Department for Work and Pensions Annual Report & Accounts 2013-14

(For the year ended 31 March 2014)

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Foreword by the Secretary of State

Rt. Hon Iain Duncan Smith MP

As the Department for Work and Pensions' longest standing Secretary of State, I continue to be impressed by the Department's capacity for delivery.

Once again, the Department has improved its day-to-day operations, whilst continuing to transform how our benefit and pension systems support those in need. This year, nowhere is this progress clearer than in our labour market. We have seen record highs for people in work and in private sector employment; successes matched by record lows for both the inactivity rate and the rate of workless households.

All of this stands as a testament to the Department's hard work and dedication.

Through our employment initiatives – the Work Programme, Help to Work, Disability Confident – we are using every tool at our disposal to get people into work.

But, equally deliberate, that has been the purpose of our welfare reforms over the past year as well.

That is why we have fought so hard to make work pay through Universal Credit, now up and running in England, Scotland and Wales and set to expand this summer, pushing ahead with a real cultural shift. Already Universal Credit claimants are spending more hours looking for work, working harder to understand their requirements better, and are doing more to find a job.

We have also introduced fundamental changes to restrict access to benefits for migrants, protecting the integrity of the system and ensuring fairness for hardworking taxpayers. And it is why we have put the Benefit Cap in place across the country, so that families on benefits face the same lifestyle choices as everyone else. Over the last year, we have seen more and more capped claimants take that positive step into work.

Overall we are transforming lives previously blighted by dependency, into ones where people can hope for a life they are able to shape for themselves and their family.

We are also improving the lives of those looking to the future, now automatically enrolled into a workplace pension or set to receive the New State Pension – in the sure knowledge it pays to save and that they will have greater choice over their income in retirement.

This positive change could not have been achieved without the commitment of the Department's staff, and I would like to thank the many people here and in our partner organisations who have contributed over the last 12 months.

The coming year will be another significant one, as we continue the safe and secure delivery of major programmes such as the Personal Independence Payment and our reforms to Child Maintenance. I have no doubt that the Department will continue to make progress and in doing so, make a lasting difference to millions of people's lives.

Executive Summary

The Department for Work and Pensions transforms lives by helping people lift themselves out of poverty and stay out of poverty through work, saving and support.

The Department achieves this by designing and delivering services on which millions of people rely every day and which touch almost everyone in our country at some point in their lives. Its policies are at the heart of the Government's plan to build a stronger, more competitive economy, and create a fairer society, through fundamental reforms to welfare, employment, pensions, and provision for disabled people.

To highlight the scale of the Department's delivery, in 2013-14 it:

- paid over 22 million customers around £163[1] billion in benefits and pensions accurately and on time (this includes £24.5 billion paid through local authorities);
- helped around 2.8 million people leave Jobseeker's Allowance with over 79 per cent leaving within the first six months;
- advertised 4 million job vacancies for around 390,000 employers;
- carried out 25 million adviser interviews to help people prepare for work;
- arranged maintenance payments for 887,220 children;
- managed contracts worth over £3 billion covering estates, IT and the provision of employment services; and
- continued to take forward 45 programmes to reform the welfare system.

Despite further significant reductions in resource in 2013-14, the Department:

- improved services through initiatives to drive up quality, accuracy and efficiency – the majority of internal operational planning assumptions were achieved or exceeded;
- successfully implemented ambitious welfare reforms to help those who can into work and to make work pay. The Department's largest programmes of working age benefit reform – Universal Credit and Personal Independence Payment – have started to roll out. The Benefit Cap is fully in place, a reformed system of Child Maintenance is open to all new applicants, Housing Benefit has been reformed to manage rising costs, and the Claimant Commitment, setting clear expectations of the state on the jobseeker, has been fully rolled out. The Department also successfully devolved budgets for the discretionary Social Fund and Council Tax Benefit to local authorities, and supported the Pension Act through Parliament;
- helped reduce the deficit through further significant reductions to the Department's running costs and size. The Department's baseline spend in 2013-14 is over £2 billion lower than in 2009-10, with core staffing numbers down almost 25,000 in the same period; and
- achieved record levels of staff engagement through investment in people and leadership. In the 2013 People Survey, staff engagement increased by 6 percentage points (to 54 per cent). The Department's senior leaders continue to encourage its people to work as 'One DWP' – working collaboratively across the whole organisation for the benefit of the Department's customers and claimants and taking personal responsibility for making a difference.

The Department's achievements in 2013-14 have made a significant, positive difference to the lives of millions of people.

[1] See Annex 7 Table 2

Strategic Report

The Strategic Report covers three areas:

1. Departmental Performance against Strategic Priorities

The Core Department is responsible for welfare, pensions and child maintenance policy. As the UK's biggest public service delivery department it administers the State Pension and a range of working age, disability and ill health benefits to over 22 million claimants and customers.

Alongside the Core Department there are a number of Arm's Length Bodies which sit within the Departmental Group but operate independently of the Core Department - see Annex 2.

The Department's Strategic Priorities are aligned to the Coalition Priorities outlined in the Departmental Business Plan 2013-15[1]. They are to:

- help tackle the root causes of poverty, rather than its symptoms, and make Social Justice a reality;
- encourage work and make work pay;
- enable disabled people to fulfil their potential;
- provide a firm foundation in retirement and promote saving for retirement;
- recognise the importance of family in providing the foundations of every child's life; and
- improve services to the public and deliver value for money.

The Department agreed final funding with Her Majesty's Treasury at the Supplementary Estimate for 2013-14 of £172.2 billion of which £164.6 billion was allocated to State Pension and benefit payments. The remaining £7.6 billion was allocated to planning and implementing new welfare reforms such as Universal Credit and the New State Pension, running the Department's daily operation and funding administrative costs of a number of Arm's Length Bodies. The Statement of Parliamentary Supply on page 75 gives more details.

The Department's Business Plan includes a set of indicators which help assess the outputs and outcomes the Department is seeking to achieve, and a Structural Reform Plan which sets out key milestones of welfare reform. Wider Departmental performance against each of these priorities is outlined in this section and performance overview tables are provided in Annex 4. The Department also publishes budget, internal operations and transaction data each quarter in

[1] http://transparency.number10.gov.uk/business-plan/16

the Quarterly Data Summary on www.gov.uk and via the Government Interrogation Spending Tool.

Information on Environment, Social and Community Issues

The Department's Strategic Priorities are focused on tackling the causes of poverty and promoting independence and well being. As such the Department's services have numerous impacts on social and community issues. These are detailed in the performance assessment of Strategic Priorities 1 to 5 below. Impact on the human rights of disabled people is also covered in Priority 3.

The Department also remains committed to the Government's priorities linked to Sustainable Development and Better Regulations – see Annexes 5 and 6 for further information.

Priority 1: Social Justice

The Department is working independently and in collaboration with other government departments to support the very hardest to help of our claimants through the Social Justice Transforming Lives Strategy.

In April 2013, the Department published the 'Social Justice: transforming lives – One year on' report[1]. This progress report examines how social justice principles influence service delivery at national and local level, in government and across the private and voluntary sectors.

In 2013-14 the Department delivered a number of projects to help the hardest to help into work including the:

- Day One initiative to support prison leavers by mandating them to the Work Programme;
- work with Work Programme providers to provide support for people who are in treatment for drug and/or alcohol dependency;
- Ending Gang and Youth Violence Programme which supports young people involved in or vulnerable to gang violence by using dedicated and specially trained Jobcentre Plus advisers to help them transform their lives; and the
- Troubled Families Programme – led by the Department for Communities and Local Government – which uses specialist Jobcentre Plus employment advisers to help families get back into work. As at 1 May 2014, 97,000 of the 111,000 families identified for an intervention are being supported. The programme has turned around the lives of nearly 40,000 families, including over 3,100 families who have moved from an out-of-work benefit into continuous employment.

Other Social Justice projects led by the Department include:

- Second Chance Learning which allows care leavers, aged up to 21 years, to claim Income Support and Housing Benefit if returning to full time, non-advanced education to make up for missed qualifications; and
- The Credit Union Expansion Project which seeks to support the reduction of debt by expanding credit union services to more people on low income.

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/203041/CM_8606_Social_Justice_tagged-mw.pdf

Priority 2: Encouraging work and making work pay

One of the Department's core functions is operating an effective labour market regime. This aims to help those who can work into sustained employment by offering practical help for jobseekers within a robust conditionality regime.

Throughout 2013-14 the Department has helped people to find work and supported employers to fill vacancies. It has introduced significant changes to the welfare system to strengthen the expectations placed on jobseekers and taken steps to ensure that it pays to work.

Making work pay

Universal Credit is at the centre of the welfare reforms and will ensure it pays to work – thereby helping to end cycles of poverty and benefit dependency – as well as ensuring a fairer welfare system for taxpayers.

The Department started a staged introduction of Universal Credit in April 2013 which is now live in 10 areas across the country. From this, the live service will expand gradually across the North West and progressively start to take new claims from couples and families in 2014. Plans will see Universal Credit fully available in each part of Great Britain during 2016.

Universal Credit is being rolled out in a safe and controlled way due to its scale and complexity. The Department continues to manage this gradual roll out through close ongoing scrutiny and effective planning and risk management. Further details can be found in section 5 of the Governance Statement.

The Household Benefit Cap was introduced from 15 April 2013 and was fully implemented by September 2013. This ensures that, subject to some exceptions, no family receives more on benefit than the average family in work. Between 15 April 2013 and 31 March 2014 over 42,200 households had their Housing Benefit capped. At March 2014 14,500 of the 42,200 households were no longer subject to the Benefit Cap - including 5,700 households now in receipt of Working Tax Credit, which is exempt from the Benefit Cap, to help ensure work pays.

Helping people find work

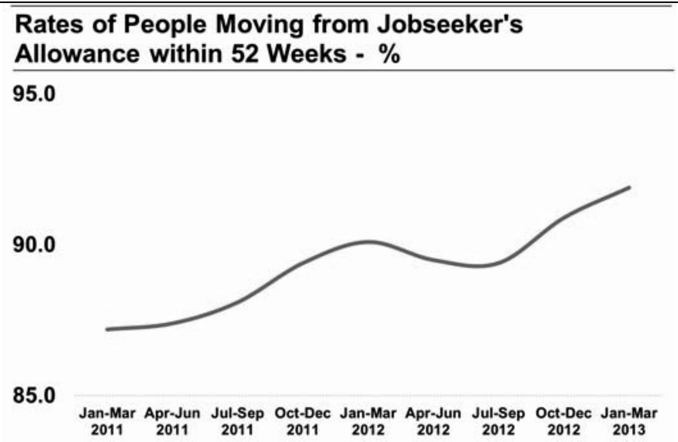
In 2013-14 the number of people in employment increased, with a parallel reduction in the number of people unemployed and those claiming Jobseeker's Allowance. Labour market figures show:

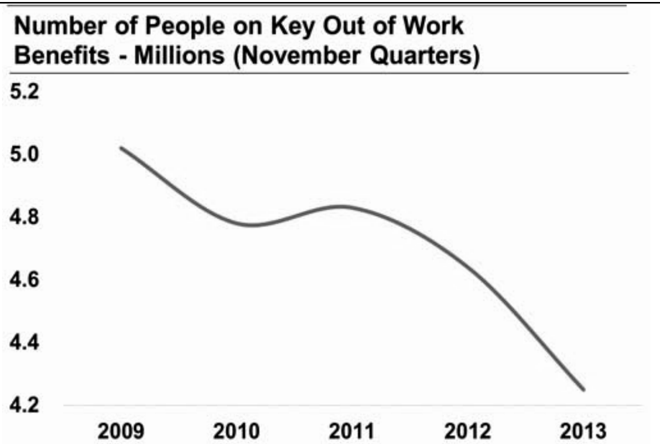
- 30.4 million in employment between January and March 2014 – a rise of 1.57 million since January to March 2010;
- the number of people unemployed down by 300,000 since January to March 2010 to 2.21 million people; and
- 1.12 million people claiming Jobseeker's Allowance in April 2014, down 400,000 since April 2010. Of this the number of people aged 18-24 claiming in April 2014 was 276,000, down 164,000 since April 2010.

The implementation of welfare reforms, such as changes to conditionality for lone parents on Income Support, have helped move people from groups more likely to be living in workless households closer to the labour market.

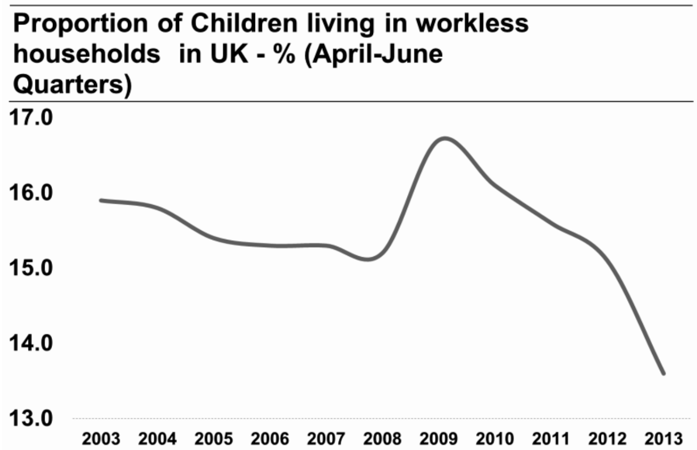
The following tables set out trend information against four of the Department's key working age impact indicators, all of which are moving in a positive direction. Further information on all indicators is set out in Annex 4.

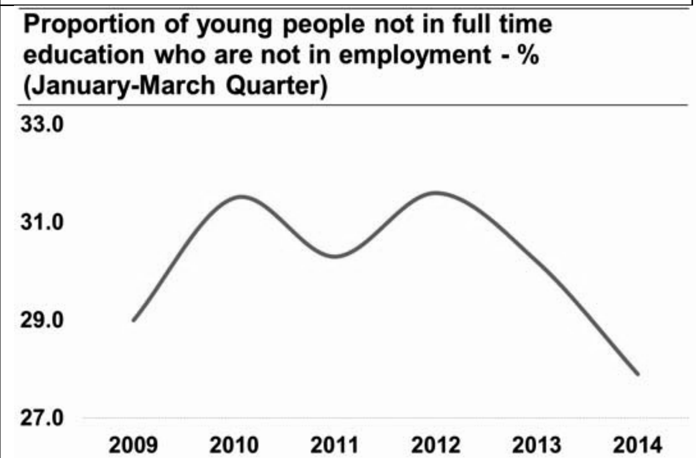
91.9 per cent of people who started claiming Jobseeker's Allowance between January-March 2013 had moved off by week 52. This is an improvement from 90.1 per cent the previous year.	In November 2013 there were 4.3 million people aged 16 to State Pension age on a key out of work benefit[1] down from 4.6 million in November 2012 and 5 million in November 2009.





There was a statistically significant reduction in the proportion of children in workless households in both the April-June[2] and October-December data in 2013 compared to 2012. This is consistent with the positive trend from 2009.	There was a statistically significant reduction in the proportion of 18-24 year olds not in full time education who are not in employment between January-March 2014 compared to the same period in the previous year.





[1] Key out of work benefits are classed as 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)
[2] The Office of National Statistics recommends the use of data taken from the April-June quarters for trend analysis as this is less affected by seasonality when compared to data from the October-December quarter.

Building on the greater freedoms and flexibilities given to Jobcentre Plus advisers in 2012-13 the Department has continued to focus on ways to encourage a more work-focused attitude amongst jobseekers in 2013-14. In October 2013 the Department began rolling out the Claimant Commitment. This emphasises the responsibilities that claimants must fulfil to secure employment by clearly setting out what is expected of them and the consequences of non-compliance, and is supported by more tailored coaching from Jobcentre Plus advisers. By April 2014 the Claimant Commitment for new jobseekers was fully rolled out with 26,300 advisers trained as work coaches and a total of 635,000 jobseekers signed up.

In April 2014 the Department also introduced training to support claimants whose spoken English is a barrier to work, to improve their English language skills as a condition of receiving benefits.

Universal Jobmatch, the Department's online job posting and matching service for jobseekers and employers, has revolutionised the way jobseekers find suitable job vacancies. Between its launch in November 2012 and 31 March 2014, around 390,000 employers opened a Universal Jobmatch account. On average there are five million job searches every day on the service.

Jobseekers who wish to return to work through self-employment are helped by the New Enterprise Allowance. Between April 2011 and December 2013, over 40,000 new businesses were supported by the Allowance.

The Department continues to help young people into work. The Youth Contract ensures that every 18-24 year old is offered a work experience placement and provides employers with wage incentives and apprenticeship grants to encourage them to recruit young people. Between April and December 2013, just over 10,000 Wage Incentive job payments were made compared to just over 3,500 in 2012-13. Payments are claimed by employers who recruit young people who have been unemployed for more than six months, after they have remained in work for 26 weeks.

Helping those furthest from the labour market

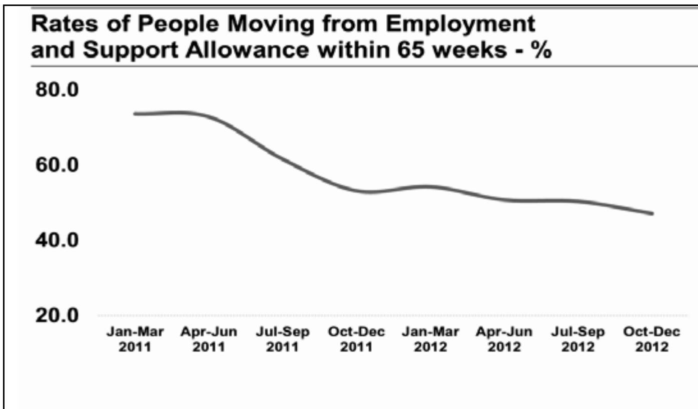
Those most at risk of becoming or continuing to be long-term employed are helped to secure sustained employments through the Work Programme, which is delivered by contracted providers. The proportion of Work Programme participants for whom providers received a Job Outcome payment up to 12 months after referral was 8.4 per cent for those joining in June 2011, 13.2 per cent for those joining in March 2012 and 12.8 per cent for those joining in March 2014 (see Annex 4).

Over the last year the Department has sent a larger proportion of Employment and Support Allowance claimants to the programme because these claimants are harder to help to start with they have naturally lower Job Outcome rates, leading to the overall dip in performance over the last year. In reality underlying performance has increased for both Jobseekers and Employment and Support Allowance claimants, for example: the proportion of Job Outcomes achieved for Jobseekers aged between 18-24 after 12 months of support was 19.2 per cent for those joining in March 2013, an increase of 4.0 per cent compared to those joining on March 2012; for Employment and Support Allowance (three to six month prognosis) participants almost doubled over the same period from 4.8 per cent to 9 per cent.[1]

[1] See chart A3 and table 2.10 in the Work Programme Official Statistics to March 2014 https://www.gov.uk/government/publications/work-programme-statistical-summary-june-2014

To ensure continuous improvement, the Department reviewed the performance of the bottom 25 per cent of Work Programme providers. This review highlighted which contract was the lowest performing when assessed against a range of measures. In March 2014 the Department terminated this contract using a break clause. The remaining providers are now operating under an enhanced performance management regime. See section 5 of the Governance Statement for management of risks relating to making payments to Work Programme providers for outcomes that may not have been achieved.

Employment and Support Allowance claimants are a key group for the Work Programme, which helps them undertake work-related activity and highlights the opportunities work can bring. See Annex 4.



47.2 per cent of people that started claiming Employment and Support Allowance between October and December 2012 had moved off by week 65 of their claim, which is a fall from 53.2 per cent the previous year.

The Department uses a Work Capability Assessment to determine whether new Employment and Support Allowance claimants are eligible for the benefit in the longer term. The Work Capability Assessments are carried out by independently approved healthcare professionals employed by Atos Healthcare.
In 2013-14 there was a significant reduction in the number of assessments undertaken by Atos Healthcare. In response to this reduced capacity the Department has given priority to assessing new claims, slowing down the reassessment of Incapacity Benefit claimants and suspending most repeat assessments. The Department has also been working with the provider to secure improvements in their performance.

In March 2014 the Department announced that Atos Healthcare, the existing provider of Work Capability Assessments, will be exiting from their contract before it is due to end in August 2015. The Department is working to bring in a new provider as soon as possible. One aim of this is to boost the number of assessments undertaken so that cases can be processed more quickly and the Department can complete the reassessment process for those claimants who remain on Incapacity Benefit. Further information is set out in section 5 of the Governance Statement.

In December 2013 the Department published the fourth Independent Review of the Work Capability Assessment[1] and has started to implement its recommendations to improve the Work Capability Assessment process.

