: Pension Credit and Minimum Income Guarantee	7,449	7,793	8,229	8,323	8,112	7,781	7,599	7,466	7,422
Section S: Financial Assistance Scheme	2,520	750	(71)	(1,481)	1,171	829	505	197	-
Section T: TV Licences for the over 75s	510	533	555	578	587	591	602	613	623
Section U: Attendance Allowance	4,442	4,735	5,107	5,228	5,339	5,647	5,945	6,260	6,555
Section V: Disability Living Allowance	9,857	10,524	11,503	11,877	12,566	13,559	13,929	13,854	14,165
Section W: Carers Allowance	1,269	1,363	1,497	1,572	1,733	1,859	1,982	2,082	2,197
Section X: Housing Benefit	10,084	11,506	14,279	15,736	16,941	17,066	16,569	16,668	16,906
Section Y: Council Tax Benefit	3,910	4,128	4,576	4,793	4,825	4,760	4,235	4,222	4,224
Section Z: Rent Rebates	5,289	5,205	5,324	5,279	5,447	5,696	5,540	5,542	5,589
Section AA: Statutory Sick Pay and Statutory Maternity Pay	1,381	1,800	1,713	2,460	2,548	2,382	2,477	2,536	2,616
Section AB: Other Benefits	252	619	459	499	395	428	493	449	398
Section AC: Other Expenditure	44	13	(28)	(9)	(33)	(18)	(10)	(6)	-
Section AD: Incapacity Benefit	6,592	6,514	6,109	5,562	4,939	2,847	765	(20)	(11)
Section AE: Jobseekers Allowance	420	729	1,089	788	735	918	894	848	785
Section AF: Employment and Support Allowance	-	64	582	963	1,414	2,466	3,111	3,542	2,961
Section AG: Maternity Allowance	247	321	345	343	366	388	406	414	426
Section AH: State Pension	57,668	62,362	66,969	69,884	74,219	79,851	83,525	86,925	91,416
Section AI: Bereavement Benefits	730	675	649	614	594	571	553	537	521
Section AJ: Expenditure incurred by the Social Fund	2,476	3,214	3,325	3,812	2,374	2,425	2,409	2,394	2,381
Other Contributory Benefits	-	-	-	-	-	-	-	-	-
Consolidated Fund Extra Receipts	-	-	-	-	-	-	-	-	-
Total Resource AME	**127,329**	**135,344**	**146,514**	**151,337**	**159,303**	**165,599**	**167,015**	**169,593**	**174,366**
Of which:									
-Pay	-	-	-	-	-	-	-	-	-
-Net current procurement[1]	(1)	(1)	-	-	4	-	-	-	-
-Current grants and subsidies to the private sector and abroad	104,681	112,967	121,675	125,715	130,111	136,313	139,100	141,891	146,594
-Current grants to local government	19,302	20,858	24,198	25,826	27,235	27,583	26,510	26,568	26,809
-Net public service pensions[3]	-	-	-	-	-	-	-	-	-

-Take up of provisions	2,756	716	(28)	(1,422)	1,250	871	575	282	-
-Release of provisions	(60)	(80)	(75)	(78)	(98)	(60)	(80)	(91)	-
-Depreciation 2	-	6	(120)	439	(75)	94	96	108	111
-Other	651	878	863	857	877	798	814	835	852
Total Resource Budget	**135,271**	**143,184**	**155,284**	**160,185**	**166,791**	**173,645**	**174,813**	**177,500**	**174,366**
Of which:									
-Depreciation 2	155	157	102	602	126	335	241	245	111
Capital DEL									
Section A: Operational Delivery	52	25	51	66	37	-	-	-	-
Section B: Child Maintenance and Enforcement Commission	3	13	20	8	12	-	-	-	-
Section C: Health and Safety Executive	5	8	6	6	5	-	-	-	-
Section E: European Social Fund	-	-	-	-	-	-	-	-	-
Section F: Executive Non-Departmental Public Bodies (Net)	2	1	2	-	1	1	-	-	-
Section G: Employment Programmes	-	-	-	-	3	-	-	-	-
Section I: Other Programmes	7	1	8	81	52	71	73	83	-
Section J: Departmental Operating Costs	2	38	186	161	171	65	49	49	-
Section K: Unallocated Provision	-	-	-	-	-	192	262	110	-
Total Capital DEL	**72**	**85**	**272**	**323**	**280**	**329**	**385**	**242**	**-**
Of which:									
-Net capital procurement 4	49	90	251	233	227	66	123	132	-
-Capital grants to the private sector and abroad	23	-	19	10	1	-	-	-	-
-Capital support for local government	-	-	-	-	-	-	-	-	-
-Capital support for public corporations	4	-	7	2	1	-	-	-	-
-Other	(5)	(5)	(5)	79	51	263	262	110	-
Capital AME									
Section AJ: Expenditure incurred by the Social Fund	140	136	171	177	35	85	87	88	90
Total Capital AME	**140**	**136**	**171**	**177**	**35**	**85**	**87**	**88**	**90**
Of which:									
-Capital grants to the private sector and abroad	-	-	-	-	-	-	-	-	-
-Net lending to the private sector and abroad	140	136	171	177	35	85	87	88	90
-Capital support for public corporations	-	-	-	-	-	-	-	-	-
-Other	-	-	-	-	-	-	-	-	-
Total Capital Budget	**212**	**222**	**443**	**500**	**315**	**414**	**472**	**330**	**90**
Total Departmental Spending 5	**135,328**	**143,249**	**155,625**	**160,084**	**166,979**	**173,724**	**175,043**	**177,585**	**174,345**
Of which:									
Total DEL	7,859	7,775	8,821	9,009	7,567	8,135	8,037	8,012	-

Total AME	127,469	135,474	146,804	151,075	159,413	165,589	167,006	169,573	174,345