In 2013-14 the Department continued the reassessment of Incapacity Benefit claimants to identify eligibility for Employment and Support Allowance or fitness for work. By June 2013 1.22

[1] https://www.gov.uk/government/publications/work-capability-assessment-independent-review-year-4

million claimants had started the Incapacity Benefit reassessment process (see Annex 4). Of these:

- 888,300 claimants were entitled to benefit;
- 243,400 claimants were assessed as 'Fit for Work' and therefore not entitled to Employment and Support Allowance;
- 42,700 left benefit before the assessment was completed; and
- 49,800 had yet to fully complete the reassessment process.

The Department expected to reassess around 1.5 million cases by April 2014. Official figures are not yet available but it is expected that they will show that almost 1.5 million cases had started the Incapacity Benefit reassessment process by then. There are now more than the original 1.5 million cases estimated to be reassessed, and it will take the Department longer to complete this exercise to ensure that those who can work do so.

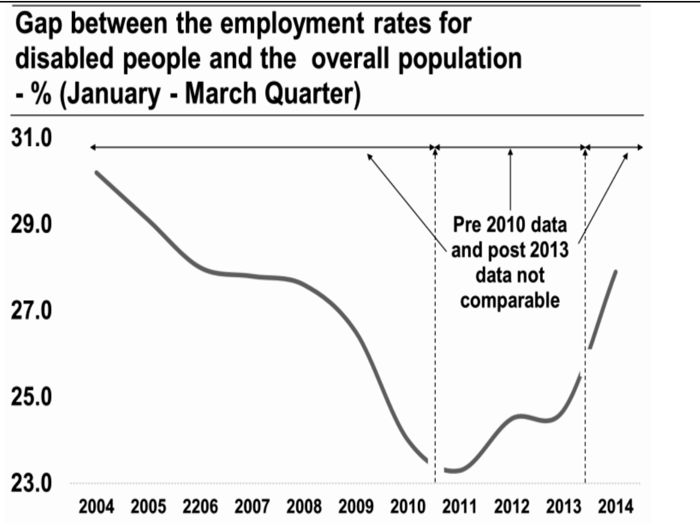
Priority 3: Helping disabled people to fulfil their potential

Helping disabled people fulfil their potential by providing opportunities and increasing independence is at the centre of the Government's Disability Strategy. In July 2013 the Department published 'Fulfilling Potential – Making it Happen'. This new Disability Strategy emphasises the need for innovative cross sector partnerships with disabled people and their support organisations and also promotes new ways of working to deliver meaningful outcomes for disabled people.

To drive Fulfilling Potential forward, a new Inter-Ministerial Group, chaired by the Minister of State for Disabled People, and set up with support from the Prime Minister, will identify and progress new ideas for action. A new Fulfilling Potential Forum has been established with nearly 40 disability organisations from English regions and UK nations to enable disabled people and their organisations to provide strategic input into government on disability issues, linking in with the Inter-Ministerial Group.

Fulfilling Potential plays a major role in delivering the United Kingdom's obligations under the United Nations Convention on the Rights of Persons with Disabilities. The Department will co-ordinate the Government's response to the United Nations examination of United Kingdom implementation and compliance with the obligations of the Convention. This is anticipated to start in late 2014.

Fulfilling the potential of disabled people means tackling the higher levels of unemployment and poverty they experience when compared to the overall population.



The latest data, between January and March 2014, shows the gap between employment rates for disabled people and the overall population was 27.9 per cent. A change to who is classed as disabled[1] within the Labour Force Survey in 2013 has led to a step change in the levels of reported disability and has effectively set a new baseline for this indicator[2]. See Annex 4. This means comparison with earlier data is not valid. Data is not seasonally adjusted so only year on year comparisons are valid.

Through the Disability Confident campaign, the Department is working with employers to challenge attitudes and build confidence in employing people with disabilities. The campaign aims to create opportunities for disabled people to help them fulfill their potential and to help reduce the employment gap between disabled and non-disabled people. During 2013-14 sponsorship of around £16,000 was provided from de Poel in support of the costs of the National Disability Employment Conference and the subsequent regional Disability Confident employer events. Leonard Cheshire Disability also provided support to the national and regional events to a value over £5,000. In addition, contributions of around £16,840 from the Business Disability Forum, £19,150 from the Clear Company and £7,500 from Diversity Jobs were provided for services in support of the regional Disability Confident events. These amounts are generally paid directly to third parties on behalf of the Department or represent the Department's valuation of services in kind provided on its behalf.

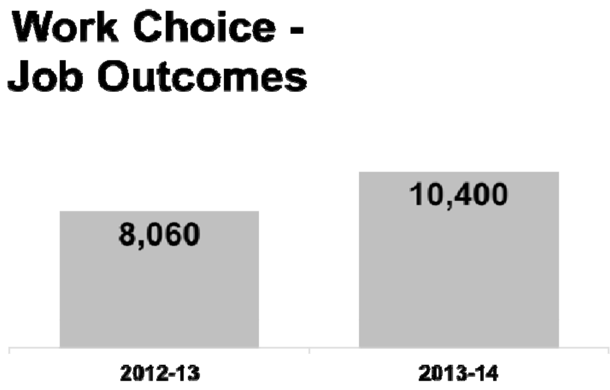
In December 2013, the Department published 'The Disability and Health Employment Strategy: the discussion so far'[3] which explores how employment rates for disabled people and people with health conditions can be further improved through enhancing Access to Work flexibility and an Employer 'One Stop Shop' service.

The Department continued to support the needs of disabled people seeking work within the Work Programme, complemented by more tailored support through Work Choice and Access to Work. Work Choice provides disabled people who have complex barriers to employment and more intensive support needs with a seamless service covering all stages of the journey into work.

[1] The introduction of only reporting those who are disabled within the core definition of the Equality Act and further changes to the wording of the disability questions within the survey in 2013 have led to a step change in the levels of reported disability and their composition.
[2] Estimates of disability from Labour Force Survey for 2010 onwards should not be compared directly with earlier years due to a change in the reporting behaviour of survey respondents at the start of 2012, mainly reflecting a change in the wording of the survey questionnaire.

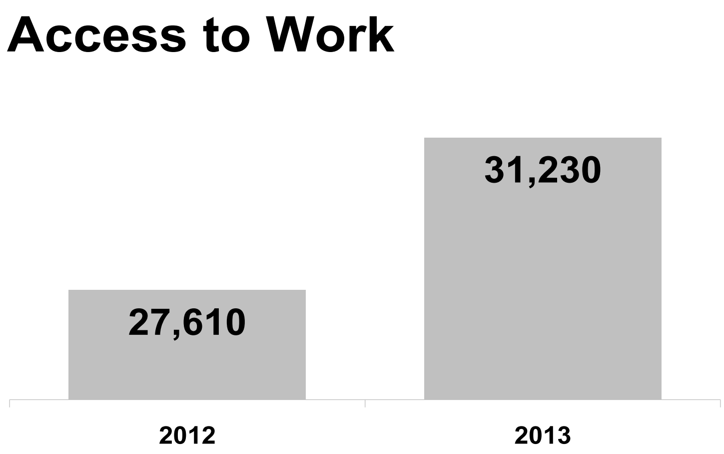
[3] https://www.gov.uk/government/publications/the-disability-and-health-employment-strategy-the-discussion-so-far

In 2013-14 there were almost 20,000 starts to the Work Choice programme with providers; this is an increase of over 3,500 starts compared to the previous year. There were over 10,000 job outcomes achieved, some of which relate to people who had started the programme in previous years. This is an increase of over 2,000 job outcomes from 2012-13. The Department has taken a number of steps over this period to improve performance including introducing a Wage Incentive, improving flexibility and providing access to further support to allow a tailoring of the programme to suit the individual.



Access to Work provides practical advice and support to individuals and employers to help those with a disability or long-term physical or mental health condition to overcome barriers to work. In July 2013 the Department extended the programme to cover a number of opportunities that help people prepare for employment, including Sector-based Work Academies, Supported Internships and Traineeships.

Between 1 April and December 2013 Access to Work supported 31,230 people - this compares with 27,610 in the same period in 2012-13 and represents an increase of 13 per cent. Following a review of specialist disability employment support published in June 2011[1], the Department implemented a number of reforms to expand the Access to Work programme and remove barriers to applying for work which have contributed to the increase in people supported through the programme.



Personal Independence Payment

The Personal Independence Payment aims to support disabled people to exercise choice and control, and lead independent lives by providing financial support for those who face the greatest challenges to remaining independent and participating in society. The benefit focuses on how a condition affects someone in their daily life rather than the condition itself and helps towards the extra costs associated, whether they are in work or not. Eligibility is determined by a Personal Independence Payment assessment.

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/49779/sayce-report.pdf

In April 2013 Personal Independence Payment began to replace new claims for Disability Living Allowance for people aged 16-64, with assessments being undertaken by Atos Healthcare and Capita plc. Between April and March 2014, 349,000 Personal Independence Payment claims were made, of which 83,900 claims were provided with a decision. To address the delays between making a claim and a decision being received the Department has agreed recovery plans with both assessment providers and has reviewed internal processes. The Department also decided to phase in more slowly the first reassessments of existing Disability Living Allowance cases.

The Department has started to implement all of the recommendations in the National Audit Office report on Personal Independence Payment published in February 2014. Good progress is being made on all of the recommendations, including working with Assessment Providers to reduce delays, and improvements concerning claimant communications have been fully implemented, See section 5 of the Governance Statement for further information.

Independent Living Fund

The Independent Living Fund has been closed for new applications since 2010 but continues to maintain support for existing users. Following a consultation on the future of the Fund, a decision to close the Fund, with funding and responsibility for existing users transferring to local authorities and devolved administrations, was overruled by the Court of Appeal in November 2013. A new decision to close the Fund on 30 June 2015 was announced on 6 March 2014, based on fresh advice and a new equality analysis, creating a contingent liability as disclosed in Note 26 to the Accounts.

Priority 4: Providing a firm foundation, promoting saving for retirement and ensuring that saving for retirement pays

The Department is reforming State and Private Pensions to tackle the unprecedented challenges associated with retirement in the United Kingdom. With around 12 million people not saving enough for their retirement,[1] the Department is simplifying the State Pension and encouraging people to automatically enrol into workplace pensions. People are also living longer making it more important that they are able to extend their working lives beyond current levels.

The latest statistics show the rate of pensioner poverty is close to an historic low[2]. Pension Credit, the restoration of the earnings link and the triple lock uprating policy have helped to reduce this alongside other benefits such as Winter Fuel Payments.

State Pension

The New State Pension will help people plan better for their retirement. It will provide people with a more solid financial foundation for their later life than the current system. By significantly simplifying the State Pension, the Department is helping to give people a better understanding of their retirement income and allowing them to become more certain of the value of saving privately.

[1] https://www.gov.uk/government/publications/framework-for-the-analysis-of-future-pension-incomes,
[2] Households Below Average Income (DWP). https://www.gov.uk/government/collections/households-below-average-income-hbai--2

To reflect increasing life expectancy rates, the Pension Act 2014 is bringing forward the increase in the State Pension age to 67 years by eight years (to 2028), and introducing a framework to regularly review future changes to the State Pension age. The Pension Act 2014 received Royal Assent on 14 May 2014 and will affect everyone reaching State Pension age on or after 6 April 2016.

Private Pensions

The Department is helping people to see the value of saving for retirement because the State Pension alone may not support the lifestyle they would like. Increasing the number of individuals participating in a workplace pension is a key priority for the Department.

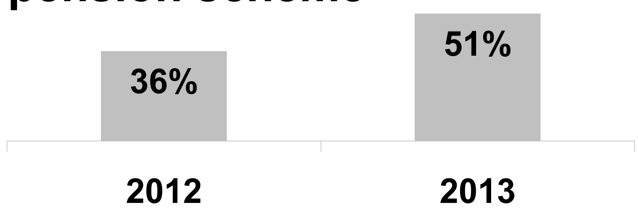
The Department has made workplace saving much easier for people by delegating the enrolment process to employers to automatically enrol eligible employees into a workplace pension. The programme harnesses individuals' inertia to increase the number of people saving. It also makes pension saving much more attractive by introducing mandatory employer contributions and tax relief.

Automatic enrolment, which started to roll out in October 2012, places a legal duty on employers to enrol their eligible[1] employees into a workplace pension. Automatic enrolment continued to be implemented by employers in 2013-14 via a staged approach which will continue until 2018[2]. Large employers (with over 250 employees) completed their staging dates in February 2014, resulting in over 3 million people being automatically enrolled into a workplace pension[3]. Fewer workers than expected chose to opt-out of their workplace pension: just 9-10[4] per cent compared with a forecast of around 28 per cent. Once fully implemented between 8 and 9 million people are expected to have started saving or be saving more.

Survey results in April 2013, when automatic enrolment had only been running for 6 months, showed that 50 per cent of all employees were now members of a pension scheme - rising from 47 per cent in 2012.

Amongst large private sector companies, 51 per cent of employees were members of a workplace pension in 2013 compared to 36 per cent in 2012[5].

Number of employees who are members of a large private sector pension scheme



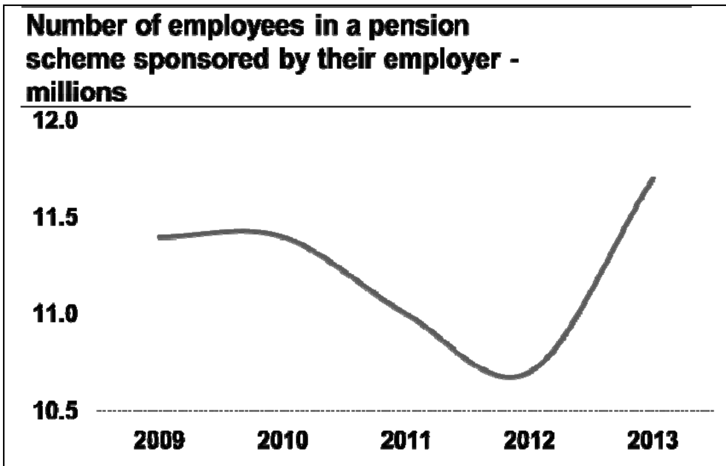
[1] A worker is eligible provided they are aged at least 22 and under State Pension age, earn over £10,000 per year (in 2014-15 terms) and work or usually work in the UK

[2] http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-employer-staging-forecast.pdf

[3] https://www.gov.uk/government/publications/employers-pension-provision-survey-2013-preliminary-findings

[4] https://www.gov.uk/government/publications/employers-pension-provision-survey-2013-preliminary-findings

[5] http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings-pension-tables/2013-provisional-results/stb--2013-annual-survey-of-hours-and-earnings--summary-of-pensions-results.html

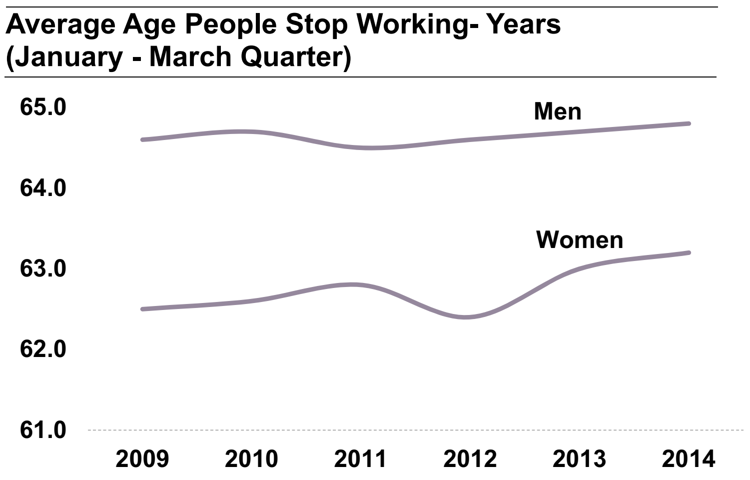


Overall the number of eligible employees in a pension scheme sponsored by their employer increased from 10.7 million in 2012, to 11.7 million in 2013, reversing the previous 6 year downward trend and showing the positive impact of the first six months of automatic pension enrolment implementation[1].

Other activities delivered by the Department to increase the level of private pension savings include the introduction of new measures via the 2014 Pension Act to improve the quality of workplace defined contribution schemes. This also includes minimum quality standards, increased transparency and a cap on charges (set at 0.75 per cent of funds under management) for those who have been defaulted into private pension saving and additional changes to defined contribution schemes announced at Budget 2014 which will give people greater choice about how to access their savings.

Fuller Working Lives

With people living longer, the Department is making it easier for them to extend their working lives and lead a fulfilled later life. On 13 June 2014, the Department published "Fuller Working Lives – A Framework for Action"[2] which explains how working longer can benefit individuals, businesses, society and the economy. It sets out a number of new actions the Department will take to help people have fuller working lives.



The latest data for January – March 2014 shows the average age men stop working was 64.8 years. The average age women stop working was 63.2, both slight increases from 2013. Since 2010 women, have been working longer in response to the gradual equalisation of their State Pension age.

[1] Estimates derived from the ONS ASHE 2013 data
[2] https://www.gov.uk/government/publications/fuller-working-lives-a-framework-for-action

Priority 5: Recognising the importance of family in providing the foundation of every child's life

The Department recognises that childrens' futures are closely linked to their family circumstances with worklessness and family breakdown contributing towards poorer outcomes in later life. The Department is committed to supporting families to achieve financial independence through work and to reduce the number of children in workless households (see page 7).

The Department's Child Maintenance System aims to provide encouragement, incentives and support to parents to work together after a separation.

Research shows that the best way for separated parents to make sure they give their child the best start in life is if they resolve their issues together. To support family arrangements and understand what works in helping separated parents to resolve conflict and work together across a range of parenting issues, the Department allocated £3.4 million to 10 projects in 2013-14. This was in addition to £6.5 million already allocated to 7 projects in 2012-13 – actual spend will be dependent upon results delivered by the providers.

The statutory service is available for parents unable to reach a family-based arrangement. The new 2012 Scheme opened to all new applicants on 25 November 2013. At the same time, the Child Maintenance Options service became the official 'gateway' to the statutory scheme for all new applicants. At the Gateway, clients are provided with impartial information and support to parents facing separation and to help ensure that the statutory service no longer remains the default option for parents arranging child maintenance. The 2012 Scheme is designed to increase the number of payments reaching children on time and in full, to bring better value for the taxpayer, speedier processing of applications, simpler calculations and faster enforcement action for those that choose not to pay. In summer 2014, the Department will commence phase 2 of these reforms, to begin to end liabilities in the existing schemes run by the Child Support Agency and to introduce a system of charges for parents electing to use the statutory scheme. Further information around the implementation of this scheme can be found in section 5 of the Governance Statement.

Priority 6: Improving services to the public whilst providing value for money

The Department is committed to reducing costs and driving up standards. The net operating cost of the Department reduced from £173.0 billion in 2012-13 to £170.7 billion in 2013-14. This fall is primarily because from 1 April 2013 Council Tax Benefit, Social Fund Crisis Loans and Community Care Grants ceased and were replaced by local welfare provisions administered by local authorities.

Annually Managed Expenditure

In 2013-14 spend on Annually Managed Expenditure on benefits was £163.2[1] billion compared to £160.8[2] billion in 2012-13.

[1] See Annex 7, Table 2
[2] See Annex 1, Table 2 DWP Annual Report and Accounts 2012-13

The welfare reforms introduced by the Department have reduced the rate at which Annually Managed Expenditure has increased. In addition the Department took the following steps in 2013-14 to control future spending on benefits:

- introduced a Welfare Cap to ensure that spend on new policies is offset by savings of at least equal value from elsewhere;
- introduced measures to restrict European Economic Area migrants' access to benefits; and
- continued to focus on tackling fraud and error and recovering debt.

Welfare Cap

In the Autumn Statement 2013 the Government announced the introduction of a Welfare Cap to enable greater control of welfare expenditure. At Budget 2014 the Cap was set at the level of the Office for Budgetary Responsibility's forecast in March 2014 for the years 2015-16 to 2018-19 with a forecast margin around the Cap. A breach of the Cap will automatically trigger a debate and vote in the House of Commons. The State Pension, Jobseeker's Allowance (JSA), JSA-passported Housing Benefit and television licences for over 75 year olds will be excluded from the Cap but all other benefits, including those managed by other government departments are included.

Benefits for European Economic Area migrants

During 2013-14 the Department introduced a number of measures to restrict European Economic Area migrants' access to benefits including:

- a three month residency requirement;
- restrictions on entitlement to Jobseeker's Allowance through the introduction of a new 'Genuine Prospect of Work' assessment;
- the introduction of a Minimum Earnings Threshold;
- a strengthened Habitual Residence Test; and
- changes to Housing Benefit entitlement.

The Office for Budgetary Responsibility confirmed the Department's estimates that the measures will realise Annually Managed Expenditure savings totalling around £225 million from 2013-14 to 2018-19.