Table 1 Notes

1. Net of income from sales of goods and service.
2. Includes impairments.
3. Pension schemes report under Financial Reporting Standard 17 accounting requirements. Any amounts 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 less depreciation. Similarly total Departmental Expenditure Limit (DEL) is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total Annually Managed Expenditure (AME) is the sum of resource budget AME and capital budget AME.
6. This table represents DEL for Resource and Capital, set for each year in the Spending Review process (amended to incorporate transfers of functions to Other Government Departments as they have arisen).
7. Since 2009-10 the Department has received additional funding to manage the increased workflows caused by the recession. This funding is used to provide additional support to customers affected by the downturn.
8. National Insurance Fund (NIF) administration relates to the administration costs of processing NIF benefits, directly related to volumes of activity. These benefits are paid from the NIF rather than the Consolidated Fund, with associated costs to administer also paid from the NIF. The 2013-14 and future year plans are based on the 2012-13 plans but will be re-calculated on an annual basis.
9. As part of the Spending Review 2010 settlement the Department received funding which is subject to dual key arrangements. Presently this is reported against unallocated provision; it can only be drawn down subject to HM Treasury approval. It is intended for major investments including Universal Credit and Personal Independence Payment, plus ongoing recession related Work Programme activities.
10. AME limits are set as part of the Budget and Autumn Statement process.
11. Section headings are as per the Main Estimate 2012-13.
12. DEL Resource covers Spending Review 10 plans only
13. Totals may not sum due to rounding.

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

	£ Millions		
	2011-12 Main Estimate	2011-12 Supplementary Estimate	2011-12 Outturn
Resource DEL	**7,800**	**7,636**	**7,488**
Jobcentre Plus	2,324	2,340	2,313
Pension, Disability and Carers Service	335	348	313
Child Maintenance and Enforcement Commission	545	545	484
Health and Safety Executive	198	182	175
Financial Assistance Scheme	57	77	73
European Social Fund	-	-	15
Executive Non-Departmental Public Bodies (Net)	405	383	375
Employment Programmes	788	1,015	876
Housing Benefit and Council Tax Benefit Administration	500	549	546
Other Programmes	84	88	183
Departmental operating costs	1,375	1,288	1,314
Unallocated provision	368	-	-
National Insurance Fund	821	821	821
Resource AME	**157,372**	**161,015**	**159,303**
Severe Disablement Allowance	889	876	881
Industrial Injuries Disablement Benefit	891	886	888
Jobseeker's Allowance	3,951	4,364	4,173
Employment and Support Allowance	2,200	2,170	2,168
Income Support	6,205	7,028	6,922
Pension Credit and Minimum Income Guarantee	8,185	8,083	8,112
Financial Assistance Scheme	359	963	1,171

TV licences for the over 75's	579	578	587
Attendance Allowance	5,468	5,424	5,339
Disability Living Allowance	12,615	12,592	12,566
Carer's Allowance	1,727	1,730	1,733
Housing Benefit	16,749	17,329	16,941
Council Tax Benefit	4,783	4,842	4,825
Rent Rebates	5,347	5,495	5,447
Statutory Sick Pay and Statutory Maternity Pay	2,053	2,548	2,548
Other benefits	490	410	395
Other expenditure	(19)	(19)	(33)
Incapacity Benefit	4,291	4,860	4,939
Jobseeker's Allowance	885	762	735
Employment and Support Allowance	1,807	1,458	1,414
Maternity Allowance	352	358	366
State Pension	74,429	74,717	74,219
Bereavement benefits	584	592	594
Expenditure incurred by the Social Fund	2,550	2,967	2,374
Resource Non-Budget	**2,544**	**2,961**	**2,515**
Cash paid in to the Social Fund	2,544	2,961	2,515
Total Resource	**167,716**	**171,612**	**169,306**
Capital DEL	**245**	**311**	**280**
Jobcentre Plus	44	44	31
Pension, Disability and Carers Service	13	19	6
Child Maintenance and Enforcement Commission	-	-	12

Health and Safety Executive	7	6	5
Executive Non-Departmental Public Bodies (Net)	7	1	1
Employment Programmes	-	-	3
Other Programmes	1	1	52
Departmental operating costs	105	241	171
Unallocated provision	69	-	-
Capital AME	**86**	**86**	**35**
Expenditure incurred by the Social Fund	86	86	35
Capital Non-Budget	-	-	-
Total Capital	**331**	**397**	**315**

Table 2 Notes

1. The section headings are as per the Main and Supplementary Estimates 2011-12
2. Explanations of notable variances are included in the Financial Overview section of the Annual Report and Account.
3. Totals may not sum due to roundings.

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

	£ Millions 6							
	2007-08 Outturn	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Outturn**	**2011-12 Outturn**	**2012-13 Plans**	**2013-14 Plans**	**2014-15 Plans**
Assets and liabilities on the statement of financial position at end of year:								
Assets								
Non-current Assets	**3,834**	**3,328**	**3,612**	**3,760**	**3,937**	**4,235**	**4,300**	**4,267**
Intangible 2	304	363	448	506	538	631	532	402
Tangible	2,626	2,014	1,955	2,044	1,977	2,115	2,209	2,227
of which:								
Land and buildings 3	2,449	1,872	1,821	1,939	1,896	1,836	1,909	1,987
Leasehold improvements	(4)	-	-	-	-	-	-	-
Plant and Machinery	-	-	2	20	16	16	16	16
Furniture & Fittings	3	3	10	-	-	1	36	45
Transport & Equipment	-	-	-	-	-	-	-	-
Information Technology 3	150	139	122	85	62	259	246	177
Payments on Account & Assets under construction	27	-	-	-	3	3	3	3
Financial Assets 4	1	11	49	126	177	244	315	394
Trade and Other Receivables	903	941	1,160	1,084	1,244	1,244	1,244	1,244
Current Assets	**2,950**	**2,455**	**2,680**	**2,813**	**2,632**	**2,632**	**2,632**	**2,632**
Liabilities								
Payables (<1 year)	(3,935)	(4,599)	(4,905)	(5,276)	(4,282)	(4,306)	(4,323)	(4,270)
Payables (>1 year)	(1,546)	(1,148)	(1,113)	(985)	(851)	(806)	(651)	(461)
Provisions 5	(3,634)	(4,357)	(4,312)	(2,774)	(3,861)	(4,585)	(4,988)	(5,076)