Fraud, Error and Debt

Preliminary data for 2013-14 estimates that the level of benefit overpayments due to fraud and error was 2.0 per cent of total benefit expenditure. This is a fall of 0.1 percentage point from 2012-13 caused by the removal of Council Tax Benefit from the Department's expenditure and is not statistically significant. The percentage of total benefit expenditure underpaid in 2013-14 is 0.9 per cent, the same as 2012-13.

The Department has a commitment under the Structural Reform Plan to reduce the level of benefit overpayments due to Fraud and Error to 1.76 per cent of all benefit expenditure by the end of March 2015. This is a significant challenge as the estimated percentage of fraud and error in the total benefit expenditure has changed very little over recent years, varying from between 2.0 per cent and 2.2 per cent (see section 5 of the Governance Statement and Note 28 to the Accounts for further information) but the Department continues to undertake activities which will support progress. Activities to reduce fraud and error in 2013-14 include:

- improving internal processes to identify, prevent and eradicate fraud and error;

- introducing a tougher penalties regime to deter claimants from committing fraud;
- greater focus on the identifying and recovering debt; and
- closer cross-government working on debt recovery.

The Department's debt stock moved from £3.6 billion as at 31 March 2013 to £3.5 billion as at 31 March 2014, a reduction of 1.1 per cent. This is the first time that debt stock hasn't risen for many years.

The Department recovered a record £1.327 billion of debt as at 31 March 2014 including £421 million of overpaid benefits (see Annex 4), £519m Social Fund Loans and £387 million of other debt. This compares to £1.2 billion as at 31 March 2011.

The table below shows detail of the debt stock and recovery position.

	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m
Benefit Overpayment Debt	2,129	2,306	2,383	2,465
Social Fund Debt	1,243	1,232	1,204	1,083
Total Debt [1]	**3,372**	**3,538**	**3,587**	**3,548**
Total Debt Recovery[2]	**1,192**	**1,316**	**1,334**	**1,327**

Value for money of debt recovery has also improved. In 2010-11 for every £1 spent on recovery the Department recouped £15.66, by 2013-14 this figure has risen to £22.88.

Departmental Expenditure Limit

The Department's administrative expenditure has been reducing year on year. The Department's baseline[3] spend in 2013-14 is £5.4 billion which is £2.0 billion lower than the baseline spend of £7.4 billion in 2009-10. This has required significant efficiencies and careful financial management to operate within this reduced budget at the same time as implementing significant reforms to the welfare system within a strengthening economy.

The Department has reduced costs and maintained productivity through measures such as:

- reviewing its service provision to make the end-to-end customer journey more seamless across different parts of the Department;
- reducing staff numbers significantly (see Annex 3); and
- effective contract management including reducing the size of the Department's estate.

Improving the end-to-end journey for customers and claimants has driven out inefficiencies in the process and delivered a level of service that more closely matches customer and claimant expectation in relation to quality and accuracy. This process also reduced rework and avoidable claimant contact whilst also helping to deliver[4]:

[1] Total Debt above does not include other receivables that are included in Note 22 of £1.6 billion (2012-13, £2.3 billion).
[2] Total Debt Recovery also includes debts recovered by Central Recovery Unit on behalf of other organisations, 2013-14 £253 million (2012-13, £220 million).
[3] Baseline budgeting uses current spending levels as the 'baseline' for establishing future funding requirements and assumes future budgets will equal the current budget adjusted for inflation and any efficiencies. Baselines exclude non-recurrent costs so that fair comparisons can be made over time.
[4] Based on internal Management Information used by operational managers.

- an increase in the number of Jobseeker's Allowance claims being cleared within 10 days by 18.9 percentage points, from 71.3 per cent in March 2013 to 90.2 per cent in March 2014;
- improved call answering times, with 64.6 per cent of all calls to the Jobseeker's Allowance enquiry line answered within 20 seconds in March 2014 from 23.5 per cent in March 2013;
- more claims being submitted on-line for Jobseeker's Allowance, an increase from 55.2 per cent in March 2013 to 84.8 per cent in March 2014; and
- a reduction of 26,943 in the number of complaints received by the Department in 2013-14 compared to 2012-13.

Productivity

The Department's productivity measure is a Business Plan Input Indicator which measures efficient use of Departmental resource by providing an illustration of Departmental output against inputs. The Department also has a suite of Business Plan Impact Indicators which measure key outcomes delivered by the Department (see Annex 4). To date, the Department has increased productivity by 14 per cent in Spending Review 2010. Provisional data for 2013-14 shows that productivity levels from 2012-13 have been maintained (see Annex 4). More people than expected found work in 2013-14, creating a reduction in demand for Departmental services. With a time lag in adjusting resources, not least because of the inevitable uncertainties during the year about whether recently observed trends will continue, even maintaining overall productivity represents a significant achievement for the Department. And measured productivity does not take account of the quality of activities (for example, through now spending longer with harder to help claimants). But the measured impact of falling numbers out of work has been offset by increased efficiencies and a significant reduction in staff numbers.

Customer Satisfaction

Despite the improvements to the end-to-end customer journey, the indicator which measures customer and claimant satisfaction with Departmental services fell two percentage points to 81 per cent in 2013 (see Annex 4). There is no single reason behind this decline. Previous Departmental research shows that claimants' satisfaction with service delivery is not based solely on their perception of quality of service or of staff, but also on wider contextual factors[1].

To improve customer service further the Department will launch new communications standards and a new 'DWP Customer Charter'. These will improve communications with customers and claimants and set out the Department's customer service commitments. The Department will also continue to encourage staff to identify and resolve customer concerns whenever possible at the initial point of contact as part of a 'once and done' approach.

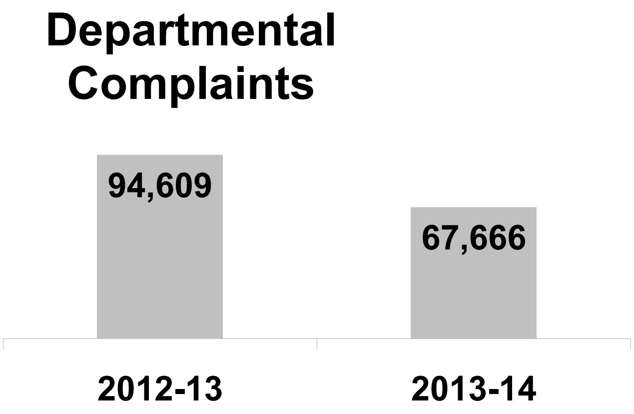
Customer Complaints

Where customer concerns cannot be resolved the Department has a robust two stage complaint resolution process[2], which involves clarifying the nature of the complaint and, where possible, resolving it to the customer's satisfaction. Continuous improvements to the Department's internal complaints processes[3] and the adoption of a 'once and done' approach across the organisation

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207470/rrep831.pdf
[2] The Department's complaint process can be found at: https://www.gov.uk/government/organisations/department-for-work-pensions/about/complaints-procedure
[3] Includes the standardisation of a definition of a complaint and a bespoke training package for complaints handlers.

to enhance the customer experience have subsequently contributed towards the reduced number of complaints.

The Department received significantly fewer complaints in 2013-14 than 2012-13 (67,666 compared to 94,609). The Independent Case Examiner also saw a fall in complaints (1,117 compared with 1,273 - see Annex 4).



In 2013-14 the Department continued to make improvements in response to customer and claimant concerns and complaints, for example by:

- improving transfer from working age benefits to Pension Credit to prevent breaks in benefit payments;
- enhancing the telephony call back process to avoid duplicate call back requests; and
- improving questions asked of parents claiming child maintenance via the statutory service.

Customers can also ask the Independent Case Examiner to investigate their complaint if they are not satisfied with the Department's or its providers' response[1]. If a complaint cannot be resolved by the Independent Case Examiner, complainants can, in some circumstances, request a Member of Parliament to raise the issue with the Parliamentary and Health Service Ombudsman. In 2013-14 the Ombudsman investigated and reported[2] on 16 complaints about the Department compared with 18 complaints in 2012-13 – see Annex 4.

Appeals Reform

As well as lodging complaints against the Department's service, claimants can also appeal benefit decisions. In 2013-14 the Department improved the disputes and appeals process for all Departmental decisions and child maintenance. The changes, which included the introduction of Mandatory Reconsideration as a formal stage in the process for disputed decisions, were introduced to ensure more disputed decisions are resolved without the need for an appeal to Her Majesty's Courts and Tribunals Service thereby reducing administrative costs and ensuring a speedier decision for claimants.

The latest Ministry of Justice Tribunal statistics published on 12 June 2014 show that appeals against Employment and Support Allowance decisions decreased by just under 90 per cent, and against Jobseeker's Allowance decisions by just over 70 per cent in the first quarter of 2014, compared with the same period in 2013. The Department is currently collecting information to understand how Mandatory Reconsideration is operating and its impact on the number of appeals.

[1] Information regarding provider complaints is published in the ICE Annual Report.
[2] The Ombudsman's full report can be found at www.ombudsman.org.uk/about-us/publications/annual-reports

Commercial

Private, public and third sector suppliers provide a broad range of services to all parts of the Department. These are crucial to the delivery of the Department's Strategic Priorities and play a key role in determining Departmental productivity and end-to-end services to customers.

In 2013-14, the Department spent around £3 billion with suppliers, around a third of the Department's administrative budget. The biggest areas of spend within this figure are: Employment Programmes (33 per cent); IT (26 per cent); and Estates (19 per cent).

The Department must ensure that this expenditure is necessary and represents value for money, and that procurement supports the Government's wider policy objectives, such as promoting economic growth and supporting Small and Medium sized Enterprises.

During 2013-14 the Department:

- transferred the first wave of common goods and services procurement to the Crown Commercial Service enabling the Department to concentrate on the procurement of higher value services unique to the Department;
- achieved procurement savings by improving category and demand management;
- began securing smaller and shorter contracts for standard services, and making greater use of Small and Medium sized Enterprises; and
- reduced estates expenditure to £581 million from £637 million in 2012-13 through site closures and more flexible and efficient use of existing workspace.

In some instances providers have underperformed which has affected the Department's own performance and productivity (see section 5 of the Governance Statement). Where this has happened, the Department has taken steps to address underlying issues, and applied contractual provisions to reduce payments where standards are not met. In 2013-14, the Department restructured its commercial function, including strengthening the commercial management of IT, Employment and Health and Disability Assessment contracts. The Department also has a supplier assurance programme and has responded to the recommendations of independent reviews of the management of government suppliers by the National Audit Office and the Public Accounts Committee.

Publicity and Advertising

The Department's communications in 2013-14 focused on ensuring that the public, stakeholders, staff and the media understood changes to its services and policies, and on encouraging behavioural change. The Department continued to use a default low-cost communications approach, making full use of media and stakeholder relations, partnership marketing, and social media. Paid-for communications were used only where there was a clear need. In 2013-14 this included:

- a campaign to encourage workers to remain opted in to workplace pensions. £9.3m was spent on advertising and partnership marketing in three phases across the year. Research highlights significantly higher awareness of the benefits of workplace pensions and intention to remain opted in among people who had seen the advertising; and
- communications pilots aimed at reducing benefit fraud and error, testing the effectiveness of advertising, direct mail and public relations in six locations at a total cost of £180,000, and forming an evidence base for longer term campaign activity.

2. Departmental Priorities for 2014-15

In 2014-15 the Department will continue to implement the welfare reforms outlined in the Department's Business Plan as well as developing and improving services to millions of customers and claimants. Key milestones in 2014-15 are to:

Encourage work and make work pay by:
- continuing to roll out Universal Credit – from June 2014 the live service will expand to the rest of North West England and sites will progressively start to take new claims from couples and families in 2014;
- helping people into work through the Work Programme, Help to Work and related programmes;
- creating a further 25,000 new businesses through the New Enterprise Allowance;
- developing and improving support to help young people into employment; and
- running Health and Employment pilots and introducing the new Health and Work Service to help those with longer term health conditions into work.

Help disabled people to fulfil their potential by:
- implementing the Fulfilling Potential Action Plan and the Disability and Health Employment Strategy; and
- reviewing and refining the Work Capability Assessment, including undertaking a fifth independent review.

Provide a firm foundation for retirement by:
- continuing to roll out Automatic Enrolment to more employers;
- continuing preparations for the introduction of the New State Pension from April 2016; and
- publishing a Framework for Action on Extending Working Lives to help people work longer.

Support families and children by:
- introducing charging for the statutory Child Maintenance Service; and
- publishing the Child Poverty Strategy 2014-17.

Improve services to the public and provide value for money by:
- developing the Department's digital offering across Universal Credit, Personal Independence Payment and Carer's Allowance trialling electronic signing to understand better the impact of national rollout;
- reducing the Department's warehouse storage facilities and printing requirements; and
- extending the use of the Mail Opening Scanning and Index Checking Project which provides a single strategic post opening, scanning and indexing system across the Department to reduce paper consumption and storage requirements.

3. Financial Position and Results for the Year

To provide consistency across departments, this section reports on a number of standard areas of content.

Supply Procedure and Departmental Reporting Cycle

The Department is accountable to Parliament for its expenditure. Parliamentary approval for spending plans is sought through Supply Estimates presented to the House of Commons[1].

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 can only be used to finance services covered by the ambit.

The Department's Main Estimate for 2013-14 was published in April 2013 as part of the Central Government Supply Estimates 2013-14 Main Supply Estimates (HC 1074). The Department also applied for a Supplementary Estimate, details of which are available in the Central Government Supply Estimates 2013-14 Supplementary Estimates (HC 894) published in February 2014. These documents are in the public domain and can be accessed from the HM Treasury website[2].

Comparison of outturn against Estimate

In 2013-14 the Department met all of its control totals. The total voted Resource outturn was £80.6 billion, £1.2 billon (2 per cent) below the Estimate. The total Capital outturn for the year was £187 million, £13.8 million (7 per cent) below the Estimate. The variances which exceed 10 per cent and those that are also significant in terms of value are explained below as required by the Government Financial Reporting Manual (FREM).

<u>Voted Departmental Expenditure Limit</u>

- Operational Delivery: Outturn of £2.4 billion was £0.3 billion (11.2 per cent) below the Estimate, mainly due to the inclusion of Local Welfare Provision being recorded in Operational Delivery instead of Support for Local Authorities in the Supplementary Estimate.
- Support for Local Authorities: Outturn of £0.6 billion was £0.2 billion (37.2 per cent) over the Estimate due to the recording of the Local Welfare Provision in Operational Delivery noted above.
- Other Programmes: Outturn of £0.062 billion was £0.028 billion (81.6 per cent) over the Estimate, following a review by the Government Actuaries Department, the Department took the opportunity to reduce some of the Remploy Pension outstanding deficit. This review was not known at the time of the Supplementary Estimate.

<u>Voted Annually Managed Expenditure</u>

- Financial Assistance Scheme (FAS): Outturn was £0.34 billion (54.6 per cent) below the Estimate. The variance is due to a combination of fewer FAS assets transferred in year than originally expected and a refinement of the data used by the administrators to forecast the estimated FAS population.
- Personal Independence Payment: Outturn was £0.021 billion (14.8 per cent) over the Estimate. Provision for Personal Independence Payment was reduced by £39m in the Supplementary Estimate in line with outturn up to Autumn 2013 but since then arrears payments have been higher than expected, leading to an overspend.

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[1] Supply Estimates are a request to Parliament for funds to meet most expenditure; they form the basis of the statutory authority for the appropriation of funds and for HM Treasury to make issues from the Consolidated Fund. The process is called the "Supply Procedure" of the House of Commons. Some expenditure may be outside the Supply Procedure.

[2] http://www.hm-treasury.gov.uk/psr_estimates_index.htm

Non Voted Annually Managed Expenditure

- Expenditure incurred by the Social Fund: (Resource) Outturn was £0.468 billion (17.9 per cent) below Estimate and mainly due to the extremely mild winter which resulted in minimal expenditure on Cold Weather payments, in addition, Winter Fuel Payment expenditure was lower than predicted.
- Expenditure incurred by the Social Fund: (Capital) Outturn was £0.057 billion (181.9 per cent) below Estimate, sustained performance on recoveries along with lower than expected loan expenditure reduced demands on this budget.

Voted Expenditure Non-Budget

- Cash paid in to the Social Fund: (Resource) Outturn was £0.439 billion (17.6 per cent) below the Estimate. Winter 2013-14 was milder than anticipated at the time the funding was finalised in the Supplementary Estimate, resulting in minimal expenditure by the end of the Cold Weather Payment season, and reducing the cash required to be paid into the Fund.

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 Net Operating Costs amounting to £170.7 billion (2012-13 £173.0 billion). The change is mainly due to Council Tax Benefit, Social Fund Crisis Loans and Community Care Grants ceasing from 1 April 2013.

Included in this is Programme expenditure mainly consisting of Voted expenditure amounting to £75.7 billion (2012-13 £80.2 billion) and Non-Voted contributory benefit expenditure amounting to £89.3 billion (2012-13 £ 87.0 billion) (see Notes 6 and 7 of the accounts).

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	Outturn £000	**Estimate £000**	**Variance £000**
Total Resource Outturn (Estimates)	**172,731,185**	**174,480,154**	**1,748,969**
Adjustments to remove non-budget elements:			
Cash to the Social Fund	(2,051,250)	(2,490,213)	(438,963)
Total Resource Budget Outturn	**170,679,935**	**171,989,941**	**1,310,006**
Of which:			
Departmental Expenditure Limits (DEL)	7,358,612	7,401,021	42,409
Annually Managed Expenditure (AME)	163,321,323	164,588,920	1,267,597
Adjustments include:			
Capital Grants	3	-	(3)
Consolidated Fund Extra Receipts	(10,118)	(25)	10,093
Other	698	-	(698)
Other PFI adjustments	22,908	(57,472)	(80,380)
Net Operating Cost (Accounts)	**170,693,426**	**171,932,444**	**1,239,018**

Statement of Financial Position

Details of the Department's assets and liabilities are reported in the Consolidated Statement of Financial Position (see page 86). Significant assets and liabilities include:

- property, plant and equipment assets total £0.7 billion (see Note 11) comprise mainly land and buildings of £0.62 billion, £0.58 billion of which relates to property leased from Telereal Trillium under a Private Finance Initiative contracts;
- trade and other receivables of £3.6 billion (see Note 22) and trade and other payables of £4.9 billion (see Note 23 of the accounts), which consist mainly of amounts due to or from the Department in respect of benefit payments, European Social Fund claims and finance lease obligations; and
- provisions of £4.2 billion (see Note 24) which mainly relate to the FAS.

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 net cash outflow for the year was £169.8 billion compared to a cash outflow in 2012-13 of £173.0 billion. The change is mainly due to the decrease in net operating costs of the Department from £173.0 billion to £170.7 billion.

Principle risks and uncertainties

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

Other

- Details of contingent liabilities reported under IAS 37 are disclosed in Note 26. 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 25 of the accounts, Financial Guarantees, Indemnities and Letters of Comfort.
- There were interest charges of £68,507 arising and payable by the Department during the year (2012-13 £nil). These costs are included within Interest Charges in other administration costs, which are reported at Note 4 of the accounts.
- The Department incurred expenditure on research and development activities to the value of £54.8 million (2012-13 £157.5 million). This includes £46.9 million (2012-13 £149.1 million) of the Department's IT services costs and £7.9 million (2012-13 £8.4 million) of Health and Safety Executives' research and development expenditure costs both included in Notes 4 and 5 of the accounts.
- Reporting entities within the Department's accounting boundary are set out on page 83.

Robert Devereux
Accounting Officer

20 June 2014

Directors' Report

The Directors' Report sets out information about the Department's Board, how the Department is organised and how it develops and manages its people.