Pension Liabilities	-	-	-	-	-	-	-	-
Capital Employed within Core Department	**(2,331)**	**(4,321)**	**(4,038)**	**(2,462)**	**(2,426)**	**(2,831)**	**(3,030)**	**(2,907)**
Arm's Length Bodies Net Assets	**(48)**	**(69)**	**(65)**	**(48)**	**(46)**	**(58)**	**(68)**	**(77)**
Total Capital Employed in Departmental Group	**(2,379)**	**(4,390)**	**(4,104)**	**(2,510)**	**(2,471)**	**(2,888)**	**(3,098)**	**(2,985)**

Table 3 Notes

1. In this table the previous years have been restated, moving the capital employed for Health and Safety Executive and Child Maintenance Enforcement Commission to Arm's Length Bodies net assets. This is consistent with the Core Department in the 2011-12 Statement of Financial Position.
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. 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 01/04/09. This makes the figures consistent with the Consolidated Statement of Financial Position in this publication. The Department's IT contract includes periodic refresh of hardware.
4. The increase in financial assets relates primarily to loans made to National Employment Savings Trust (NEST).
5. Provisions are primarily in respect of Financial Assistance Scheme and reflect the latest forecasts of the likely assistance payments.
6. Totals may not sum due to rounding.

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

	£ Millions [3]							
	2007-08 Outturn	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Outturn**	**2011-12 Outturn [1]**	**2012-13 Plans [1]**	**2013-14 Plans [1]**	**2014-15 Plans [1]**
Section A: Operational Delivery	1,703	1,714	1,396	1,269	176	252	120	95
Section B: Child Maintenance and Enforcement Commission	542	579	448	391	121	154	192	190
Section C: Health and Safety Executive	156	155	153	132	111	106	96	91
Section F: Executive Non-Departmental Public Bodies (Net)	-	-	-	-	15	22	16	15
Section J: Departmental Operating Costs	2,166	2,172	3,010	2,726	910	1,058	862	827
Consolidated Fund Extra Receipts	-	-	-	-	-	-	-	-
Section L: National Insurance Fund [2]	1,096	1,001	1,056	1,093	-	-	-	-
Total administration budget	**5,664**	**5,621**	**6,063**	**5,610**	**1,333**	**1,593**	**1,287**	**1,219**
Of which								
Paybill	3,029	3,019	3,440	3,405	645	517	549	477
Expenditure	2,798	2,807	2,855	2,452	792	1,265	919	911
Income	(162)	(204)	(232)	(247)	(104)	(188)	(181)	(168)

Table 4 Notes

1. 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 DEL Administration to DEL Programme with effect from 1 April 2011. This has caused significant changes to the size of the Administration budgets for Operational Delivery, Child Maintenance and Enforcement Commission and some other Departmental costs.
2. National Insurance Fund (NIF) administration relates to the administration costs of processing NIF benefits, directly related to volumes of activity. From 2011-12, activities funded from the NIF are now re-classified to DEL Programme.
3. Totals may not sum due to rounding.

Table 5: Staff Numbers (full time equivalent as at 31 March)

		31 March 2010	31 March 2011	31 March 2012
Payroll Staff	Core Department (Not including Non-Departmental Public Bodies)	108,555	97,963	88,626
	Jobcentre Plus (included in main departmental total)	82,647	72,939	Not applicable
	Pensions Disability and Carers Service (included in main departmental total)	13,969	13,139	Not applicable
	Non-Departmental Public Bodies	17,717	17,166	15,556
	Departmental Group	126,272	115,129	104,182
Non-Payroll Staff	Core Department	760	138	81
	Non-Departmental Public Bodies	591	296	336
	Departmental Group	1,351	434	417

Table 5 Notes:

1. All figures are shown at a point in time on a full time equivalent basis and payroll staff numbers reflect the current Office for National Statistics definition for civil service staff.
2. My Civil Service Pensions (My CSP) 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 and March 2012 values above. With effect from 1 May 2012 My Civil Service Pension (MyCSP) became a mutual joint venture and ceased to be administered by the Department.
3. Jobcentre Plus and Pension, Disability and Carers Service ceased to have legal status from October 2011.
4. Non-Departmental Public Bodies figures at March 2010 include Child Maintenance and Enforcement Commission, Health and Safety Executive, The Pensions Regulator, The Pensions Advisory Service, Independent Living Fund, Remploy and the Personal Accounts Delivery Authority. For March 2011 and 2012 PADA is replaced by the National Employment Savings Trust.