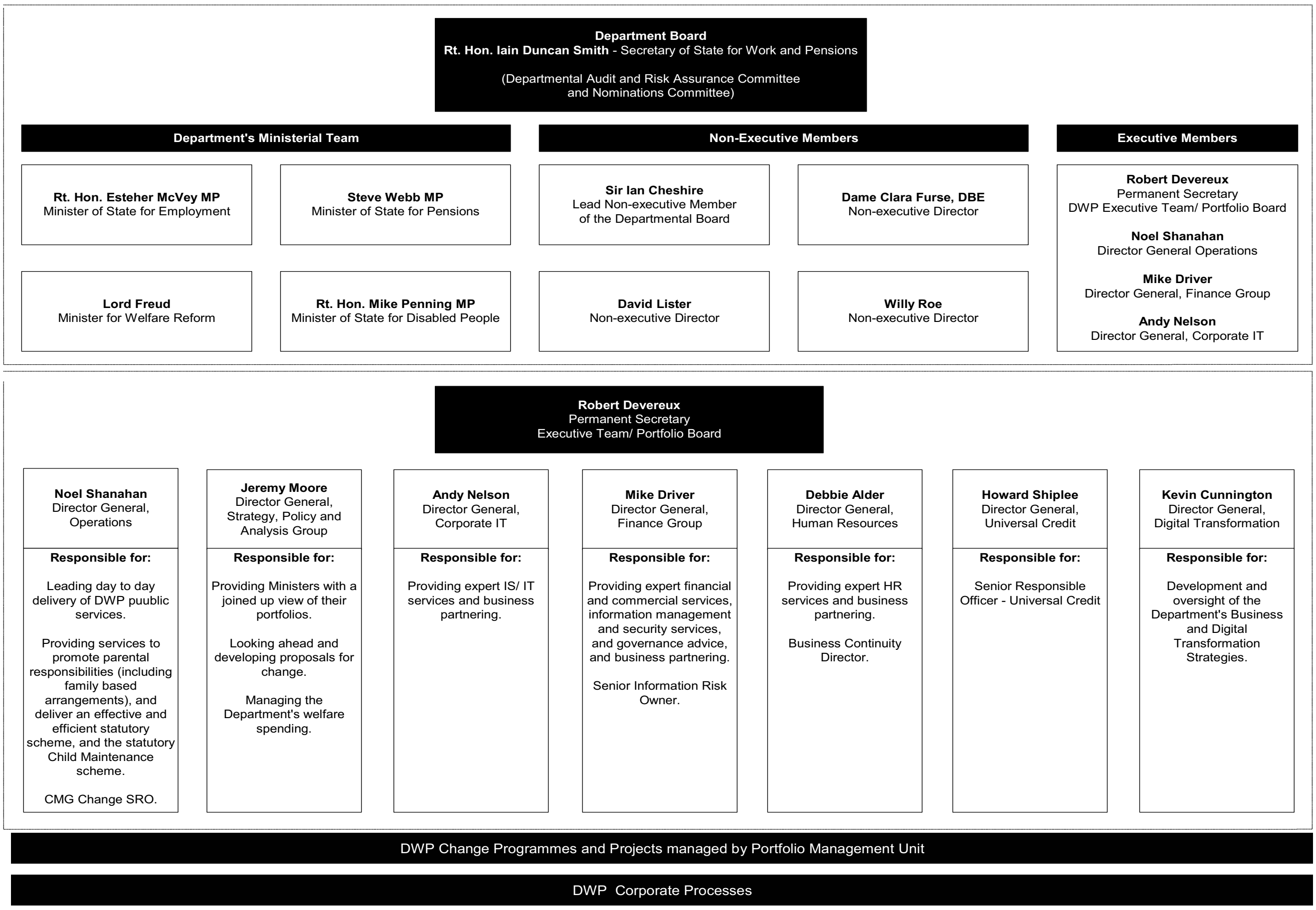
How the Department is organised

The Secretary of State for Work and Pensions has overall responsibility for the Departmental Group.

The Permanent Secretary is responsible for the executive management of the Core Department and, as the Principal Accounting Officer, is directly accountable to Parliament for Departmental Group expenditure and management. The Permanent Secretary is supported by a team of Directors General who form the Executive Team.

The Departmental Board provides collective strategic and operational leadership of the Core Department. The Board is chaired by the Secretary of State for Work and Pensions and includes the Ministerial team, Non-Executive Directors and Executive Directors. The Departmental Board has two sub committees: the Departmental Audit and Risk Assurance Committee and the Nominations Committee. Further details on the Department's system of controls is in section 3 and 4 of the Governance Statement.

One DWP: organisation and responsibilities[1]



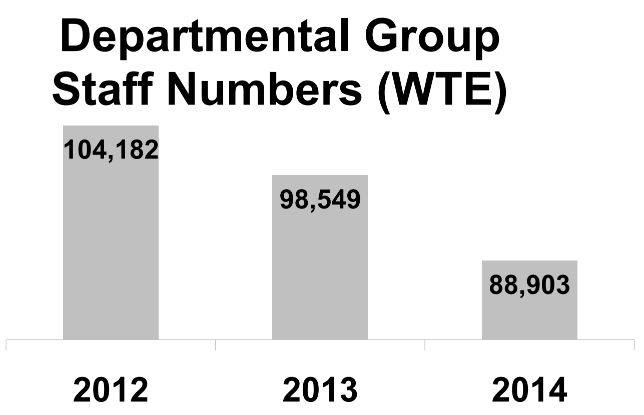
[1] as at 31 March 2014

Details of Board Attendance is at Annex 1. The Lead Non-Executive Director's Report is on page 44.

Workforce

The Department's staff perform a critical role in the effective delivery of the Department's service and as such its staff are a key driver and enabler of Departmental performance.

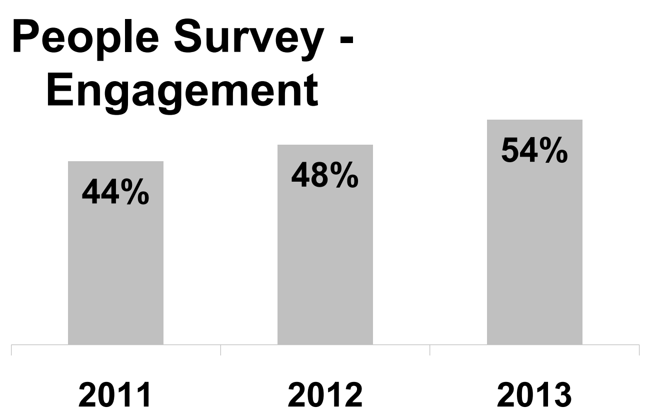
On 31 March 2014 the Departmental Group had 88,903 whole time equivalent (WTE) payroll staff in post compared to 98,549 on 31 March 2013 – a reduction of 9,646. This reduction has been achieved through natural turnover, a number of targeted voluntary exit schemes and a strict control on external recruitment. Annex 3 and Note 3 to the Accounts provides further information on staff numbers, diversity and off-payroll staff.



Employee Engagement

A culture where staff are engaged, informed and committed is vital in a Department with an ambitious programme of delivery and reform. This means ensuring staff flourish in an organisation of which they are proud, where they are developed and valued, where they can identify and implement improvements and where they are committed to improving the customer experience.

In the 2013 People Survey the Department's staff engagement score - which measures employee commitment to organisational goals and values and motivation to contribute to organisational success – stood at 54 per cent. This is a significant increase of 6 percentage points from 2012 and up 10 percentage points from 2011, the biggest increase of the large Whitehall departments.



The Department uses a wide range of tools and techniques to engage staff including:

- intranet communications for cascading key messages to all staff in a timely and consistent manner;
- regular opportunities to speak directly to the Permanent Secretary and other senior mangers to raise issues and suggest ideas;
- roadshows where senior managers visit different sites to facilitate open conversations with employees;

- DWP Story interactive events to discuss the Department's objectives and challenges including living within financial constraints; and
- People Forums to identify and address people-related issues.

The Department recognises the importance of working alongside the Departmental Trade Unions as a method of employee engagement. Representatives across the Department meet with Trade Unions on a regular basis at both national and local levels.

In 2013-14 the Department continued to promote its core values: *Achieving the Best, Respecting People, Making a Difference and Looking Outwards* which are the guiding principles for how the Department's staff deliver its services and which encompass the Department's commitment to embracing diversity and equality of opportunity for all.

Equality and Diversity

The Department is committed to providing services which embrace diversity and promote equality of opportunity by embedding best practice in its day to day interaction with its employees, claimants and partners. The Department's commitment was recognised by improved rankings in several external diversity and equality studies. In 2013-14 the Department:

- increased its score from 48 per cent to 77 per cent in the 2013-14 Business Disability Forum external benchmarking – a self assessment tool to evaluate Departmental performance relating to disability including measuring employer commitment, organisational policy and practice along with the impacts;
- increased its score from 56 per cent to 76 per cent in the Race for Opportunity external benchmarking – a tool to assess progress towards achieving a more balanced and proportionate representation of ethnic minorities in the workforce; and
- increased its ranking from 76th to 45th on Stonewall's list of the top 100 gay-friendly employers.

The Department is bound by employment legislation, the Civil Service Commission's Recruitment Principles and the Civil Service Management Code in respect of all selection activity. The Department makes reasonable adjustments for applicants so they can overcome the practical effects of a disability and implements the Guaranteed Interview Scheme. In addition, the Department facilitates moves for existing staff that are required as reasonable adjustments relating to a disability.

The Department continues to improve the day-to-day experience of disabled employees. This includes:

- integrating the Civil Service Central Adjustment pilot into the Complex Casework programme;
- working with the national staff Equality Group to implement an employee 'disability passport'; and
- committing to the Time to Change and Public Health Responsibility pledges on mental health.

Raising aspirations and developing diverse talent remain key priorities for the Department. The Department actively encourages employees to participate in the cross-government Positive Action Pathway development programme for women, ethnic minorities and disabled employees – the Department has the highest number of participants.

Leadership and Talent Management

The Department's comprehensive suite of staff development, leadership and talent development programmes are aimed to increase the organisation's effectiveness and to support the commitment of five days learning and development for each civil servant every year.

At the centre of these programmes is the 'DWP Story' which enables staff to understand and engage in the challenges and opportunities of delivering welfare reform. During 2013-14 the DWP Story events targeted front line leaders.

The Department's Summer School also provides a year long programme for 100 employees from administrative to middle leader grades. It aims to inspire participants to realise their full potential by learning from senior leaders and maximising new opportunities for self-development.

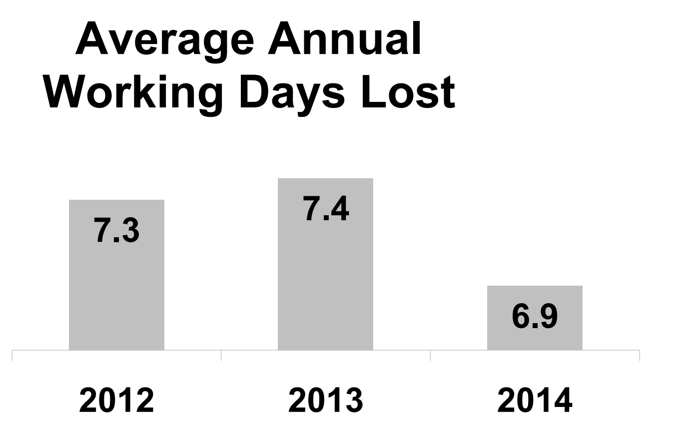
The Department continued to invest in talent management and succession planning activities for senior managers in 2013-14. Activities included monthly Leadership Development discussions at Executive Team level, an Emerging Talent programme for high potential Deputy Directors and Senior Civil Servant feeder grades and the 'twinning' scheme where Senior Civil Servants are matched with a corporate or operational function to broaden understanding, solve problems and promote innovation.

The Department is an enthusiastic supporter of civil service wide talent schemes. It successfully secured a number of places for its people and itself offered 80 places on the new style Generalist Fast Stream.

Employee Management and Safety

Transparent and fair performance and attendance policies support a positive work environment where people deliver what is required. The Department's People Performance Management Policy defines performance standards and facilitates employee engagement. Line Managers review staff performance on a regular basis, assessing what their people have delivered and how they delivered it. Consistency checks ensure a consistent application of expectations across the Department. In April 2013 the Department also implemented the Civil Service Competency Framework.

A continued focus on employee wellbeing and health promotion through campaigns and other initiatives contributed to a reduction in the average number of working days lost due to sickness from 7.4 days in March 2013 to 6.9 days in March 2014. The Department is now an exemplar across the public sector on this measure.



The Department continues to manage health and safety risk through proportionate business enabling policies and procedures. Details of Departmental Health and Safety performance can be found in the 'DWP Health, Safety and Wellbeing Annual Report'[1].

In 2013-14, the Department was awarded the prestigious Royal Society Prevention of Accidents (RoSPA) Occupational Health and Safety Gold Medal award by demonstrating a commitment to protecting the health and wellbeing of their employees, customers and visitors to the Gold Award Standard for five consecutive years.

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 59.

The total cost of audit work was £2.4 million (2012-13 £2.5 million). This includes cash fees of £0.2 million (2012-13 £0.4 million see Notes 4 and 5) and notional fees of £2.1 million (2012-13 £2.1 million see Note 4).

During the year, the National Audit Office completed and published the following Value for Money studies[2] specifically relevant to the Department:

- Government interventions to support future Retirement Incomes (published 12 July 2013);
- Universal Credit: Early Progress (published 5 September 2013);
- Programmes to help families facing multiple challenges (3 December 2013); and
- Personal Independent Payments: Early Progress (published 27 February 2014).

As at 31 March 2014, the following Value for Money studies were ongoing:

- Work Programme
- Child Maintenance Group

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.

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.

Personal Data incidents

The Department remains committed to protecting personal data. In 2013-14 two[3] personal data incidents were formally reported to the Information Commissioner's office. One incident involved

[1] https://www.gov.uk/government/publications/dwp-health-safety-and-wellbeing-annual-report-20122013
[2] http://www.nao.org.uk/search/type/report/
[3] Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

the loss of paper documents containing the name, address, National Insurance number, date of birth and details of benefit entitlement relating to 23 people. The other incident involved the loss of an electronic storage device containing the name, address and bank details of one person. All persons affected have been notified by a personal visit. There were no personal data incidents centrally recorded by the Department but not notified to the Information Commissioner's Office. The Department will continue to monitor and assess its information risks in order to identify and address any weaknesses. The ongoing upgrade of the Department's IT infrastructure will further reduce the risks arising from electronic storage.

Robert Devereux
Accounting Officer

20 June 2014

Remuneration Report

The Remuneration Report covers the Department's remuneration and performance assessment, and contract termination policies; and provides details of the remuneration, including pensions, of Ministers and senior staff.

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 35.

[1] Further information about the review body can be found at https://www.gov.uk/government/organisations/review-body-on-senior-salaries

[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 2013-14 the performance of individual SCS staff was relatively assessed against peers within the same pay band to achieve the following performance profile for the SCS as a whole:

Performance Group	Percentage of Staff	Performance Award
Top	25	receive non-consolidated performance related pay awards
Achieving	65	do not receive an award
Low	10	do not receive an award

4. Pay Committees
Senior pay committees provide input to the Departmental moderation process. The Pay Committees for 2013-14 comprised of:

Pay Band 3 Pay Committee:
Robert Devereux (Chair), Sir Ian Cheshire (Non-Executive Director), David Lister (Non-Executive Director), and Willy Roe (Non-Executive Director).

Pay Band 1 and Pay Band 2 Pay Committee:
Robert Devereux (Chair), Chris Last, Gill Aitken, Sue Owen, Noel Shanahan, Mike Driver, Sir Ian Cheshire (Non-Executive Director), and Willy Roe (Non-Executive Director).

After the end of year performance review, the Pay Committees 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 related pay award.

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 related pay awards:

- whether objectives in the business delivery, people/capability and finance/efficiency 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.

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.

The consolidated pay increase for 2013-14 was limited to an average award of 1 per cent.

Base pay awards were made by the Pay Committee in line with the proposals agreed by the Departmental Executive Team. Base pay awards were determined by reference to performance group markings and position on the respective pay scale.

Non-consolidated performance related 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 related 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 four years, a notice period of five weeks;
   - Continuous service of four years and over, a notice period of one week plus one 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 six 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 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 as at 31 March 2014 are included in the table shown below.

Officials	Date of appointment	End date of term
Robert Devereux, Permanent Secretary	01/01/2011	Not Applicable
Gill Aitken	01/03/2010	26/01/2014
Sue Owen	30/09/2009	30/09/2013
Howard Shiplee CBE	13/05/2013	12/05/2015
Noel Shanahan	08/10/2012	Not Applicable
Andrew Nelson	25/02/2013	Not Applicable
Debbie Alder	01/01/2014	Not Applicable
Mike Driver	03/09/2012	Not Applicable
Jeremy Moore	01/10/2013	Not Applicable
Chris Last	02/01/2008	15/09/2013
Kevin Cunnington	14/10/2013	13/10/2015
Sarah Scullion	16/09/2013	31/12/2013

Notes:
Where the end date of term is shown as Not Applicable, this denotes that their appointment is on a permanent basis and therefore there are no unexpired terms applicable.

Departmental Board*

The Departmental Board is chaired by the Secretary of State. For the year ending 31 March 2014 the Board has included the following Ministers, Executive Team and Non-Executive Directors:

* This information is audited by the Comptroller and Auditor General
* This information is audited by the Comptroller and Auditor General
[1]The above members of the Executive Team are or were also members of the Departmental Board

Ministers	
Right Honourable Iain Duncan Smith MP	Secretary of State for Work and Pensions
Steve Webb MP	Minister of State for Pensions
Mark Hoban MP	Minister of State for Employment until 6 October 2013
Mike Penning MP	Minister of State for Disabled People from 7 October 2013
Lord Freud	Parliamentary Under Secretary of State for Welfare Reform
Esther McVey MP	Minister of State for Employment from 7 October 2013
Esther McVey MP	Parliamentary Under Secretary of State for Disabled People until 6 October 2013
Executive Team	
Robert Devereux[1]	Permanent Secretary
Gill Aitken	Director General, Professional Services until 26 January 2014
Sue Owen	Director General, Strategy until 30 September 2013
Howard Shiplee CBE	Director General, Universal Credit Programme from 13 May 2013
Noel Shanahan[1]	Director General, Operations
Andrew Nelson[1]	Director General, IT and Chief Information Officer
Debbie Alder	Director General, Human Resources from 1 January 2014
Jeremy Moore	Interim Director General, Strategy, Policy and Analysis from 1 October 2013 until 26 January 2014
Jeremy Moore	Director General, Strategy, Policy and Analysis from 27 January 2014
Kevin Cunnington	Director General, Digital Transformation from 14 October 2013
Mike Driver[1]	Director General, Finance and Chief Financial Officer
Chris Last	Director General, Human Resources and Head of Government HR Operations until 15 September 2013
Sarah Scullion	Interim Director General, Human Resources from 16 September 2013 until 31 December 2013
Non-Executive Directors	
Sir Ian Cheshire	Lead Non-Executive Director
David Lister	Non-Executive Board Member

Willy Roe	Non-Executive Board Member
Dame Clara Furse	Non-Executive Board Member

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.

	2014				2013			
Remuneration*	Salary	Full Year Equivalent (FYE)	Pension benefits[1]	Total[2]	Salary	Full Year Equivalent (FYE)	Pension benefits	Total
Ministers	£	£	(to the nearest £1,000)	(to the nearest £1,000)	£	£	(to the nearest £1,000)	(to the nearest £1,000)
Rt Hon Iain Duncan Smith MP Secretary of State	68,169	68,169	23,000	92,000	68,827	68,827	24,000	93,000
Steve Webb MP Minister of State	32,344	32,344	8,000	41,000	33,002	33,002	9,000	42,000
Mike Penning MP Minister of State from 7 October 2013	13,477	32,344	5,000	19,000	-	-	-	-
Mark Hoban MP Minister of State until 6 October 2013	17,017	32,344	2,000	19,000	16,501	33,002	6,000	23,000
Lord Freud[3] Parliamentary Under-Secretary (Lords) and Minister of State	-	-	-	-	-	-	-	-
Esther McVey MP Minister of State	27,541	27,541	12,000	40,000	13,560	23,697	5,000	19,000

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

* This information is audited by the Comptroller and Auditor General

[1] The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

[2] Totals may not sum due to roundings on pensions and totals columns

[3] Lord Freud did not receive any salary

(£66,396 from 1 April 2013) and various allowances to which they are entitled are borne centrally.

	2014					2013				
Officials *	**Salary**	**Bonus Payments**	**Benefits in Kind**	**Pension benefits[1]**	**Total**	**Salary**	**Bonus Payments**	**Benefits in Kind**	**Pension benefits**	**Total**
	£000	**£000**	**(to nearest £100)**	**£000**	**£000**	**£000**	**£000**	**(to nearest £100)**	**£000**	**£000**
Robert Devereux *Permanent Secretary*	180-185	-	-	-	180-185	180-185	15-20	-	-	195-200
Gill Aitken to 26 January 2014	100-105 (FYE 125-130)	-	-	3	105-110	125-130	-	-	6	130-135
Sue Owen to 30 September 2013	70-75 (FYE 140-145)	-	-	35	105-110	130-135	15-20	-	8	155-160
Noel Shanahan	170-175	15-20	-	35	225-230	80-85 (FYE 170-175)	15-20	-	15	110-115
Andrew Nelson	180-185	-	-	130	310-315	15-20 (FYE 190-195)	-	-	5	20-25
Mike Driver	130-135	10-15	-	185	325-330	65-70 (FYE 115-120)	-	-	57	120-125
Chris Last to 15 September 2013	80-85 (FYE 180-185)	15-20	-	99	195-200	180-185	15-20	-	74	270-275
Howard Shiplee CBE from 13 May 2013	170-175 (FYE 195-200)	-	-	67	235-240	-	-	-	-	-
Debbie Alder from 1 January 2014	30-35 (FYE 125-130)	-	-	10	40-45	-	-	-	-	-
Kevin Cunnington from 14 October 2013	65-70 (FYE 150-155)	-	-	27	95-100	-	-	-	-	-
Jeremy Moore from 1 October 2013	55-60 (FYE 110-115)	-	-	47	100-105	-	-	-	-	-
Sarah Scullion from 16 September 2013 to 31 December 2013	45-50 (FYE 145-150)	-	-	5	50-55	-	-	-	-	-

* This information is audited by the Comptroller and Auditor General

[1] The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

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' non-consolidated 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 during the preceding financial year i.e. bonuses included in July 2013 salaries (year 2013-14) relate to the period served during 2012-13. This ensures that payments made in relation to their period of service are disclosed in their totality. Bonus payments made in July 2014 relating to performance during the 2013-14 year will be reported in the Department's 2014-15 Annual Report and Accounts.