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 Outturn**
North East	5,361	5,575	5,909	6,361	6,586
North West	13,823	14,446	15,374	16,547	17,094
Yorkshire and the Humber	9,295	9,706	10,392	11,280	11,697
East Midlands	7,625	8,045	8,695	9,455	9,839
West Midlands	10,045	10,533	11,292	12,265	12,677
East	9,195	9,730	10,531	11,450	11,873
London	11,128	11,467	12,020	12,943	13,211
South East	12,722	13,471	14,612	15,920	16,492
South West	9,112	9,635	10,407	11,285	11,694
Total England	**88,306**	**92,607**	**99,233**	**107,506**	**111,162**
Scotland	10,191	10,629	11,322	12,195	12,615
Wales	6,553	6,839	7,276	7,807	8,104
Northern Ireland	12	12	13	13	13
UK identifiable expenditure	**105,061**	**110,087**	**117,844**	**127,521**	**131,894**
Outside UK	2,434	2,626	2,882	3,066	3,150
Total identifiable expenditure	**107,495**	**112,713**	**120,726**	**130,587**	**135,044**
Non-identifiable expenditure	-	2	31	34	19
Total expenditure on services	**107,495**	**112,715**	**120,757**	**130,621**	**135,063**

Table 7 – Department for Work and Pensions identifiable expenditure on services, by country and region, per head 2006-07 to 2010-11

	£ per head				
	National Statistics				
	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn
North East	2,100	2,177	2,299	2,461	2,526
North West	2,017	2,105	2,237	2,399	2,465
Yorkshire and the Humber	1,806	1,873	1,992	2,145	2,207
East Midlands	1,748	1,830	1,963	2,124	2,196
West Midlands	1,873	1,958	2,088	2,258	2,324
East	1,644	1,722	1,842	1,986	2,036
London	1,475	1,508	1,568	1,669	1,688
South East	1,547	1,624	1,746	1,887	1,935
South West	1,778	1,861	1,997	2,157	2,217
England	1,740	1,812	1,928	2,075	2,128
Scotland	1,992	2,066	2,191	2,348	2,416
Wales	2,212	2,298	2,434	2,603	2,695
Northern Ireland	7	7	7	7	7
UK identifiable expenditure	**1,734**	**1,805**	**1,919**	**2,064**	**2,118**

Table 8 – Department for Work and Pensions identifiable expenditure on services by function, country and region, for 2010-11

	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 organs, financial and fiscal, external affairs	-	-	-	-	-	-	-	-	-	1.0	-	-	-	1.0	-	1.0	19.0	20.0
General services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total general public services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.0**	**-**	**-**	**-**	**1.0**	**-**	**1.0**	**19.0**	**20.0**
Economic affairs																		
General economic, commercial and labour affairs	199.0	471.0	347.0	249.0	373.0	267.0	482.0	342.0	227.0	2,958.0	292.0	205.0	-	3,455.0	6.0	3,461.0	-	3,461.0
R&D economic affairs	-	-	-	-	-	-	-	-	-	(1.0)	-	-	-	(1.0)	-	(1.0)	-	(1.0)
Total economic affairs	**199.0**	**471.0**	**347.0**	**249.0**	**373.0**	**267.0**	**482.0**	**342.0**	**227.0**	**2,957.0**	**292.0**	**204.0**	**-**	**3,454.0**	**6.0**	**3,460.0**	**-**	**3,460.0**
Social protection																		
Sickness and disability	1,582.0	4,105.0	2,479.0	2,004.0	2,594.0	2,013.0	2,401.0	2,654.0	2,120.0	21,951.0	2,974.0	2,165.0	-	27,090.0	70.0	27,160.0	-	27,160.0

Old age	3,565.0	9,344.0	6,778.0	6,017.0	7,463.0	7,915.0	7,231.0	11,269.0	7,771.0	67,353.0	7,074.0	4,327.0	13.0	78,768.0	2,946.0	81,713.0	-	81,713.0
Survivors (widows benefits)	30.0	78.0	55.0	47.0	60.0	58.0	58.0	87.0	52.0	526.0	66.0	35.0	-	626.0	17.0	643.0	-	643.0
Family and children	579.0	1,600.0	953.0	720.0	1,017.0	770.0	1,650.0	1,054.0	784.0	9,127.0	1,099.0	697.0	-	10,923.0	18.0	10,941.0	-	10,941.0
Unemployment	347.0	794.0	612.0	428.0	669.0	458.0	857.0	572.0	367.0	5,103.0	596.0	336.0	-	6,035.0	9.0	6,044.0	-	6,044.0
Social exclusion n.e.c.	122.0	294.0	210.0	160.0	227.0	167.0	250.0	208.0	141.0	1,779.0	211.0	136.0	-	2,127.0	-	2,127.0	-	2,127.0
Social protection n.e.c.	161.0	408.0	264.0	214.0	274.0	226.0	282.0	305.0	232.0	2,365.0	303.0	203.0	-	2,871.0	83.0	2,954.0	-	2,954.0
Total social protection	**6,387.0**	**16,623.0**	**11,350.0**	**9,590.0**	**12,304.0**	**11,606.0**	**12,729.0**	**16,150.0**	**11,466.0**	**108,204.0**	**12,323.0**	**7,899.0**	**13.0**	**128,439.0**	**3,144.0**	**131,583.0**	**-**	**131,583.0**
TOTAL DEPARTMENT FOR WORK AND PENSIONS	**6,586.0**	**17,094.0**	**11,697.0**	**9,839.0**	**12,677.0**	**11,873.0**	**13,211.0**	**16,492.0**	**11,694.0**	**111,162.0**	**12,615.0**	**8,104.0**	**13.0**	**131,894.0**	**3,150.0**	**135,044.0**	**19.0**	**135,063.0**

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 as part of the October 2011 Public Expenditure Statistical Analyses (PESA) National Statistics release. The figures were taken from the HM Treasury public spending database in summer 2011 and the regional distributions were completed by autumn 2011. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report. Totals may not sum due to rounding.

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 Non-Departmental Public Bodies, 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 are 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 A of the CRA. These are not the same as the strategic priorities shown elsewhere in the report.

7. Totals may not sum due to rounding.

Annex 2: Quarterly Data Summary impact indicators and other key data[1]

Impact Indicators

Rates of people moving from out of work benefits

Technical Definition	Cohorts of people moving on to Jobseeker's Allowance (JSA) and Employment Support Allowance (ESA) each month are tracked to see how long it takes people to flow off benefit. The percentage of each cohort that have flowed off after 52 weeks for JSA claimants and 65 weeks for ESA claimants is then calculated. The indicator is expressed publicly in the form "x per cent of customers left benefit by y weeks". Originally this indicator was designed to report the rate of people moving from an out of work benefit into employment. However, the HM Revenue and Customs data originally intended to measure the 'into employment' part has been found by a supplementary survey to substantially underestimate the proportion of benefit leavers moving into work (it does not fully record paid employment e.g. people earning under the tax threshold, and self employment). A detailed discussion of the survey findings and the methodology is available here: http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep791.pdf As data for this indicator will now only measure the rate at which people leave Jobseeker's Allowance and Employment Support Allowance the title and scope of this indicator has been revised in the 2012-15 Departmental Business Plan.
Good performance	Generally an improvement would be demonstrated by an increase in the indicator. However, the indicator is subject to impact of benefit conditionality and operational changes, seasonal variation and to the economic cycle. For example, off-flow rates are likely to fall in a recession and as the Employment and Support Allowance caseload changes following the work capability reassessment of incapacity benefit claimants. Data are not seasonally adjusted so generally only year on year comparisons are meaningful.
Collecting organisation	Management Information (Jobcentre Plus).

Number of people on key out of work benefits

Technical Definition	This indicator measures the non-seasonally adjusted number of people aged 16 to State Pension age claiming: Jobseeker's Allowance; Employment and Support Allowance; Incapacity Benefit; Severe Disablement Allowance; Income Support (as a lone parent or in the "other" category) and Pension Credit (under State Pension age).
Good performance	Generally, an improvement would be demonstrated by a fall in the indicator,

[1] Full technical annexes and the latest data for each indicator can be found on the Departmental Business Plan transparency measures page: http://www.dwp.gov.uk/publications/corporate%2Dpublications/dwp%2Dbusiness%2Dplan%2D2011%2D2015/business%2Dplan%2Dtransparency/

	but other factors including the economy may also need to be accounted for. Data are not seasonally adjusted so only year on year comparisons are meaningful.
Type of data / Collecting organisation	National Statistics. Raw data is collected by Jobcentre Plus as part of the process for assessing and paying benefits. The claimant count is published by the Office for National Statistics; the other benefit data are published by the Department.

Proportion of children living in workless households

Technical Definition	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.
Good performance	Generally, an improvement would be demonstrated by a statistically significant fall in the indicator (for April-June 2010 to April-June 2011 this would have been a fall greater than the sampling variability of 0.6 percentage points (such a change would imply a rise in the proportion of children living in working households), but other factors (for example changes in household formation and economic conditions over time) may also need to be accounted for. Significant changes in the indicator may be observed more easily over a longer time period. Data are not seasonally adjusted so only year on year comparisons are meaningful.
Type of data/ Collecting organisation	National Statistics. Office for National Statistics

The proportion of young people not in full time education who are not in employment

Technical Definition	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 18-24s not in full time education, the proportion also not in employment.
Good performance	Generally a statistically significant decrease in the indicator will demonstrate an improvement in the labour market position of young people but external factors such as economic conditions will also need to be taken into account. Data are seasonally adjusted. There is no published data for the confidence intervals around the indicator. However, the Department has estimated that the confidence interval for a single quarterly estimate of the indicator is approximately +/- 1.4 per cent. The confidence interval for a year on year change is approximately +/- 2 per cent.
Type of data /Collecting organisation	Survey data. Office for National Statistics

The proportion of the lowest earners that experience wage progression

Technical Definition	The indicator measures the proportion of individuals in the bottom fifth of earners at age 25-30 that are twenty or more percentiles higher in the earnings distribution ten years later.
Good performance	A statistically significant increase in the indicator (between 2001-2010 and 2002-2011 this would be an increase of more than 1.4 percentage points) would constitute an improvement. The policy levers for influencing this

	indicator sit across Government, not just in the Department. Wider factors, for example general economic conditions and skill levels across the workforce, will also influence this indicator.
Type of data/ Collecting organisation	Survey data. Data are collected and processed by the Office for National Statistics. Analysis is performed by the Department's analysts.

Rate of disability poverty

Technical Definition	This indicator measures the percentage of individuals in families containing someone who is disabled with an income below 60 per cent of median income in a particular year. Data are adjusted for family size and composition, before deducting for housing costs, so different household types are compared in a robust way.
Good performance	Generally a statistically significant decrease in the indicator will demonstrate that an improvement has been achieved, but external factors such as wider economic conditions also need to be taken into account. The confidence interval suggests the true figure is between 18.9 per cent and 21.0 per cent and therefore the 95 per cent confidence interval for the 2010/11 data is +/- 1 percentage point.
Type of data/ Collecting organisation	Family Resources Survey. A consortium of the Office for National Statistics and the National Centre for Social Research under contract to the Department.

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

Technical Definition	The indicator measures the difference in the employment rates between the employment rate for disabled people (as defined in the Equality Act) and the overall population. The indicator uses the Office for National Statistics Headline Rate definition of the employment rate, i.e. between the ages of 16 and 64 for both males and females.
Good performance	Generally, an improvement would be demonstrated by a statistically significant fall in the indicator greater than the sampling variability of approximately 1.4 percentage points but external factors such as wider economic conditions also need to be taken into account. Data are not seasonally adjusted so only year on year comparisons are meaningful.
Type of data /Collecting organisation	Survey/Management information. The Office for National Statistics

Fraud and Error in the benefit system, as a percentage of expenditure

Technical Definition	This indicator measures the estimates of the levels of overpayment and underpayment, as a percentage of benefit expenditure, due to fraud and error across the benefit system
Good performance	A statistically significant decrease in the percentage of overpayments and underpayments would demonstrate improved performance but economic conditions and overall expenditure would also need to be taken into account. The estimates are based on a random sample of the total benefit caseload and are therefore subject to statistical uncertainties. This uncertainty is quantified by 95 per cent confidence intervals around the central estimate.