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

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	**£**	
2013-14	195-200	21,974	8.99
2012-13	195-200	22,576	8.75

The banded remuneration of the highest paid director in the Department during the financial year 2013-14 was £195,000 - £200,000 (2012-13 was £195,000 - £200,000). This remuneration was 8.99 times (2012-13 8.75) the median[1] remuneration of the workforce, which was £21,974 (2012-13, £22,576). The ratio shows a small increase from 8.75 in 2012-13 to 8.99 in 2013-14 which can be attributed to a higher number of staff leaving the department who were remunerated above the median. In 2013-14 and in 2012-13, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £14,500 – £15,000[2] to £195,000 – £200,000 (2012-13, £14,500 – £15,000[1] to £195,000 – £200,000).

[1] 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 2014

[2] Whole time equivalent

* This information is audited by the Comptroller and Auditor General

From 2013-14 total remuneration includes salary, non-consolidated performance related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Ministerial Pensions *

Ministers *	Total accrued pension at age 65 as at 31/03/14	Real increase in pension at age 65	CETV[1] at 31/03/14	CETV at 31/03/13	Real increase in CETV
	£000	£000	£000	£000	£000
Rt Hon Iain Duncan Smith MP Secretary of State	10-15	0-2.5	180	146[2]	18
Steve Webb MP Minister of State	0-5	0-2.5	29	21	4
Mark Hoban MP Minister of State	0-5	0-2.5	31	28	1
Mike Penning MP Minister of State	0-5	0-2.5	44	38	4
Lord Freud Parliamentary Under-Secretary (Lords) and Minister of State	-	-	-	-	-
Esther McVey MP Parliamentary Under-Secretary and Minister of State	0-5	0-2.5	13	4	5

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

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The 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.

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 re-valued annually in line with Pensions Increase legislation. From 1 April 2013 members pay contributions between 7.9 per cent and 16.7 per cent depending on their level of seniority and chosen accrual rate. The contribution rates will increase from April 2014.

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.

[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
* This information is audited by the Comptroller and Auditor General
[2] This value has been restated from £136k in the 2012-13 published account due to an additional factor not included in the original calculation.

In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015.

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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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' Pensions *

Officials	Accrued pension at pension age as at 31/03/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/14 [1]	CETV at 31/03/13	Real increase in CETV
	£000	£000	£000	£000	£000
Robert Devereux[2] Permanent Secretary	-	-	-	-	-
Gill Aitken	35-40 plus 115-120 lump sum	0-2.5 plus 0-2.5 lump sum	717	690	8
Sue Owen	55-60 plus 165-170 lump sum	0-2.5 plus 5-7.5 lump sum	1,199	1,098	49
Mike Driver	55-60 plus 165-170 lump sum	7.5-10 plus 25-27.5 lump sum	1,026	824	145
Chris Last [3]	30-35	5-7.5	406	316	73
Andrew Nelson	5-10	7.5-10	117	9	78
Noel Shanahan	20-25	0-2.5	356	301	26
Howard Shiplee CBE	0-5	2.5-5	69	-	55
Debbie Alder	10-15	0-2.5	116	105	5
Kevin Cunnington	0-5	0-2.5	21	-	15
Jeremy Moore	45-50 plus 135-140 lump sum	0-2.5 plus 5-7.5 lump sum	965	906	43
Sarah Scullion	20-25	0-2.5	393	378	5

None of the above opted to open a 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 value at the date of leaving
2 Opted out of PCSPS
3 Opted to join the Nuvos Scheme

Civil Service Pensions [1]

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).

Employee contributions are salary-related and range between 1.5 per cent and 6.25 per cent of pensionable earnings for classic and 3.5 per cent and 8.25 per cent for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. 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 his 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.

Cash Equivalent Transfer Values (CETV) - Officials

A 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

[1] 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

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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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 *

Fees amounting to £18,000 (2012-13 £26,000) were payable to the Non-Executive Board Directors as follows:

	Total Fees	Total Fees
	2013-14	**2012-13**
	£000	**£000**
Sir Ian Cheshire[1]	0	0
David Lister[2]	0	0
Willy Roe	18	17
Dame Clara Furse[3]	0	0
	18	**17**[4]

Robert Devereux
Accounting Officer

20 June 2014

* This information is audited by the Comptroller and Auditor General
1 Sir 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 £17,000 there were also fees totalling £9,000 in 2012-13 payable to non-executive Board members who have since left the Board.

Lead Non-Executive Director's Report

In 2013-14 the Department has continued to deliver its welfare reform agenda, with the roll out of Universal Credit, the Personal Independence Payment and reform to the Child Maintenance system, among a number of other changes. At the same time the Department has made significant improvements in the service it delivers to customers, with reductions to benefit processing times and fewer complaints.

The Board and Non-Executives have worked successfully together in 2013-14 to challenge and support the Department to deliver these changes.

The structure of the DWP Enhanced Departmental Board is now well established through the quarterly Board meeting cycle and regular meetings of the sub-committees. Further information on Board attendance and the work of the sub-committees is provided in the Governance Statement.

The membership of the Board has remained relatively stable throughout 2013-14[1]; and this has allowed the Board to focus in greater depth on particular issues – both through deep dives in Board meetings and in Non-Executive engagement outside of meetings.

We have used our meetings to focus in particular on programme delivery and commercial issues, and have sessions to consider Universal Credit, the Work Programme, Medical services contracts, Personal Independence Payment, Fraud and Error, Child Maintenance reforms, and the Youth Contract.

This year, my Non-Executives colleagues and I have become increasingly involved in the Department's work across a number of areas. Along with David Lister I have focused on the Department's talent management and capability in key areas, using the Nominations Committee to drive this agenda and supporting the Department to establish its efficiency review. Willy Roe chaired the HSE Challenge Group to provide external challenge to the HSE Triennial Review, which the NAO have cited as good practice in the triennial review process. Alongside this Willy Roe has continued to oversee the performance of the Department's Arm's Length Bodies, and worked extensively on the Departmental Improvement Plan which was published in March 2014. Dame Clara Furse has continued to chair the Departmental Audit and Risk Committee (DARAC) to focus on risk management, financial control, and change governance in the Department. Further information on the work of DARAC is included at Annex 1.

The third board effectiveness review was conducted in April 2014. It found the board has the appropriate strategic focus and is able to steer and challenge the department on the right issues. The quality of information provided to Non-Executives, particularly on financial performance, has improved as a result of last year's review, and we are making good use of the Non-Executives skills outside the meetings. The review also highlights areas for further improvement and suggests actions to address these.

[1] Non-executive and executive membership of the Board has remained stable in 2013-14. On 7 October 2014 Rt Hon Mike Penning MP joined the Department to become Minister of State for Disabled People, and Rt Hon Esther McVey MP replaced Mark Hoban MP as Minister of State for Employment.

I would like to thank my fellow Non-Executive colleagues and the Department for the progress we have made over the past year. Looking ahead to 2014–15 the Board will continue to provide support to ensure the Department has the capability required to deliver its welfare reforms.

Sir Ian Cheshire
Lead Non-Executive

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 2013 number 488 together known as the 'Departmental group', consisting of the Department and sponsored bodies listed at Note 1.4 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 its net resource outturn, application of resources, changes in taxpayers' equity 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

1. Introduction

1.1 The Department for Work and Pensions is governed by a system of three complementary responsibilities:

- the Secretary of State's overall responsibility for the Department;
- the Permanent Secretary's responsibility, both to the Secretary of State and directly to Parliament as the Principal Accounting Officer for Departmental expenditure and management; and
- the Departmental Board's collective responsibility for advising the Secretary of State and the Permanent Secretary on strategic and operational issues affecting the Department's performance, and for scrutinising and challenging Departmental policies and performance.

1.2 This statement summarises the context in which governance has operated, describes the system of control which has been in place, reviews the assurances which the system has provided, and explains the critical control challenges which the Department is managing. The statement has been endorsed by the Board.

2. Context in which governance has operated

2.1 The context in which the Department's governance arrangements have operated in 2013-14 remains extremely challenging.

2.2 The Department continues to be the largest public service delivery department in the UK, serving over 22 million customers, and paying benefits and pensions of around £163 billion per annum.

2.3 Funding for this baseline activity continues to reduce, as planned originally in the 2010 Spending Review. In 2013-14, baseline spend was £2 billion lower than in 2009-10, a reduction in real terms of 34 per cent, with cumulative savings in baseline activity totalling £5.7 billion since 2009-10. This cost reduction has required the Department to manage considerable changes to its workforce, with the departure of over 24,500 staff between December 2009 and March 2014, the largest absolute fall in staffing levels across Whitehall departments.

2.4 The cost reduction has been underpinned by a significant management focus on improving productivity. This has included driving up the use of on-line services and more effective working across organisational and geographical boundaries. In particular, our focus on driving out inefficiencies in benefit claims processes has improved the experience of our customers while reducing the cost of delivering those services.

2.5 All these changes are being delivered in parallel to new policies, products and services being implemented in our operational business. On top of reforms introduced earlier in this Parliament, progress in 2013-14 included: the continued expansion of Universal Credit including the full roll-out of the Claimant Commitment; new claims being taken for Personal Independence Payment; and preparations for the introduction of a new cap on overall welfare expenditure. Since 2010 the Department has successfully delivered 111 change projects, has 43 on the current portfolio of major change, with 12 of these significant enough to be included on the Major Projects Authority's portfolio.

2.6 Inevitably, changes on this scale have significantly tested the capability and capacity of the organisation. Together with the size of our operation, and the challenging economic and fiscal context, this has heightened the Departmental Board and Executive Team's focus on the effectiveness of controls, leadership and risk management over the year. These are reflected in both the review of assurance and some of the significant control challenges covered later in this statement.

2.7 The Department has made a significant contribution to deficit reduction (with welfare spending now falling as a percentage of Gross Domestic Product) and to macroeconomic performance (with more people in work than ever before). Overall, the Department continues to deliver a huge amount – on both its operational business and reform – within a challenging Spending Review agreement.

3. System of control

3.1 The system of control comprises the following roles and responsibilities: the Departmental Board, the Principal Accounting Officer, and by delegation, other officials and Arm's Length Bodies; the control framework designed and implemented by these individually and collectively; and both internal and external assurance. Each is described in turn below.

3.2 The Departmental Board is responsible for collectively advising on strategic and operational issues affecting the Department's performance, scrutinising and challenging Departmental policies and performance. The Board is supported by two sub-committees:

- the Departmental Audit and Risk Assurance Committee provides an independent challenge to the appropriateness, adequacy and value for money of the Department's governance, risk management and assurance processes; and provides independent advice to the Principal Accounting Officer; and
- the Nominations Committee is responsible for identifying and developing leadership and high potential, scrutinising the incentive structure, and succession planning.

3.3 The Principal Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Department, while safeguarding the public funds and Departmental assets for which he is personally responsible[1].

3.4 The Principal Accounting Officer together with the Department's Directors General, collectively form the Department's Executive Team. The Executive Team is responsible for agreeing the framework of responsibilities, the plans and resources to deliver the Department's agenda, and for ensuring the culture of the Department supports that agenda. The Executive Team also has specific responsibilities to challenge and approve investment plans. The Executive Team has agreed a risk management framework (compatible with the international risk management standard ISO31000).

[1] Please see Managing Public Money for the full responsibilities of Accounting Officers - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/179695/mpm_whole.pdf.

3.5 The Principal Accounting Officer delegates authority for expenditure to each of the Department's Directors General according to their agreed responsibilities, business and personal objectives. They have delegated authority to manage risks within their business areas, and the responsibility to escalate them where they impact the responsibilities of other Directors General, or where a decision is needed on a risk that impacts across business areas. At the end of the year, each Director General provides the Principal Accounting Officer with a Letter of Assurance reporting on the effectiveness of the controls in place that support their business activities. Where relevant, their Letters provide assurance over governance and control arrangements in the twelve Arm's Length Bodies which deliver outcomes on behalf of the Department's Ministers.

3.6 The Departmental Security Officer is responsible for providing policy, strategy, guidance and assurance on protective security, and risk assessments on emerging threats and vulnerabilities. The Senior Information Risk Owner is accountable to the Principal Accounting Officer for information risk, with support from the Departmental Security Officer, who is in turn responsible for assessing information, security and assurance risks and recommending appropriate actions. The Departmental Security Oversight Board also supports the Senior Information Risk Owner by providing assurance and governance for security issues across the Department.

3.7 The Department uses a 'three lines of defence' approach to assurance in change programmes and projects (the change portfolio). This is especially important, with the first line of assurance being completed within programmes, where Senior Responsible Owners and Directors seek assurance that risks are managed effectively and proportionately. The Department's Portfolio Management Unit, along with corporate assurance providers (e.g. the Departmental Security Officer), is responsible for the second line of defence and provides assurance to the Portfolio Board and Senior Responsible Owners. The third line of defence is the independent assurance offered by Internal Audit to the Principal Accounting Officer and the Departmental Audit and Risk Assurance Committee. External parties also provide assurance to the Department including the National Audit Office, the Major Projects Authority and other specifically commissioned independent reviews. Change Delivery Guidance has been rewritten this year to support these more focused governance arrangements.

3.8 The Executive Team, meeting as the Portfolio Board, considers the totality of the Department's change portfolio, managing cross-cutting risks and dependencies, and focusing on the individual programmes with the highest risk profiles. A sub-committee of the Portfolio Board tracks progress in delivery, financial drawdowns and undertakes reviews of programmes and projects.

3.9 The Principal Accounting Officer has agreed an Accountability System Statement which explains how he meets his responsibilities in relation to funding streams to local authorities and other local bodies outside of the Department's direct management chain, and which are not governed by contractual arrangements.

3.10 The Head of Internal Audit is responsible for effectively managing internal audit activity to provide assurances to the Accounting Officer and the Board (via the Departmental Audit and Risk Assurance Committee). These cover an objective evaluation of, and opinion on, the adequacy and effectiveness of the organisation's framework of governance, risk management and control. Support to the business also includes the proactive evaluation of controls proposed by management in respect of high risk initiatives and advice on potential control strategies.

3.11 From April 2013 the Departmental run Shared Service function came under the control of the Cabinet Office, and was subsequently outsourced in November 2013 to a joint venture, Shared Services Connected Limited. The joint venture has contractual relationships in place with the Cabinet Office and each customer department (including the Department).

4. Review of assurance

4.1 The Principal Accounting Officer has reviewed the effectiveness of the system of internal control described above and the assurances that it provided him with.

4.2 The Departmental Board scrutinised and challenged the Department's regular finance, planning, and performance reports, identifying the Department's top priorities. The Board focused closely on the risks to the Department's delivery plans and performance management (including strengthening financial controls and contract management). It also strengthened the Department's talent management, and maintained oversight of the Department's Arm's Length Bodies. The Board is required to ensure that it complies with the provision in the Corporate Governance Code or, where it has not, explains the reasons for that – the 'comply or explain' approach. As required, the Board is satisfied that it has complied with the provisions in the 'Corporate Governance in Central Government Departments' code.

4.3 The Board and its Committees received reports and papers at each of their meetings to support discussion. All reports and 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 internal quality assurance checks, independent audits and occasional external assurance (e.g. from the NAO). There have not been any concerns raised over the quality of information received. Further details of the Board's work this year, including an assessment of its own effectiveness, can be found in the Lead Non-Executive Director's Report (see page 44).

4.4 The Board reviewed the Department's management of controls through reports received from the Chair of the Departmental Audit and Risk Assurance Committee, who is also a member of the Board. The Committee scrutinised audit reports, receiving updates on the Department's significant control challenges and risks from the accountable executives. The Committee has been supported by a comprehensive quarterly audit report personally presented by the Head of Internal Audit and supported by direct input from NAO. The Committee has also benefited from regular reports from, and personal attendance of, the Head of Risk Management Division. The Board scrutinised the Department's leadership, succession planning, and incentive structure through reports received from its Nominations Committee, whose Chair is also a member of the Board. Further details of the work of these Committees this year can be found in Annex 1.

4.5 The Executive Team monitored and managed the Department's risk profile through regular monthly discussions of particular risks, twice yearly aggregate risk reviews, and individual risk self-assessments. In the last 12 months, as well as assigning some risks to be managed by individual Directors General, the Executive Team has conducted in depth risk sessions on:

- strategic priorities, performance, planning and risk;
- major project risks;
- high impact low probability risks (as recommended in the Blackett review); and
- finance risks.

Towards the end of the year, the Executive Team reviewed its approach and reprioritised the risks it will focus on in the early stages of 2014-15.

4.6 The Department has taken steps to raise the capability of staff to understand and manage risks. Risk Management Division facilitated 'risk conversations' across the Department, with 75 events attended by more than 645 senior staff. One of the risk management priorities for 2014-15 remains to embed a culture of timely and appropriate escalation of risks.

4.7 Letters of Assurance to the Principal Accounting Officer from each Director General have highlighted a number of key risks and challenges, which they are managing. These include: from the Strategy Policy and Analysis Director General, ensuring the Department always has accurate and timely forecasts of Departmental expenditure to ensure Annually Managed Expenditure stays within the Welfare Cap; and from the Finance Director General, the risk of contract extensions without the necessary Departmental and Cabinet Office approvals (action prompted by one such occurrence in March 2013). The Finance Director General wrote to all the Department's Directors in July and again in December, requiring signed assurance from each that they understood the process and their accountability for compliance.

4.8 Taking on board lessons more widely within Government[1] the Executive Team has approved an improved Quality Assurance framework as a checklist for all the Department's business critical analytical models. The framework has been tested and is now being deployed, with Lead Analysts being accountable for the quality of the models in their area. Work is underway to provide further best practice guidance to all staff developing models. The Department's list of business critical analytical models is currently being updated with work beginning in Finance Group to quality assure all models supporting decision making. A refreshed version of the Department's list of models will be made available online.

4.9 The Departmental Security Officer has reported that significant improvements have been made on Departmental security management and information assurance during 2013-14, most notably the establishment of stronger governance and the development and approval (from 1 April 2014) of the Department's first Business Security Strategy. Corporate and operational security and business continuity were combined into one team on 1 April 2014, led by the Departmental Security Officer, creating a more coherent 'second line of defence' for the Department in this area. These measures will enable a more effective and streamlined provision of operational advice and incident response, collective learning and development of policy and guidance, and have strengthened the Department's capability in understanding and addressing information and security risks.

4.10 The Department has also begun to make some progress in addressing longstanding information security issues, including the IT security patching regime, beginning the procurement of a new tactical security operations centre, and the creation of a new IT security delivery and security accreditation model, due to begin in Autumn 2014. This progress has been driven by the DWP Security Oversight Board in the second part of the year, and the new governance has enabled a better understanding of the information risks and delivery requirements. Consequently, as reported below (paragraph 5.2), the end of year assessment against the Information Assurance Maturity Model concluded with a lower rating than last year, but that assessment has provided very clear indications of what is now required in order to keep pace with changing

[1] A number of government sponsored reviews made recommendations over quality assurance models in the wake of concerns over the failure of the Intercity Westcoast Mainline franchise competition for e.g. Laidlaw, Brown.

threats and delivery models, especially in terms of the information risk management culture and compliance measures.

4.11 To support Portfolio Board assessments of the Departmental change portfolio, the Major Projects Authority (MPA) conducted 15 independent reviews of 10 Departmental projects during 2013-14. These complement extensive internal and external assurance activity. The MPA delivery confidence ratings reflect the Department's on-going delivery of significant and complex business transformation projects, often IT and digitally enabled, delivered in phases often spanning several years. Review outcomes largely report positively on immediate delivery phases, reflected in the huge amount of change successfully delivered this year. The reports draw out challenges around maintaining the pace of delivery across the life of each programme (including the need for digital transformation), along with the operational capacity to embed and implement the cumulative impacts of change. In addition to the MPA reviews, the Department also carried out a number of internal Gateway reviews of high and medium risk rated projects.

4.12 In 2014-15, the MPA will undertake final Gateway reviews for three major projects that closed during 2012-13. The findings from these reviews, coupled with lessons learned from internal and external assurance providers and Parliamentary Select Committee hearings, will also be used to understand the relationship between assurance interventions, risk management, and the successful delivery of projects and associated benefits.

4.13 As recorded in the Accountability System Statement, there is a generally robust framework for each of the funding streams in relation to the resources allocated to local authorities and other local bodies outside of the Department's direct management chain.

4.14 The Cabinet Office has led the development of the Next Generation Shared Services initiative for government. The Department gains its assurance on the effectiveness of the Shared Services Connected Limited's (SSCL) control regime from the Letter of Assurance issued by the Cabinet Office Accounting Officer. To underpin this, SSCL engaged management auditors Grant Thornton to complete a Service Organisation Control Report in accordance with international audit standards (ISAE 3402). This report (for the period from 1 November 2013 to 31 March 2014) was reviewed by the Cabinet Office Shared Services Audit Committee, and contributed to the Letter of Assurance. It concludes that SSCL's governance, risk management and control arrangements provide a Reasonable Assurance at Framework Level that material risks were identified and managed effectively. The Department and Internal Audit continue to monitor on-going actions to clear outstanding audit recommendations from before the transition to SSCL.

4.15 There were no Ministerial directions during the year.

4.16 Based on the consolidated findings and recommendations from Internal Audit reviews during 2013-14, and his cumulative knowledge and experience of the Department and its operations, the Head of Internal Audit's opinion is that the governance, risk management and control arrangements throughout the year have provided Reasonable Assurance, with the exception of the management of information and change risks, where limitations have been recognised. During 2013-14 positive action has been taken to drive improvements, address control weaknesses and provide an improved control environment from which to manage the continuing challenges and risks faced by the Department, although there remain a number of areas where further efforts are required to implement fully and embed these changes.

4.17 Having reviewed the effectiveness of the system of internal control described above and the assurances provided, there were eight control challenges during 2013-14 on which further detail is provided below.

5. Significant control challenges

5.1 Fraud, error and debt

5.1.1 This continuing control challenge is to protect the annual spend on benefits and pensions (around £163 billion in 2013-14) against fraud and error. Preliminary estimates show that the level of overpayment due to fraud and error in 2013-14 was 2.0 per cent of total expenditure, with underpayments at 0.9 per cent. This is not a statistically significant change from last year (2.1 per cent) Within the overall total, the rate of fraud and error has worsened with respect to some benefits, such as Housing Benefit (due mainly to claimant error), but improved in other areas, such as Jobseeker's Allowance. The Government is fully committed to reducing fraud and error within the Benefit System. Work is already underway to address the rising levels of loss associated with Housing Benefit fraud and error and the Department is working across central and local government to ensure plans are robust and in line with other changes currently facing local authorities.

5.1.2 The Department's strategy[1] to reduce overpayments to 1.7 per cent of benefit expenditure in 2014-15 is comprised of two main strands: action within the framework of current benefits and processes and action to continue the introduction of new, radically reformed, benefits with simpler rules, better processes and new IT.

5.1.3 Simplification of the benefits system, with the introduction of Universal Credit and Personal Independence Payment, is expected to reduce the opportunities for fraud and error. The Department supports compliance activities by both claimants and staff and is now exploiting new IT, rather than continually amending existing systems, enabling better links with other sources of data and intelligence to identify and manage risks.

5.1.4 This year, the Department has taken the following actions:

- planned a bulk data matching exercise with HMRC's Real Time Information on earnings;
- established a Fraud and Error Service which drew together the Fraud Investigation Service, Customer Compliance and Benefit Integrity Centres into one organisation, with the launch of a Single Fraud Investigation Service to bring together all welfare benefit fraud investigation; and
- tested the effectiveness of communications that help change attitudes to benefit fraud and to encourage people to report routinely changes of circumstances.

5.1.5 The Department is also recovering more of the stock of debt that ever before, recovering £363 million of benefit debts in 2013-14. Challenging targets for debt recovery have been agreed: £448 million in 2014-15 and £505 million in 2015-16. The Department is further developing its strategy to deliver an effective operating model, underpinned by a professional workforce, optimal processes and appropriate IT (including digital services), and effective partnerships with external providers.

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214334/tackling-fraud-and-error.pdf

5.1.6 The Department continues to work with the NAO to develop a robust methodological approach to evaluating the reasonableness of Departmental responses to tackling fraud and error. The Department has completed an initial pilot for the approach in Pension Credit and plans to use the finding to inform a Pension Credit Fraud and Error Strategy. The Department and the NAO have also embarked on a further benchmarking exercise covering Jobseeker's Allowance. The Department hopes that this will provide an agreed methodology to inform the Department how it might achieve the removal of this longstanding account qualification.

5.2 Information Security

5.2.1 There have been two significant information related incidents requiring notification to the Information Commissioner, although these were not considered to be a major impact on the delivery of services. There have also been a number of smaller incidents and a shortfall in completion of the mandatory e-learning. Combined with the maturity reassessment (see 5.2.3), these factors reinforce the need to strengthen the information security culture across the organisation, in order to reinforce personal responsibilities and management accountabilities in the context of changing designs and services, at a time of competing pressures on individuals time.

5.2.2 The control challenge is to protect the vast amount of sensitive personal data necessary to deliver services safely and provide customer confidence, while at the same time making efficient use of that data. Efficient use of data helps claimants and partnership working, for example with local government and other Departments. The Department needs to embrace new business models, including pan-government, that deliver cost effective secure digital solutions wherever possible while constantly assessing and balancing risks. The Department's information security risk appetite formally remains low, but needs to be reviewed to reflect the changing landscape, the need for proportionality, and the need to provide meaningful guidance to front-line staff and to customers.

5.2.3 This year's end of year Information Assurance Maturity Model assessment, with external validation, concluded that the Department's information assurance maturity is lower than last year's assessment suggested. This year's assessment was better informed through new leadership and governance, which has set in place more regular and centrally driven risk assessments and compliance checks; and which is developing a closer understanding of specific and changing threats and vulnerabilities. These building blocks will now enable the Department to drive more rapid progress in mitigating longstanding control weaknesses, such as legacy IT systems and IT security controls, as well as building stronger information risk management and compliance behaviours across the Department. The strategic objective of achieving level three of the model across all six assessment categories by the end of 2014-15 is a very challenging target, but substantial progress towards that target is achievable with a major effort across the organisation.

5.3 Capability and Capacity

5.3.1 The Department has a good record in delivering and improving services while implementing major reform. Nevertheless, the Department recognises the control challenge around its capacity and capability to deliver safely and at pace the large programme of reform and simultaneously to reduce operating costs.

5.3.2 Specifically, the challenge covers both the quality and quantity of skills and experience in critical areas, which include the ability to design efficiently, build and introduce digital services and the requirements to manage new online services securely. Controlling this requires ongoing effort to improve leadership, technology and digital, commercial and project capability.

5.3.3 Following the Civil Service wide Annual Skills Review, the Department has produced a Capability Plan identifying four priority areas. Each priority area has a senior sponsor, an action plan and milestones. Our newly formed Capabilities Board, chaired by the HR Director General, will drive progress and measure effectiveness of the actions taken and outcomes delivered.

5.3.4 In addition to the Capability Plan the Department has:

- built a coherent Leadership Strategy to develop our leadership capability across the Department;
- appointed a new Director General for Digital Transformation (in October 2013) and developed a Digital Blueprint which sets out the capability required to make the Department a Digital organisation. The Department is working across Government to fill immediate and critical resource gaps with experienced interim staff from the public and private sector, and is delivering internal capability programmes, including the Department's new 8 week in house 'Digital Academy';
- completed a review of commercial capability and capacity, including a skills assessment. The resulting Commercial Change programme will address commercial skills gaps, and raise capability. The Department has also strengthened its commercial management structure, and will embed a new commercial operating model by September 2014; and
- progressed analysis of the capacity and skill set required to ensure the Department has the right capability to address gaps across the 12 priority change programmes and the range of complex and challenging change projects. Good progress has been made with mandatory attendance for all relevant staff at the Cabinet Office Major Projects Authority Leadership Academy by the end of 2014, and as required at the HMRC led Project Delivery Leadership Academy.

5.4 Universal Credit

5.4.1 Universal Credit continues to be a significant challenge for both the Department and delivery partners due to its scale and complexity. The Senior Responsible Owner has addressed some assurance recommendations from previous internal and external assurance reviews and continues to work on addressing the remainder. The Finance Director General has implemented a number of measures to review, strengthen and then independently test the financial controls, as well as applying those lessons more widely in other change programmes.

5.4.2 In December 2013, a Ministerial Statement announced the next stage of Universal Credit implementation. The Department continues to adopt a 'test and learn' approach with progressive rollout of the UC Live Service in a safe and secure way, including further expansion in the North West to include claims from couples and then families. In parallel, a new digital solution is being developed, to provide a more effective 'end state' digital platform. Key elements of the cultural change at the heart of Universal Credit - including the 'contract' between individuals and the Department (the 'Claimant Commitment') have been rolled out nationally. This has given real momentum to the UC programme and has provided the foundation to make significant progress over recent months.

5.4.3 However, there continues to be an inherent level of risk contained in the plans that will require close senior attention and highly effective integrated planning and risk management. Work is already underway to enhance the management information to support evidence based decision making, develop programme level contingency plans and to ensure capability and capacity risks are effectively managed. There is clearly a great deal more work to do but, during 2013-14, much stronger foundations have been put in place.

5.5 Medical / Health Service Contract Management

5.5.1 This challenge relates to the management of the Department's medical and disability assessments contracts, covering Work Capability Assessments (under the Medical Services Agreement) and Personal Independence Payment assessments. The volume of assessments undertaken by providers on both contracts has fallen consistently below demand, with a detrimental impact on customer service and implications for forecast expenditure on sickness and disability benefits. Resolving these issues has been a key priority, and will remain so in the new financial year.

5.5.2 Improvements to the quality of reports from Work Capability Assessments began in Summer 2013, with the standard now within contractual requirements. In January 2014, the Department decided to reduce the number of reassessments being referred to Atos Healthcare (the provider for this contract), in order to limit the number of outstanding cases and the time that claimants wait for assessments and decisions. In March 2014, the Department agreed with Atos Healthcare that they would exit from this contract before the existing contract end date of August 2015.

5.5.3 The procurement of a new, single national provider began in March 2014 and is expected to be complete by September 2014, with the transition to the new provider taking place by early 2015. The Department has also appointed a remedial advisory team who will work with Atos Healthcare management to assist them in meeting their contractual obligations and support the transition to the new provider. The challenge for the Department is to secure a new provider able to deliver the best service possible for claimants, increase the volume of assessments carried out, and reduce waiting times. The Department is also looking to contract for a new Independent Assessment Assurance Provider to oversee the standard of reports, with the outcomes from this independent audit used to confirm suppliers have met the required audit standards.

5.5.4 To prevent backlogs on the new Personal Independence Payment growing further, the Department has adjusted the rollout timetable, deciding in October 2013 to phase in natural reassessment more gradually. The Department continues to work jointly with both providers to ensure improvements in their performance, with weekly performance reviews. The Department has also made a number of changes to its processes to support the assessment providers. Progress has been made, in particular in speeding up cases fast-tracked where the applicant is terminally ill and a plan is in place to reduce the backlog.

5.6 Child Maintenance Client Funds Account

5.6.1 The challenge for the Client Funds Account relate to the weaknesses with the 1993 and 2003 statutory schemes. While the Comptroller and Auditor General has provided an unqualified opinion that receipts and payments are properly presented, he has repeated modified opinions on other aspects from previous years.

5.6.2 The first is a qualified opinion on the regularity of receipts and payments. As there are assessment errors with both under and over assessments, and the spread of error is 1.7 per cent, the receipts and payments in total are deemed to be irregular. The second is an adverse opinion on arrears, because the accumulated arrears owed by some non-resident parents are misstated, reflecting inaccurate assessments and incorrect processing since the inception of the statutory schemes.

5.6.3 These are historic failings for which the strategic solution was the introduction of the 2012 scheme, underpinned by a completely new system. Both the 1993 and 2003 schemes are now closed for new applications and, from 2014, parents will be supported and encouraged to make their own family-based arrangements. If this is not possible they will need to make a new application to the 2012 scheme.

5.6.4 The intention is by the end of 2017–18 to have all cases managed on the 2012 scheme. At this point it will be possible to decommission the systems underpinning the 1993 and 2003 schemes, and planning is underway to manage this process. The 2012 scheme uses new operational and accounting systems, and is maintained on a new platform entirely separate from the 1993 and 2003 schemes. There are significant improvements being delivered to the accounting systems for Client Fund accounting within the Department.

5.7 Social Fund

5.7.1 The main control challenges relate to debt reconciliation and to passported debt. The Department has historically had difficulty reconciling customer level loans and repayments details with the accounting information. While progress was acknowledged last year, it was clear further action was required to address these issues.

5.7.2 A Debt Project Board was established to lead the reconciliation process with the outcome that the Department has made an accounting adjustment of £25 million to bring the accounts fully in line with the detailed customer records. This has sufficiently demonstrated an understanding of the debt stock, and why reconciling items arise, for the NAO to lift the Account Qualification. The challenge remains to prevent a build up of differences going forward, but robust operational processes are to be implemented to address root causes.

5.7.3 A further challenge for the Social Fund was inadequate procedures for the recording of Social Fund overpayments arising when the recipient of a Social Fund grant becomes ineligible due to no longer meeting the requirements for the qualifying benefit. A comprehensive review was conducted and a thorough and robust process is now established in the business. The historic nature of the omitted debt going back to 2010 meant there was not a cost-effective means of identifying and recovering it and HM Treasury agreed it should not be pursued.

5.7.4 The Social Fund Account is, therefore, for the first time in ten years, no longer qualified for Debt or Regularity.

5.8 Work Programme Sustainment Payments

5.8.1 The Department identified a control challenge arising from the limitations of the verification of claims from providers for sustaining a claimant in work, beyond the Job Outcome point on the Work Programme.

5.8.2 Sustainment claims are subject to a number of pre and post-payment checks, including an automated ‘off benefit’ check to ensure that the customer is no longer claiming benefit. Any claims that fail this are automatically stopped. Claims that pass are paid, but a sample from each contract goes through a full post-payment check, followed up with providers and employers. Where errors made by providers are found, the Department seeks repayment. The Department does not currently extrapolate error rates to reclaim proportionate payments across the rest of the submitted sustainment claims (as it does for Job Outcomes). An estimated loss of £11 million in respect of sustainment payment errors is disclosed in note 27 of the accounts.

5.8.3 Two actions have been taken to manage this challenge. First, the Department is working directly with providers to improve accuracy of their submitted claim data. Second, the Department is seeking a variation of provider contracts to extrapolate failure rate and recover monies across the rest of the submitted sustainment payments, and to introduce the apportionment of ‘unable to validate’ claims between the other payment failure categories. Additionally, the Department is working with HMRC on further refinements to provider payment validation.

5.9 Control challenges reported in the last accounts which no longer apply

5.9.1 All the Significant Control Challenges reported in last year’s Governance Statement still apply for this year. The ‘***Incapacity Benefit Reassessments / Employment and Support Allowance: assessments’*** challenge from last year has now been incorporated into the wider ‘***Medical / Health Service Contract Management’*** at ***5.5 above***.

Robert Devereux
Accounting Officer

20 June 2014

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 2014 under the Government Resources and Accounts Act 2000. The Department consists of only 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 2013. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 28 to the Accounts records benefit expenditure of £163.9 billion in 2013-14. Some £83.1 billion (50.7 per cent) of this expenditure relates to State Pension and £80.8 billion (49.3 per cent) to other benefits administered by the Department. The Department estimates that in 2013-14, fraud and error within State Pension expenditure resulted in overpayments of £110 million (0.1 per cent of related expenditure) and underpayments of £120 million (0.1 per cent of related expenditure). For other benefits, the Department estimates that fraud and error resulted in overpayments of £3.19 billion (3.9 per cent of related expenditure) and underpayments of £1.28 billion (1.6 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.

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 2014 and shows that those totals have not been exceeded; and
- 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.

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 2014 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 sections of the Annual Report and Accounts entitled 'Executive Summary', 'Strategic Report', 'Directors' Report' and 'Annex 5 Sustainable Development' 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.

Sir Amyas C E Morse
Comptroller and Auditor General

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

23 June 2014

Report by the Comptroller and Auditor General

Fraud and error in benefit expenditure

1. The Annual Report and Accounts of the Department for Work and Pensions (the Department) discloses net operating costs of £170.7 billion in 2013-14.

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 2014 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 2013-14 accounts, I have qualified my opinion on regularity 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. In contrast, I have again been able to issue a clear opinion on regularity on the Social Fund White Paper Account 2013-14, for the second year in a row. This is because the Department has achieved a substantial and sustained reduction in the level of error for Social Fund benefits. This has happened, at least in part, due to the on-going efforts the Department has made to fully identify, analyse and address the underlying causes of error.

6. 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.

7. The Department's best estimate of fraud and error within benefit expenditure is disclosed in Note 28 to the accounts. As shown in Note 28, the Department estimates total overpayments due to fraud and error in 2013-14 are £3.3 billion (2012-13 – £3.5 billion), which equates to 2.0 per cent of total forecast benefit expenditure of £163.9 billion (2012-13 – 2.1 per cent on

expenditure of £166.8 billion). The Department attributes the decrease from 2.1 per cent to 2.0 per cent primarily to the removal of Council Tax Benefit from the estimate, following its replacement in April 2013. The Department estimates total underpayments in 2013-14 are £1.4 billion (2012-13 – £1.4 billion), which equates to 0.9 per cent of total benefit expenditure (2012-13 – 0.9 per cent).

8. Within those figures, the Department estimates that in 2013-14, fraud and error within State Pension resulted in overpayments of £0.11 billion (2012-13 – £0.11 billion), which is 0.1 per cent of related expenditure (2012-13 – 0.1 per cent), and underpayments of £0.12 billion (2012-13 – £0.18 billion), which is 0.1 per cent of related expenditure (2012-13 – 0.2 per cent).

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 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 entitlements, are more inherently susceptible to fraud and error due to their complexity, the difficulties in obtaining reliable information to support the claim and the challenges of capturing changes in a claimant's circumstances. These more difficult to administer benefits, such as Pension Credit, tend to be the ones exhibiting the highest estimated rates of fraud and error.

11. We do therefore recognise the challenges involved in reducing fraud and error. We are working with the Department to develop our approach to evaluating the adequacy of its response to fraud and error in benefit expenditure. Using Pension Credit as an example, we analysed the Department's processes for administering the benefit, by identifying the key characteristics required for a robust fraud and error response. We then benchmarked these against a maturity model, which reflected comparable approaches in the private and public sector. The aim of the work is to develop a robust methodological approach to evaluating the maturity and reasonableness of the Department's attempts to reduce fraud and error, as well as considering the maturity of governance, capability and processes that the Department applies to mitigating fraud and error. The work also has regard to the particular challenges faced in administering complex, means tested benefits.

12. We undertook this work on Pension Credit during 2012-13, and discussed our findings and analyses with the Department to ensure we have a common view of how and where fraud and error arises in the benefit. Following on from this, the Department agreed to devise a new strategy for preventing fraud and error in Pension Credit, which would address the issues identified through our work. It has yet to produce this strategy, and while appreciating the Department's continuing commitment to do this, in my view it needs to move faster to develop an effective strategy for reducing fraud and error in Pension Credit. Following on from our work on Pension Credit, my staff have undertaken a similar review of Jobseeker's Allowance, a principal working age benefit, and are in the course of discussing the findings with the Department.

Where do the errors occur?

Overview

13. The Department's total estimated expenditure on benefits in 2013-14 was some £163.9[1] billion, of which £140.0 billion was in respect of benefits paid directly by the Department and £23.9 billion in respect of benefits paid on the Department's behalf by local authorities (Housing Benefit). Note 28 to the Department's accounts sets out forecast expenditure by benefit type, and the Department's estimate of the extent of fraud and error in each type. The estimate of fraud and error disclosed in the accounts is the best measure currently available. Nonetheless, some caution should be exercised when examining the estimates for trends, due to measurement uncertainties explained in the Note. In particular, estimated levels of fraud and error in some benefits are a number of years old. For example, Disability Living Allowance, which accounted for £13.8 billion of expenditure in 2013-14, has not been measured for fraud and error since 2004-05, and the Department does not plan to measure its successor benefit, Personal Independence Payment, until 2016-17.

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

- Official error arises when a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Department, a local authority or Her Majesty's Revenue and Customs (HMRC);
- Claimant error occurs when claimants make inadvertent mistakes with no fraudulent intent; and
- Fraud arises when claimants 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.

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.