Type of data/ Collecting organisation	National Statistics /Department for Work and Pensions.

Rate of pensioner poverty

Technical Definition	This indicator measures the percentage of pensioners with incomes below 60 per cent of median income in a particular year adjusted for family size and composition and after deducting housing costs, so compares different household types in a robust way. The preferred measure of low income for pensioners is based on incomes measured After Housing Costs, as nearly three quarters of pensioners own their own homes. Considering pensioners' incomes compared to others after deducting housing costs allows for more meaningful comparisons of income between working age people and pensioners, and between pensioners over time.
Good performance	Generally a statistically significant decrease in the indicator will demonstrate that an improvement has been achieved, but external factors such as wider economic conditions also need to be taken into account. The confidence interval suggests the true figure is between 13.5 per cent and 14.9 per cent and therefore the 95 per cent confidence interval for the 2010/11 data is +/-0.7 percentage points.
Type of data / Collecting organisation	Survey-Family Resources Survey. A consortium of the Office for National Statistics and the National Centre for Social Research under contract to the Department.

Number of employees in a pension scheme sponsored by their employer

Technical Definition	This 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 and is participating in a pension scheme sponsored by their employer. An individual may have more than one job.
Good performance	An increase of at least 0.1 million employee jobs, based on unrounded data would demonstrate that an improvement has been achieved.
Type of data/ Collecting organisation	Survey Data collected and processed by the Office for National Statistics. Analysis is performed by the Department's analysts.

Average age people stop working

Technical Definition	This indicator measures the ages at which older people withdraw from the labour market and become inactive. This indicator is measured using the "average age of withdrawal from the labour market" statistic previously published by the Office for National Statistics. The average age of withdrawal is based on multiplying each age by the probability of exiting the labour market at that age.
Good performance	An increase in the average age of withdrawal of more than around 0.5 years would demonstrate an improvement. Small changes from one year to another are normal; the focus should be on longer term trends. External factors, such as wider economic conditions should also be taken into account. Data are not seasonally adjusted so only year on year comparisons are meaningful.
Type of data/	Existing data is a National Statistic based on the Office for National Statistics'

Collecting organisation	Labour Force Survey data UK. Office for National Statistics.

Public opinion of the Department for Work and Pensions service levels

Technical Definition	The indicator is an overall satisfaction score (either fairly or very satisfied) of the percentage of people who have had meaningful contact with the Department over a 6 month period. This involves an interaction with either Jobcentre Plus (JCP) or the Pension Disability and Carers Service (PDCS).
Good performance	This is a baseline measure for the Department. A statistically significant increase in the level of satisfaction would demonstrate an improvement. Satisfaction ratings are reported at the 95 per cent confidence level and subtle changes can be detected (e.g. 1 per cent change).
Type of data/ Collecting organisation	Survey data. External contractor Taylor Nelson Sofres-British Market Research Bureau (TNS-BMRB) on behalf of the Department.

Other Key Data

Proportion of customers for whom providers have achieved a Job Outcome payment at 12 months on the programme.

Technical Definition	This indicator will measure the proportion of customers for whom providers have achieved a Job Outcome payment 12 month after they were referred to the Work Programme. The Department is working to guidelines set by the UK Statistics Authority to publish official statistics on Work Programme outcomes at the earliest opportunity. The indicator will be calculated on a cohort basis with the first publication looking at the first few months of referrals. Each quarter this will be updated, and the measure will look at the next cohort (by quarter) of referrals that have reached the 12 month point in the programme.
Good performance	Good performance would be consistent increases in the proportion of customers for whom providers were achieving Job Outcome Payments.
Type of data/ Collecting organisation	Official Statistic. The Department's administrative systems.

Number of Incapacity Benefit recipients reassessed and those moving from Incapacity Benefit to Employment and Support Allowance nationally

Technical Definition	The indicator records both the number of Incapacity Benefit (IB) claimants that have started the Employment Support Allowance (ESA) reassessment process, and the proportion of these moved to ESA (either the Work Ready Group or the Support Group). Claimants who start the process but leave benefit before it is completed are included in the data. Starting the reassessment process is defined as the point at which an IB claimant is referred for a Work Capability Assessment.
Good performance	Planning assumptions are that national reassessment will take 3 years so a good performance will be one that is in line with plans.
Type of data/ Collecting organisation	Official Statistics published by the Department using data collected by the Department and ATOS Healthcare.

The number of disabled people taking up Right to Control, by location

Technical Definition	The number of people who have been deemed eligible for one or more of the six funding streams included under the Right to Control (Adult Social Care, Supporting People, Independent Living Funds, Access to Work, Work Choice and Disabled Facilities Grants) and have been informed they have the Right to Control in one of the seven Trailblazer locations. The seven locations are: Barnsley Metropolitan Borough Council and Sheffield City Council (joint), Essex County Council, Manchester Area Partnership – incorporating Manchester City Council, Oldham Council, Bury Council, Stockport Metropolitan Borough Council and Trafford Council, Leicester City Council, London Borough of Barnet, London Borough of Newham, and Surrey County Council (two Districts Epsom and Ewell Borough Council, and Reigate and Banstead Borough Council).
Good performance	The Right to Control is currently being tested piloted in seven Trailblazer areas across six funding streams. With good practice being embedded (so that all eligible customers should be told about their right to control how services are delivered to them), good performance would be observed through an increase in the number of disabled people being notified of the Right to Control over the duration of the trailblazer.
Type of data/ Collecting organisation	Management Information (MI). Local Authorities who are Trailblazers, Departmental administrative systems.

Proportion of new Jobseeker's Allowance applications submitted on line

Technical Definition	This indicator measures the proportion of new Jobseeker's Allowance (JSA) applications submitted online as a percentage of all JSA new claims received and recorded in the Jobseeker's Allowance Payment System (JSAPS) within the same month. Submitted online means: the proportion of claims submitted online which are then recorded in the JSAPS system, where the online marker that was set when the claim was made is still retained; and 'all JSA new claims' means the total number of JSA new claims received and recorded in the JSAPS system.
Good performance	Good performance would be observed through increases in the proportion of new customers claiming JSA online.
Type of data /Collecting organisation	Management Information. Departmental Management Information systems

The proportion of households that are workless

Technical Definition	The number of workless households as a proportion of all households (excluding households in which all members are aged 65 and over). 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. Data are not seasonally adjusted.
Good performance	Generally, an improvement would be demonstrated by a statistically significant fall in the proportion of households that are workless (for April-June 2010 to April-June 2011 this would have been a fall in the proportion of households that are workless greater than the sampling variability of 0.6 percentage points), but other factors (for example changes in household formation and economic conditions over time) may also need to be accounted for. Significant

	changes in the indicator may be observed more easily over a longer time period. Data are not seasonally adjusted so only year on year comparisons are meaningful.
Type of data/ Collecting organisation	National Statistics Household Labour Force Survey. Office for National Statistics

Annex 3: Non-Departmental Public Bodies and Public Corporations

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. Further information on the Department's Non-Departmental Public Bodies can be found in the DWP Annual Appointments Report[1]

Executive and Public Corporations

Organisation	Function
Child Maintenance and Enforcement Commission	The Department has ministerial responsibility for the Child Maintenance and Enforcement Commission (CMEC), 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. The Independent Living Fund will continue to administer existing awards until 2015 and a consultation will be held in spring 2012 on how users will be supported thereafter. Further information about the Independent Living Fund is available at: http://www.dwp.gov.uk/ilf/
National Employment Savings Trust (NEST) Corporation (Public Corporation)	NEST Corporation is the trustee body responsible for overseeing the National Employment Savings Trust (NEST). NEST is a new, low cost, workplace pension scheme that is designed to meet the needs of low-to-moderate earners and their employers in particular. Further information about NEST Corporation is available at: http://www.nestpensions.org.uk

[1] http://www.dwp.gov.uk/about-dwp/public-bodies/dwp-sponsored-public-bodies/

Remploy Ltd (Public Corporation)	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	The Pensions Advisory Service (TPAS) 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 (Public Corporation)	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

Organisation	Function
Pensions Ombudsman Pension Protection Fund Ombudsman	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/

Advisory

Organisation	Function
Disability Living Allowance Advisory Board Equality 2025	The advisory bodies provide independent and expert advice to ministers. The Disability Living Allowance Advisory Board, Equality 2025 and the Industrial Injuries Advisory Council are supported by a secretariat team from within the Department. The Social Security Advisory

Industrial Injuries Advisory Council	Committee's Secretariat is not within the Department for Work and Pensions (DWP) but is comprised of staff who are on loan from DWP and HMRC. Advisory bodies do not have their own budget or executive functions. 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 services is available at the following web addresses: http://www.dwp.gov.uk/dlaab http://odi.dwp.gov.uk/equality-2025/index.php http://iiac.independent.gov.uk/ http://ssac.independent.gov.uk/
Social Security Advisory Committee	

Annex 4: Sustainable Development

Reporting performance against sustainability targets and related expenditure increases transparency and accountability. This Annex contains a more detailed breakdown of the summary included within the main body of the report. An extended version of the Department's sustainability performance is available on the Sustainability and Climate Change section of the Department's website.

Successful collaborative initiatives with key suppliers has resulted in the Department reducing emissions from electricity by 32,059 tonnes CO2e, reducing waste by 2,782 tonnes, and water consumption by 96,261m^3. In April 2011, the Department achieved Carbon Trust Standard re-certification – the largest public sector organisation to achieve this award and shares this accolade alongside organisations such as Lloyds, Asda and M&S.

Summary of performance

Greenhouse Gas Emissions Performance

The majority of the Department's emissions result from running its buildings and travel. Initiatives such as the introduction of multi-functional printing devices and exploiting video and telephone conferencing have reduced emissions considerably. Details of these and other schemes are outlined in the Department's Carbon Management Plan.

The Department intends to maintain its current positive sustainability performance – for example, by implementing the Carbon Trust's energy reduction recommendations, engaging staff to encourage positive environmental impacts and investing in more efficient IT. Estates rationalisation seeks to retain the most energy efficient buildings and working with Telereal Trillium, the Department aims to improve the energy efficiency of the remaining buildings by replacing inefficient heating boilers during scheduled maintenance works and replacing, or retro-fitting, energy efficient lighting and switching.

Greenhouse Gas Emissions		2009-10[1]	2010-11[2]	2011-12
Non-Financial Indicators (tCO2e)	**Scope 1 Emissions**			
	Gas	43,712	40,831	36,298
	Oil	2,128	2,019	1,455
	Fugitive Emissions	124	1,594	1,594[3]
	Private User Scheme vehicles	5,362	5,184	4,463[4]
	Official vehicles	1,470	1,189	1,105[5]
	Total Scope 1	**52,796**	**50,817**	**44,915**
	Scope 2 Emissions			
	Electricity: Brown	69,532	93,933	77,020
	Electricity: Green	28,028	12,126	10,269
	Electricity: CHP	37,192	18,189	15,404
	Total Scope 2	**134,752**	**124,248**	**102,693**
	Scope 3 Emissions			
	Grey fleet	8,621	6,644	5,364
	Car hire	2,320	1,615	1,712[6]
	Taxis	139	72	33
	Air	2,131	928	341
	Rail	4,233	2,966	1,649
	Tube/Tram	49	34	37
	Coach/Bus	90	12	52
	Total Scope 3	**17,583**	**12,271**	**9,188**
	TOTAL EMISSIONS	**205,131**	**187,336**	**156,796**
Related Energy Consumption (KWh)	**Scope 1**			
	Gas	237,618,924	220,431,616	197,702,890
	Oil	7,695,495	7,593,888	5,222,910
	Scope 2			
	Electricity: Brown	127,773,947	172,284,577	146,811,315
	Electricity: Green	51,505,778	22,240,665	19,574,842
	Electricity: CHP	68,344,204	33,360,998	29,362,263
	TOTAL ENERGY	**492,938,348**	**455,911,744**	**398,674,220**
Financial Indicators (£)	**Scope 1 and 2**			
	Gas	5,848,002	6,298,006	6,811,466
	Oil	368,834	464,920	331,186
	Electricity: Brown	10,910,563	16,018,396	16,092,126
	Electricity: Green	4,398,056	2,135,786	2,145,617
	Electricity: CHP	5,835,882	3,203,679	3,218,425
Carbon Related Expenditure (£)	Carbon Reduction Commitment	N/A	N/A	1,856,000[7]
	Government Carbon Off-setting Fund (GCOF)	32,085	7,067	Not yet available