Figure 1

Estimated overpayments and underpayments by category

Category	2013-14 Total expenditure £ million *	2013-14 Overpayments £ million * (% of related expenditure)	2013-14 Underpayments £ million * (% of related expenditure)	2012-13 Overpayments £ million * (% of related expenditure)	2012-13 Underpayments £ million * (% of related expenditure)
Official error (figure 2)	-	700 (0.4)	500 (0.3)	700 (0.4)	500 (0.3)
Claimant error (figure 3)	-	1,500 (0.9)	900 (0.6)	1,600 (0.9)	900 (0.6)
Fraud (figure 4)	-	1,100 (0.7)	-	1,200 (0.7)	-
Total	163,900	3,300 (2.0)	1,400 (0.9)	3,500 (2.1)	1,400 (0.9)

[1] As per Note 28, the total expenditure figures quoted are the latest estimated expenditure figures available for 2013-14 at the time the Department produced the fraud and error estimates.

NOTES
Figure Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System: Preliminary 2013-14 Estimates (for the 2013-14 estimates), Fraud and Error in the Benefit System: Preliminary 2012-13 Estimates (for the 2012-13 estimates).
*Rounded to the nearest £100 million. Rows and columns may not sum due to rounding.

16. 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, claimant error and fraud

17. Overall, the level of fraud and error within benefits directly administered by the Department has fallen in 2013-14. However, fraud and error within Housing Benefit (which is administered on the Department's behalf by local authorities) has increased. I comment specifically on Housing Benefit in paragraphs 35 to 45.

Official Error

18. The Department's 2013-14 estimate of official error (defined in paragraph 14 above) is broken down in Figure 2 below.

Figure 2

Estimated official error

Benefits	2013-14 Total expenditure £ million *	2013-14 Official error overpayments £ million * (% of related expenditure)	2013-14 Official error underpayments £ million * (% of related expenditure)	2012-13 Official error overpayments £ million * (% of related expenditure)	2012-13 Official error underpayments £ million * (% of related expenditure)
Benefits administered directly by the Department	140,000	600 (0.4)	400 (0.3)	600 (0.4)	400 (0.3)
Housing related benefits administered by Local Authorities**	23,900	100 (0.6)	100 (0.3)	200 (0.6)	100 (0.3)
All DWP benefits	163,900	700 (0.4)	500 (0.3)	700 (0.4)	500 (0.3)

NOTES
Figure Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System: Preliminary 2013-14 Estimates (for the 2013-14 estimates), Fraud and Error in the Benefit System: Preliminary 2012-13 Estimates (for the 2012-13 estimates).

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

**2012-13 estimates include fraud and error figures for Housing Benefit and Council Tax Benefit. Council Tax Benefit was replaced by Council Tax Reduction on 1 April 2013 and the Department no longer has any role in its administration.

19. Official errors can cause hardship to claimants 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 2 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 more complex the data requirements required to establish entitlement to a benefit, the more difficult it is to administer and therefore the higher the inherent risk of an official error being made. For example, State Pension has an official error rate of 0.1 per cent in overpayments (2012-13 – overpayments 0.1 per cent) and 0.1 per cent in underpayments (2012-13 – underpayments 0.2 per cent). Whereas Pension Credit, which is more complex to administer due to its means-tested nature, has an official error rate of 1.8 per cent in overpayments and 1.2 per cent in underpayments (2012-13 – overpayments 1.7 per cent; underpayments 0.9 per cent).

Claimant Error

20. The Department's estimate of claimant error, as defined in paragraph 14, is shown in Figure 3 below.

Figure 3

Estimated claimant error

Benefits	2013-14 Total expenditure £ million *	2013-14 Claimant error overpayments £ million * (% of related expenditure)	2013-14 Claimant error underpayments £ million * (% of related expenditure)	2012-13 Claimant error overpayments £ million * (% of related expenditure)	2012-13 Claimant error underpayments £ million * (% of related expenditure)
Benefits administered directly by the Department	140,000	600 (0.4)	600 (0.4)	600 (0.5)	700 (0.5)
Housing related benefits administered by Local Authorities**	23,900	900 (3.8)	300 (1.2)	900 (3.3)	300 (1.0)
All DWP benefits	163,900	1,500 (0.9)	900 (0.6)	1,600 (0.9)	900 (0.6)

NOTES

Figure Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System: Preliminary 2013-14 Estimates (for the 2013-14 estimates), Fraud and Error in the Benefit System: Preliminary 2012-13 Estimates (for the 2012-13 estimates).

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

**2012-13 estimates include fraud and error figures for Housing Benefit and Council Tax Benefit. Council Tax Benefit was replaced by Council Tax Reduction on 1 April 2013 and the Department no longer has any role in its administration. Therefore, the 2013-14 figures for housing related benefits administered by Local Authorities exclude Council Tax Benefit and the associated fraud and error.

21. Claimant error accounts for just under half the total cost of the Department's overpayments and around two thirds of the total cost of underpayments, although there are substantial

differences in claimant error rates between benefits. As with official error, those benefits with the highest claimant error rates are means-tested benefits, such as Pension Credit, Jobseeker's Allowance and Income Support, which have entitlement conditions that relate to the level of income and/or savings of claimants. Mistakes can arise here as a result of the claimant failing to provide accurate or complete information to the Department, or having failed to report a change in their circumstances, which leads to an incorrect assessment being made.

22. Claimants 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 claimants 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

23. The Department's estimate of fraud, as defined in paragraph 14, is shown in Figure 4 below.

Figure 4

Estimated fraud

Benefits	**2013-14 Total expenditure £ million ***	**2013-14 Fraud overpayments £ million * (% of related expenditure)**	**2012-13 Fraud overpayments £ million * (% of related expenditure)**
Benefits administered directly by the Department	140,000	800 (0.5)	800 (0.6)
Housing related benefits administered by Local Authorities**	23,900	300 (1.4)	400 (1.4)
All DWP benefits	163,900	1,100 (0.7)	1,200 (0.7)

NOTES

Figure Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System: Preliminary 2013-14 Estimates (for the 2013-14 estimates), Fraud and Error in the Benefit System: Preliminary 2012-13 Estimates (for the 2012-13 estimates).

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

**2012-13 estimates include fraud and error figures for Housing Benefit and Council Tax Benefit. Council Tax Benefit was replaced by Council Tax Reduction on 1 April 2013 and the Department no longer has any role in its administration. Therefore, the 2013-14 figures for housing related benefits administered by Local Authorities exclude Council Tax Benefit and the associated fraud and error.

24. Of the benefits administered directly by the Department, it is again the means-tested benefits that have the highest rates of fraud as they require the claimant to supply complete and accurate information in order to establish entitlement to benefit. Most commonly, fraudulent claimant statements relate to the claimant's living arrangements where the claimant has a

partner but is claiming and receiving benefit as a single person, or falsely stating the level of their earnings or savings, whether those are legitimate earnings or from the grey economy. There are also instances where the claimant has provided a false address in order to claim benefit.

25. The Department's research indicates that claimant 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.

Departmental Work to Reduce Fraud and Error

26. The Department recognises that the level of fraud and error in benefit expenditure is too high and has, over the years, made many efforts to reduce it. This has included introducing data-matching systems, launching advertising campaigns targeting actual and potential fraudsters and applying sanctions and prosecutions. The 2013-14 preliminary estimates suggest that these efforts have had some success, as the level of fraud and error in benefits directly administered by the Department has reduced since 2012-13. This improvement has, however, been negated by the increase in fraud and error within Housing Benefit.

27. Savings are being sought at all levels of Government and as a result there is a strong and continued 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 to be undertaken by the Department.

28. 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 set 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. The Department agreed to aim for such savings to reduce the estimated level of overpayments to 1.7 per cent by April 2015.

29. The estimated overpayments of benefit expenditure due to fraud and error in 2013-14 was 2.0 per cent of expenditure, which shows no significant change from the levels of fraud and error reported in 2012-13. Furthermore, the estimated percentage overpaid has remained between 2.0 and 2.2 per cent since 2005-06. The Work and Pensions Committee stated in May 2014 that the Department will only meet the 1.7 per cent target 'if it employs innovative approaches which are aligned with the known risk factors associated with each benefit'. In my view, with less than a year left, achieving this 1.7 per cent target by April 2015 remains a very substantial challenge and is unlikely to be achieved.

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

30. The Department is aware of the challenges that it faces in order to reduce losses due to fraud and error. It recognises that it needs a more systematic approach to determine areas to focus on delivering fraud and error reductions in individual benefit streams. As noted above, my staff have worked with the Department to develop our mutual insight and understanding of where losses arise in Pension Credit. The challenge for the Department is to now utilise this information to develop a strategy that sets out the interventions that will generate sustained reductions in such losses. As planned interventions are rolled out, the Department must collate robust information and undertake rigorous measurement so that each intervention can be assessed to determine if it works and is actually delivering the planned savings and outcomes.

31. During 2013-14, the Department has continued to undertake work to reduce the level of overpayments. Most of this effort has been work carried out through the Department's Fraud and Error Prevention Centres to review and update the data held by the Department on Pension Credit, Disability Living Allowance and a range of Working Age benefits. The Centres utilise data scans and matching rules to identify cases with potential fraud and error for investigation. The Centres also communicate directly with claimants to gather up to date information in an attempt to verify that benefit payments are being made correctly.

32. For the future, the Department plans to increase the use of data matching against Real Time Information (RTI) income and earnings data held by HMRC. The Department has already started using RTI data to provide information on earnings as part of the calculation of claimants' Universal Credit entitlement. From July 2014 to March 2015, the Department also plans to carry out a bulk exercise to match RTI data against existing legacy benefits for some eight million records. Once this exercise is complete, the Department will evaluate the results before determining whether it should extend the use of RTI data.

33. The Department also recognises that it should be within its capabilities to reduce the levels of overpayments and underpayments due to Official Error. As a result it has set a target to reduce Official Error by £200 million by March 2015. Much of this reduction is expected to come through improvements in the existing benefit delivery service, but the Department now needs to devise a robust methodology and progress tracking approach for meeting this target.

34. In my report last year, I noted the Department planned to establish an Integrated Risk and Intelligence Service (IRIS) to deliver a new fraud and error prevention capability. This was planned to better use data and analytics to risk assess benefit claims and support targeted interventions. In Note 28 to the accounts, the Department has confirmed that, whilst it no longer intends to implement IRIS as originally conceived, it will break IRIS into individual components (Session Confidence, Information Confidence and Security Decision Service) that present less delivery risk and provide more opportunity to test and learn. The Department is also implementing an Analytical Intelligence Hub, which it intends to use to mitigate any fraud and error risk arising from the expansion of Universal Credit in Autumn 2014.

Housing Benefit and Council Tax Benefit

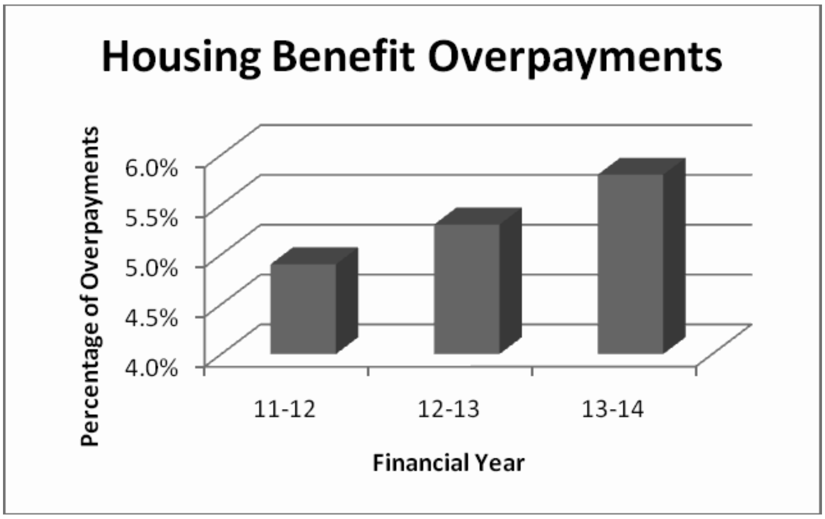
35. Council Tax Benefit was replaced by Council Tax Reduction on 1 April 2013. Council Tax Reduction is administered by local authorities and based on local decision making frameworks. The Department no longer has any role in its administration, and therefore expenditure on Council Tax Reduction, and the associated fraud and error, is not included within the Department's 2013-14 estimates. However, in figures 1-4 above, the 2012-13

comparative figures do include Council Tax Benefit expenditure and error. As such, it is difficult to make direct comparisons of the level of fraud and error in Housing Benefit between the two years.

36. The Department's preliminary estimate is that total overpayments due to fraud and error across all benefits in 2013-14 is 2.0 per cent of the total forecast benefit expenditure of £163.9 billion. The decrease from 2.1 per cent, when compared with the 2012-13 and 2011-12 results, is principally due to the removal of Council Tax Benefit from the 2013-14 estimates.

37. Despite the removal of Council Tax Benefit from the 2013-14 estimates, the level of overpayments due to fraud and error in Housing Benefit has continued to increase, as shown in Figure 5 below. The estimated level of overpayments in Housing Benefit has risen to 5.8 per cent in 2013-14 (5.3 per cent in 2012-13). This contrasts with the other continuously measured benefits, where estimated overpayments due to fraud and error have fallen in the year.

Figure 5



NOTES

Figure Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System: Preliminary 2013-14 Estimates (for the 2013-14 estimates), Fraud and Error in the Benefit System: Preliminary 2012-13 Estimates (for the 2012-13 estimates), Department for Work and Pensions Annual Report and Accounts 2011-12 (for the 2011-12 estimates).

38. Housing Benefit is administered by the claimant's local authority on behalf of the Department. Undetected errors in benefits administered directly by the Department, can, however, also lead to errors on Housing Benefit claims. This is because receipt of income related benefits such as Jobseeker's Allowance or Income Support can be used by a local authority as evidence that claimants are entitled to Housing Benefit. Therefore, fraud and error in one claim can be passported into the local authority administered benefit.

39. 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 local authorities to make accurate

payments by affecting the amounts paid 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.

40. Housing Benefit is also means-tested and therefore subject to similar limitations around evidence that can be gathered as for 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. However, because Housing Benefit has a high caseload of in-work claimants, it is particularly susceptible to fraud and error arising from incorrect earnings.

41. Common errors also arise from poor or non-timely exchange of information between the Department and the local authority with regard to whether a claimant 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.

42. Timely, efficient and accurate data sharing became even more important with the implementation of changes to Housing Benefit from April 2013, which included the removal of the spare room subsidy for working-age tenants living in social housing and the phased implementation of a limit on the total amount of benefit that most working age people can receive (the benefit cap). These changes imposed additional entitlement to benefit criteria based on housing occupancy and the overall level of benefits received. The Department plans further changes to Housing Benefit in the future, as payments to working-age claimants are progressively replaced by Universal Credit. It also plans to replace Housing Benefit payments to pensioner claimants with a housing credit element of Pension Credit.

43. The Department recognises the problem of increasing levels of fraud and error in Housing Benefit. It has set up a Working Group to develop and implement a strategy to reduce Housing Benefit fraud and error, and intends to focus both on improving existing data sharing and exploring new methods of data sharing, possibly including RTI data.

44. This will build on previous initiatives by the Department to enhance the sharing of data. It started supplying daily updates of changes in benefit entitlements to local authorities in February 2012 through the Automated Transfers to Local Authority Systems (ATLAS). Whilst ATLAS provides a welcome opportunity for data sharing, the Work and Pensions Select Committee has recently recommended that the Department and local authorities jointly review ATLAS so that local authorities can access the information they need to verify Housing Benefit claims more easily[1].

45. Due to the high, and increasing, level of overpayments within Housing Benefit, I have decided to undertake a more detailed review of the causes of fraud and error in this benefit. I intend to report on this in Autumn 2014.

Welfare Reform

46. Two of the main elements of the Welfare Reform Act 2012 were the introduction of Universal Credit and the Personal Independence Payment. As noted in paragraph 28 above, the

[1] Work and Pensions Committee Report *Fraud and error in the benefits system* HC 1082 2013-14 para 37

Department initially anticipated reducing fraud and error by £200 million per year by introducing Universal Credit.

47. The Department began a Universal Credit Pathfinder on 29 April 2013, where it trialled Universal Credit for a limited number of customers. It originally planned a progressive roll out of Universal Credit from October 2013, but while the Pathfinder has remained and increased in scope and scale, the national roll out has not yet commenced. The Department plans to further extend the scope of the Pathfinder by extending Universal Credit to couples and families later in 2014. In 2013-14, it spent £5.9 million in Universal Credit benefit payments.

48. The primary aim of Universal Credit is to create a single streamlined working age benefit, with tapered payments that are structured to encourage claimants to return to work. The Department intends that, in the long term, this streamlining of benefit will remove or reduce some of the current complexities around benefit entitlement, verification of claimant circumstances and administrative requirements that can increase the opportunities for fraud and error.

49. In my report, 'Universal Credit: Early Progress' (HC 621 2013-14) published in September 2013, I noted that the delay in national roll-out will reduce the value of the financial benefits initially assumed by the Department. Included within these benefits are the savings that would arise from a reduction in fraud and error.

50. The Department started a phased introduction of Personal Independence Payment (PIP) on 8 April 2013, with the Department processing new claims from the North West and North East of England. In 2013-14, it spent £165 million in PIP benefit payments. As with Universal Credit, one of the aims of PIP is to reduce levels of fraud and error.

51. As set out in my February 2014 report 'Personal Independence Payment: Early Progress' (HC 1070 2013-14), in mid-2013 backlogs developed and the Department has made fewer claim decisions than it expected and has postponed the reassessment of most existing Disability Living Allowance claims. The lower number of claim decisions compared to those expected will, in the short term, reduce the value of any savings that will arise from a reduction in fraud and error.

Conclusion

52. The estimated value of fraud and error overpayments in benefit expenditure in 2013-14 is £3.3 billion, or 2.0 per cent of expenditure. This is a reduction in the level of fraud and error from 2012-13 (2012-13 – £3.5 billion and 2.1 per cent respectively), but the decrease is primarily due to the removal of Council Tax Benefit from the Department's expenditure and from the fraud and error estimates.

53. Over the period in which fraud and error have been measured by the Department, fraud and error rates have consistently remained high. 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 remains 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.

54. In order to develop effective ways of reducing fraud and error in benefits expenditure, the Department needs to properly understand how and why overpayments arise in individual benefits. This requires the collection and analysis of quantitative and qualitative data on fraud and error to identify key risk areas, better exploitation of this data to direct operational activity and ensuring that operational staff are properly focussed on reducing fraud and error. We are working with the Department to develop a methodology that supports the identification of key risk areas within benefit streams[1].

55. 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.

56. We note the work the Department is doing to reduce fraud and error, which it sets out in more detail within the Annual Report and in Note 28 to the accounts. In its implementation of changes to the benefits system, we recognise the Department is also, in part, attempting to drive down incorrect payments. However, only by developing 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.

Universal Credit Assets

Background

57. The Welfare Reform Act 2012 sets out the Government's proposals to replace six existing means-tested benefits for working age households with a Universal Credit. The Universal Credit programme has been under development since 2010, but in November 2013 the Ministerial Oversight Group for Universal Credit approved a new approach that included both the development of a new digital end-state solution for delivering Universal Credit, as well as further investment in the existing IT functionality to support an expansion to accept Universal Credit claims from couples and families.

58. The Department for Work and Pensions (the Department) deferred submission of its 2012-13 Annual Report and Accounts for audit until December 2013, in order to fully incorporate the decisions of the Ministerial Oversight Group in the accounts. In the accounts, the Department impaired £40.1 million of IT assets that it had purchased or developed for Universal Credit, but which had no use in either the existing or end-state solutions. Furthermore, the Department also recognised that some £91.0 million of Universal Credit IT assets would only have use as part of the development of the existing IT functionality, and would therefore be amortised over 5 years, and not 15 years as originally intended.

59. In Note 12 to the Accounts, the Department recognises £609 million of intangible assets as at 31 March 2014. As set out in Note 12d, £131.3 million of this amount (2012-13: £151.9 million) relates to Universal Credit IT assets. I have reviewed these balances and am satisfied

[1] As set out at paragraphs 24-25.

that they are reasonable. I have also considered the accounting treatment adopted by the Department in respect of these assets, which I consider to be appropriate.

60. The overall cost of developing the assets to support the Universal Credit programme continues to remain subject to some uncertainty. HM Treasury has continued to approve funding for the development of the existing IT functionality so that it can support Universal Credit claims from couples and families. Further HM Treasury approvals are required during 2014.

61. In my report on the Department's 2012-13 Annual Report and Accounts, I reported on the considerable weaknesses in the Department's financial controls over the Universal Credit programme. In particular, both the NAO and the Public Accounts Committee expressed concerns over the weaknesses in financial governance, reporting and controls within the programme, and the limited Departmental review and challenge over the quality, efficiency and value of services being delivered by suppliers.