[1] 2009-10 is the baseline year for the Greening Government Commitments. Adjustments have been made to the figures to exclude sites that transferred from the Department as a result of Machinery of Government Changes, and to the calculation methodology. Further information is available at www.dwp.gov.uk/about-dwp/sustainable-development.

[2] 2010-11 data has been restated to take account of year end reconciliation, and to match the revise baseline. For more detail see www.dwp.gov.uk/about-dwp/sustainable-development

[3] Data is not available for fugitive emissions for 11-12, so 2010-11 data used.

[4] Estimated mileage data used for March 2012. For more detail see www.dwp.gov.uk/about-dwp/sustainable-development.

[5] Estimated mileage data used for March 2012. For more detail see www.dwp.gov.uk/about-dwp/sustainable-development.

[6] Estimated mileage data used for March 2012. For more detail see www.dwp.gov.uk/about-dwp/sustainable-development.

7 Carbon Reduction Commitment – this is the figure estimated for payment, which will not be confirmed until July 2012.

Waste Performance

The Department's Swap Shop works hand-in-hand with the Estates Rationalisation Programme promoting the re-use of surplus office equipment. This and the continued practice of only printing when necessary, supported by multi-functional printing devices that by default print duplex in black and white, continues to deliver a reduction, 10 per cent this year, in total waste produced.

Waste		**2009-10**	**2010-11**[1]	**2011-12**[2]
Non-Financial Indicators (tonnes)	Total Waste	16,626[3]	15,445	13,844
	Waste to landfill	6,104	5,629	5,431
	Waste recycled/reused	10,522	9,816	8,413

Use of finite resources Performance

The Department has reduced its water consumption this year by a further 5 per cent – an average performance of $8m^3$/FTE. Staff engagement, supported by a network of office Environment Champions, aims to continue reducing water consumption by promoting sensible measures to preserve water and Telereal Trillium continues to assess where dual-flush systems can be installed to replace old large-capacity toilet cisterns.

Water consumption (scope 2)		**2009-10**[4]	**2010-11**[5]	**2011-12**
Non-Financial Indicators (m^3)	Water consumption	810,701	751,676	714,440
Financial Indicators (£)	Water supply	1,185,033	1,174,194	1,170,185
	Sewerage	2,578,008	2,387,971	2,345,766
	Total Water Costs	3,763,041	3,562,165	3,515,951

Other Greening Government Activities

Biodiversity and Natural Environment 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.

[1] Restated to take account of year end reconciliation, and to match the revise baseline. For more detail see www.dwp.gov.uk/about-dwp/sustainable-development
[2] Figures include reported data to Feb 2012. Estimated data for March 2012 has been used for March 2012 – for details see www.dwp.gov.uk/about-dwp/sustainable-development
[3] Restated to reflect change in scope of baseline – for details see www.dwp.gov.uk/about-dwp/sustainable-development
[4] Baseline year restated to take account of Machinery of Government changes - for details see www.dwp.gov.uk/about-dwp/sustainable-development
[5] Restated to reflect change in scope of baseline – for details see www.dwp.gov.uk/about-dwp/sustainable-development

Sustainable Procurement

The Department continues to use its significant spend and commercial activity to influence wider Government and suppliers. Recent initiatives include promoting the use of apprenticeships and skills through contracts and supporting the Growth Agenda to ensure that Small and Medium Sized Enterprises (SME) can bid for and be successful when tendering for Departmental contracts.

The Department's commercial function is supported by the DWP Commercial Policy and Process Team who provide tools to successfully incorporate environmental, economic and social considerations into the commercial function with the result that sustainability is firmly embedded into contract documentation, specifications, schedules of tender and terms and conditions. The policy team also provide a wide range of guidance and tools to enable staff to carry out risk assessments on the sustainable element of all new contracts let by the Department. The Department has its own Sustainable Procurement Strategy defining the Department's success and objectives for the future.

The Department is keen to promote good working relationships with its suppliers and 2012 sees the continuation of the Departmental Supplier Excellence Awards which includes a category for best supplier contribution to sustainability and best Small Medium sized Enterprises/Voluntary Community Sector supplier.

Climate Change Adaptation

The Department recognises the importance of ensuring that long term planning takes into account the potential impacts of climate change – it features within our mainstreaming tools, and regularly reviewed and updated information is made available to key staff. The Department has contributed to the development of Climate Change Risk Assessments and continues to work on the delivery of its Climate Change Adaptation Plan.

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 Maintenance and Enforcement Commission 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 use 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*
Calls to 0845 numbers from BT landlines should cost no more than 5p a minute with a 13p 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*
Calls to 0870 numbers from BT land lines should cost no more than 7p per minute with a 12p 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 as at April 2012 (0870 numbers as at December 2011) but may be subject to change by BT or other phone companies.