62. The Department accepted these findings and all the recommendations made by the Public Accounts Committee. It has taken steps to strengthen financial controls and supplier management, through the development and implementation of revised financial procedures, financial assurance arrangements and financial reporting. The Department is implementing these improved financial controls, where appropriate, across the Department's portfolio of major programmes. It has also made progress in reconstituting the programme Board and defining the capacity and capability of the associated governance arrangements. The Department acknowledges that a number of the actions designed to improve programme management, both through the existing IT functionality and the development of the digital end-state solution, and to support the revised and reconstituted governance arrangements, are on-going and their operational effectiveness is still to be proven.

63. It is clear that the Department still has much to do to address all the concerns raised and to ensure it delivers value for money in its implementation of the Universal Credit programme. The Department is continuing to spend significant sums in developing the programme, as it both maintains and enhances the existing IT functionality, while simultaneously designing a new digital end-state to replace it. The Department will need to exert rigorous control over this expenditure, and ensure it uses the available funding effectively and does not need to impair further assets.

64. In my report 'Universal Credit: early progress' (HC 621) published in September 2013 and subsequently in my report on the Department's 2012-13 Annual Report and Accounts, I concluded that at that early stage of the Universal Credit programme, the Department had not achieved value for money. I will be looking at this issue again as part of a follow up report on Universal Credit, which I intend to publish in late 2014.

Sir Amyas C E Morse
Comptroller and Auditor General

23 June 2014

National Audit Office
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Statement of Parliamentary Supply

The notes on pages 76 to 82 form part of this statement

Summary of Resource and Capital Outturn 2013-14

		Estimate			Outturn			2013-14	2012-13
	SOPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving	Outturn Total
		£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit									
- Resource	2.1	6,789,666	611,355	7,401,021	6,747,233	611,379	7,358,612	42,433	7,366,133
- Capital	2.2	198,938	-	198,938	185,683	-	185,683	13,255	375,046
Annually Managed Expenditure									
- Resource	2.1	72,558,461	92,030,459	164,588,920	71,806,686	91,514,637	163,321,323	751,775	165,571,090
- Capital	2.2	2,360	(31,443)	(29,083)	1,815	(88,835)	(87,020)	545	27,383
Total Budget		**79,549,425**	**92,610,371**	**172,159,796**	**78,741,417**	**92,037,181**	**170,778,598**	**808,008**	**173,339,652**
Non-Budget									
- Resource	2.1	2,490,213	-	2,490,213	2,051,250	-	2,051,250	438,963	2,517,753
Total		**82,039,638**	**92,610,371**	**174,650,009**	**80,792,667**	**92,037,181**	**172,829,848**	**1,246,971**	**175,857,405**

Total Resource Budget	79,348,127	92,641,814	171,989,941	78,553,919	92,126,016	170,679,935	794,208	172,937,223
Total Resource Non - Budget	2,490,213	-	2,490,213	2,051,250	-	2,051,250	438,963	2,517,753
Total Resource	**81,838,340**	**92,641,814**	**174,480,154**	**80,605,169**	**92,126,016**	**172,731,185**	**1,233,171**	**175,454,976**
Total Capital	201,298	(31,443)	169,855	187,498	(88,835)	98,663	13,800	402,429
Total	**82,039,638**	**92,610,371**	**174,650,009**	**80,792,667**	**92,037,181**	**172,829,848**	**1,246,971**	**175,857,405**

	SOPS note	2013-14	2013-14		2012-13
		Estimate	Outturn	Outturn compared with Estimate: saving	Outturn
		£000	£000	£000	£000
Net cash requirement 2013-14 Core Department	4	81,890,316	80,405,233	1,485,083	85,946,308

		2013-14 Estimate	2013-14 Outturn	2012-13 Outturn
		£000	£000	£000
Administration costs 2013-14 Departmental Group	3.2	1,275,939	1,091,334	1,179,638

Explanations of variances between Estimate and outturn are given on page 23.

Notes to the Statement of Parliamentary Supply

SOPS 1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS 1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS 1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as detailed below. A reconciliation of the Department's outturn as recorded in the SOPS compared to the IFRS-based Statement of Comprehensive Net Expenditure is provided in SOPS Note 3.1.

SOPS 1.2a PFI and other Service Concession arrangements

The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in different on/off Statement of Financial Position treatment.

SOPS 1.2b Capital Grants

Grant expenditure used for capital purposes are treated as capital items in the Statement of Parliamentary Supply. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure.

SOPS 1.2c Provisions - Administration and Programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for National Accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both Resource Accounting and National Accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts.

SOPS 1.2d Social Fund

The expenditure of the Social Fund is recorded in the Statement of Comprehensive Net Expenditure and is recorded in the Supply Estimate to ensure that the total AME budget provision for the Department is visible to Parliament.

However, due to current legislation requirements Parliament is required to vote the cash paid into the Social Fund rather than the Social Fund expenditure, consequently the cash paid into the Social Fund is also required to be recorded in the Supply Estimate but as a non budget item. The Statement of Parliamentary Supply reflects these legislative requirements.

SOPS 2. Net Outturn

SOPS 2.1 Analysis of net resource outturn by section

										2013-14	2012-13
							Outturn			Estimate	Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit											
Voted:											
A Operational Delivery	156,151	(5,481)	150,670	2,261,287	(8,395)	2,252,892	2,403,562	2,707,940	304,378	-	2,535,173
B Child Maintenance Group	93,594	(536)	93,058	372,219	(2,501)	369,718	462,776	467,104	4,328	6,064	484,968
C Health and Safety Executive (Net)	107,218	-	107,218	48,127	-	48,127	155,345	157,317	1,972	4,197	161,818
D Financial Assistance Scheme	-	-	-	153,470	-	153,470	153,470	153,897	427	427	108,971
E European Social Fund	-	-	-	135,889	(139,117)	(3,228)	(3,228)	(3,299)	(71)	-	122,174
F Executive Non-Departmental Public Bodies (Net)	18,145	-	18,145	335,958	-	335,958	354,103	358,514	4,411	4,411	366,256
G Employment Programmes	-	-	-	1,039,025	(1,739)	1,037,286	1,037,286	1,041,314	4,028	4,028	802,113
H Support for Local Authorities	-	-	-	643,929	-	643,929	643,929	469,259	(174,670)	-	528,977
I Other Programmes	-	-	-	122,098	(59,873)	62,225	62,225	34,273	(27,952)	-	89,473
J Departmental operating costs	792,272	(70,029)	722,243	817,242	(61,720)	755,522	1,477,765	1,403,347	(74,418)	23,306	1,460,103
	1,167,380	**(76,046)**	**1,091,334**	**5,929,244**	**(273,345)**	**5,655,899**	**6,747,233**	**6,789,666**	**42,433**	**42,433**	**6,660,026**
Non-voted:											
K National Insurance Fund	-	-	-	611,379	-	611,379	611,379	611,379	-	-	706,107
L Consolidated Fund Extra Receipts	-	-	-	-	-	-	-	(24)	(24)	(24)	-
	-	**-**	**-**	**611,379**	**-**	**611,379**	**611,379**	**611,355**	**(24)**	**(24)**	**706,107**
Annually Managed Expenditure											
Voted:											
M Severe Disablement Allowance	-	-	-	859,728	-	859,728	859,728	877,314	17,586	17,586	886,865
N Industrial Injuries Benefit Scheme	-	-	-	900,692	-	900,692	900,692	907,215	6,523	6,523	905,249
O Universal Credit	-	-	-	5,861	-	5,861	5,861	10,037	4,176	4,176	-
P Jobseeker's Allowance	-	-	-	3,813,327	(1,806)	3,811,521	3,811,521	3,985,922	174,401	174,401	4,507,472
Q Employment and Support Allowance	-	-	-	6,898,014	(56)	6,897,958	6,897,958	6,805,431	(92,527)	-	4,474,900

										2013-14	2012-13
							Outturn			Estimate	Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
R Income Support	-	-	-	3,602,125	(19,455)	3,582,670	3,582,670	3,708,668	125,998	125,998	5,253,986
S Pension Credit	-	-	-	7,041,522	-	7,041,522	7,041,522	7,149,967	108,445	108,445	7,565,813
T Financial Assistance Scheme	-	-	-	284,336	-	284,336	284,336	625,654	341,318	164,950	92,781
U TV licences for the over 75's	-	-	-	606,395	-	606,395	606,395	610,084	3,689	3,689	596,198
V Attendance Allowance	-	-	-	5,360,075	-	5,360,075	5,360,075	5,427,863	67,788	67,788	5,475,625
W Personal Independence Payment	-	-	-	165,304	-	165,304	165,304	144,001	(21,303)	-	-
X Disability Living Allowance	-	-	-	13,762,514	-	13,762,514	13,762,514	13,768,224	5,710	5,710	13,430,161
Y Carer's Allowance	-	-	-	2,088,265	-	2,088,265	2,088,265	2,084,613	(3,652)	-	1,927,222
Z Housing Benefit	-	-	-	17,883,096	-	17,883,096	17,883,096	17,951,174	68,078	68,078	22,496,804
AA Rent Rebates	-	-	-	5,817,409	-	5,817,409	5,817,409	5,814,056	(3,353)	-	5,747,592
AB Statutory Sick Pay and Statutory Maternity Pay	-	-	-	2,258,201	-	2,258,201	2,258,201	2,213,156	(45,045)	-	2,442,799
AC Other benefits	-	-	-	472,293	(937)	471,356	471,356	474,555	3,199	3,199	395,339
AD Other expenditure	-	-	-	11,406	-	11,406	11,406	918	(10,488)	-	(141,674)
AE Other expenditure ENDPBs (Net)	-	-	-	(1,623)	-	(1,623)	(1,623)	(391)	1,232	1,232	(3,582)
	-	**-**	**-**	**71,828,940**	**(22,254)**	**71,806,686**	**71,806,686**	**72,558,461**	**751,775**	**751,775**	**76,053,550**
Non-voted:											
AF Incapacity Benefit	-	-	-	1,186,804	-	1,186,804	1,186,804	1,199,138	12,334	12,334	3,275,830
AG Jobseeker's Allowance	-	-	-	526,702	(7)	526,695	526,695	540,640	13,945	13,945	662,341
AH Employment and Support Allowance	-	-	-	3,538,882	-	3,538,882	3,538,882	3,487,142	(51,740)	(51,740)	2,304,893
AI Maternity Allowance	-	-	-	399,993	-	399,993	399,993	403,331	3,338	3,338	394,986
AJ State Pension	-	-	-	83,137,207	-	83,137,207	83,137,207	83,203,637	66,430	66,430	79,858,005
AK Bereavement Benefits	-	-	-	582,231	-	582,231	582,231	585,994	3,763	3,763	592,544
AL Expenditure incurred by the Social Fund	-	-	-	2,142,825	-	2,142,825	2,142,825	2,610,577	467,752	467,752	2,428,941
AM Other Contributory Benefits	-	-	-	-	-	-	-	1	1	1	-
AN Consolidated Fund Extra Receipts	-	-	-	-	-	-	-	(1)	(1)	(1)	-
	-	**-**	**-**	**91,514,644**	**(7)**	**91,514,637**	**91,514,637**	**92,030,459**	**515,822**	**515,822**	**89,517,540**

	Administration Gross	Administration Income	Administration Net	Programme Gross	Programme Income	Programme Net	Outturn Total	2013-14 Estimate Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	2012-13 Outturn Total
	£000	£000	£000		£000	£000	£000	£000	£000	£000	£000
Non-budget resource											
Voted:											
AO Cash paid in to the Social Fund	-	-	-	2,051,250	-	2,051,250	2,051,250	2,490,213	438,963	438,963	2,517,753
	-	**-**	**-**	**2,051,250**	**-**	**2,051,250**	**2,051,250**	**2,490,213**	**438,963**	**438,963**	**2,517,753**
Total resource											
	1,167,380	**(76,046)**	**1,091,334**	**171,935,457**	**(295,606)**	**171,639,851**	**172,731,185**	**174,480,154**	**1,748,969**	**1,748,969**	**175,454,976**

SOPS 2.2 Analysis of net capital outturn by section

	Outturn Gross	Outturn Income	Outturn Net	2013-14 Estimate Net	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	2012-13 Outturn Net
	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit							
Voted:							
A Operational Delivery	233	-	233	1,423	1,190	1,190	5,903
B Child Maintenance Group	14,987	-	14,987	11,025	(3,962)	(5,189)	19,569
C Health and Safety Executive (Net)	5,108	-	5,108	7,683	2,575	3,802	7,201
F Executive Non-Departmental Public Bodies (Net)	2,592	-	2,592	3,540	948	948	1,109
G Employment Programmes	5,515	-	5,515	6,326	811	811	(70)
I Other programmes	60,000	-	60,000	66,087	6,087	6,087	68,188
J Departmental operating costs	102,598	(5,350)	97,248	102,854	5,606	5,606	273,146
	191,033	**(5,350)**	**185,683**	**198,938**	**13,255**	**13,255**	**375,046**
Spending in Annually Managed Expenditure							
Voted:							
N Industrial Injuries Benefit Scheme	4	-	4	11	7	7	-
O Universal Credit	669	-	669	138	(531)	(531)	-
P Jobseeker's Allowance	997	-	997	1,908	911	911	-
Q Employment and Support Allowance	84	-	84	137	53	53	-
R Income Support	58	-	58	166	108	108	-
S Pension Credit	3	-	3	-	(3)	(3)	-
	1,815	**-**	**1,815**	**2,360**	**545**	**545**	**-**
Non-Voted:							
AG Jobseeker's Allowance	2	-	2	66	64	64	-
AH Employment and Support Allowance	-	-	-	1	1	1	-
AL Expenditure incurred by the Social Fund	(88,837)	-	(88,837)	(31,510)	57,327	57,327	27,383
	(88,835)	**-**	**(88,835)**	**(31,443)**	**57,392**	**57,392**	**27,383**
Total	**104,013**	**(5,350)**	**98,663**	**169,855**	**71,192**	**71,192**	**402,429**

SOPS 3. Reconciliation of outturn to net operating cost and against Administration Budget

SOPS 3.1 Reconciliation of net resource outturn to net operating cost

			SOPS	2013-14 Outturn £000	2012-13 Outturn £000
Total resource outturn in Statement of Parliamentary Supply		Budget		170,679,935	172,937,223
		Non-Budget		2,051,250	2,517,753
			2.1	**172,731,185**	**175,454,976**
	Add:	Capital Grants		3	-
		PFI Adjustment		22,908	71,552
		Other		698	-
				172,754,794	**175,526,528**
	Less:	Income payable to the Consolidated Fund		(10,118)	(712)
		Repayment of Capital Grant		-	(70)
		Cash paid to the Social Fund – Voted Non-Budget		(2,051,250)	(2,517,753)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure				**170,693,426**	**173,007,993**

SOPS 3.2 Reconciliation of Administration outturn against final Administration budget and Administration net operating cost

	SOPS	2013-14 £000	2012-13 £000
Administration costs limit - Estimate		1,275,939	1,252,011
		1,275,939	**1,252,011**
Gross Administration Costs	2.1	1,167,380	1,189,100
Gross Income relating to Administration Costs	2.1	(76,046)	(9,462)
Administration costs - Net outturn	2.1	**1,091,334**	**1,179,638**
Reconciliation to operating costs:			
Add: PFI adjustment		108,042	119,640
Add/Less: other		(3,661)	(6,751)
Administration net operating costs		**1,195,715**	**1,292,527**

SOPS 4. Reconciliation of net resource outturn to net cash requirement

	SOPS	Estimate £000	Outturn £000	2013-14 Net total outturn compared with Estimate: saving/(excess) £000
Net Resource Outturn	2.1	174,480,154	172,731,185	1,748,969
Capital:				
Adjustment for capital items	2.2	169,855	98,663	71,192
Accruals adjustments				
Non-cash items		(1,306,575)	(1,000,036)	(306,539)
Changes in working capital other than cash		1,000,000	462,357	537,643
Utilisation of provisions		157,074	154,844	2,230
Adjustments for NDPBs				
Remove voted resource and capital		(526,663)	(515,525)	(11,138)
Add cash grant-in-aid		526,842	510,926	15,916
Non Voted Budget		(92,610,371)	(92,037,181)	(573,190)
Net Cash Requirement of Core Department		**81,890,316**	**80,405,233**	**1,485,083**

SOPS 5. Income and Excess Funds 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 2013-14		Outturn 2012-13	
	Income £000	*Receipts £000*	Income £000	*Receipts £000*
Income outside the ambit of the Estimate	10,118	*7,915*	712	*712*
Repayment to the Consolidated Fund	114,000	*114,000*	-	-
Total income payable to the Consolidated Fund	**124,118**	***121,915***	**712**	***712***

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, pages 136 to 152.

Financial Statements

for the year ended 31 March 2014

Departmental accounting boundary

The Departmental accounting boundary is detailed in Note 1.4. 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.

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.

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.

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; and
- Remploy Limited.

Financial Assistance Scheme Trust Statement
Further regulations came into force on 2 April 2010 in relation to the Financial Assistance Scheme (FAS), which enable the assets remaining in qualifying schemes to transfer to the Government. 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 at pages 136 to 152.

Events after the reporting period

There were no events after the reporting period.

The Accounting Officer authorised these financial statements for issue on 24 June 2014.

Consolidated Statement of Comprehensive Net Expenditure
for the year to 31 March 2014

The notes on pages 90 to 135 form part of these accounts

	Note	2013-14 Core Dept £000	2013-14 Departmental Group £000	2012-13 Core Dept £000	2012-13 Departmental Group £000
Administration costs					
Staff costs	3	422,163	473,548	456,948	521,882
Other costs	4	728,459	818,837	742,816	846,887
Income	10	(76,297)	(96,670)	(65,753)	(76,242)
Programme expenditure					
Staff costs	3	2,351,722	2,513,319	2,283,379	2,493,285
Other costs	5	167,092,510	167,421,548	169,354,607	169,757,209
Income	10	(332,908)	(437,156)	(443,311)	(535,028)
Grant in Aid to NDPBs	8	510,926	-	695,404	-
Net Operating Costs for the year ended 31 March 2014		**170,696,575**	**170,693,426**	**173,024,090**	**173,007,993**
Total expenditure		171,105,780	171,227,252	173,533,154	173,619,263
Total income	10	(409,205)	(533,826)	(509,064)	(611,270)
Transfer of NDPB's Net Assets		-	-	9,803	-
Net Costs for the year ended 31 March 2014		**170,696,575**	**170,693,426**	**173,033,893**	**173,007,993**
Other Comprehensive Net Expenditure:					
Items that will not be reclassified to net operating costs					
Net (gain)/loss on:					
-revaluation of property, plant & equipment		(27,662)	(29,761)	1,023,520	1,021,908
-revaluation of intangibles		(10,271)	(10,267)	(13,489)	(13,475)
-pensions		-	107	-	10
Items that may be reclassified subsequently to net operating costs					
Net loss (gain) on:					
-revaluation of available for sale financial assets		1,956	1,956	(2,241)	(2,241)
Total Comprehensive Net Expenditure for the year ended 31 March 2014		**170,660,598**	**170,655,461**	**174,041,683**	**174,014,195**

All income and expenditure is derived from continuing operations.

Consolidated Statement of Financial Position

as at 31 March 2014

	Note	31 March 2014 Core Dept	31 March 2014 Departmental Group	31 March 2013 Core Dept	31 March 2013 Departmental Group
		£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	11	608,007	703,418	726,733	820,493
Intangible assets	12	605,592	608,572	665,974	668,941
Financial assets	14	312,432	312,432	252,666	252,666
Trade and other receivables	22	1,399,957	1,400,935	1,326,429	1,327,422
Total non-current assets		**2,925,988**	**3,025,357**	**2,971,802**	**3,069,522**
Current assets:					
Inventories	20	-	876	-	1,101
Trade and other receivables	22	2,136,360	2,181,369	2,775,618	2,816,764
Cash and cash equivalents	21	256,064	262,337	207,011	213,264
Total current assets		**2,392,424**	**2,444,582**	**2,982,629**	**3,031,129**
Total assets		**5,318,412**	**5,469,939**	**5,954,431**	**6,100,651**
Current liabilities:					
Trade and other payables	23	(4,198,201)	(4,251,406)	(4,292,884)	(4,343,544)
Provisions	24	(122,712)	(122,856)	(92,466)	(92,636)
Total current liabilities		**(4,320,913)**	**(4,374,262)**	**(4,385,350)**	**(4,436,180)**
Non-current assets less net current assets/liabilities		**997,499**	**1,095,677**	**1,569,081**	**1,664,471**
Non-current liabilities:					
Provisions	24	(4,124,814)	(4,126,757)	(3,866,838)	(3,869,114)
Other payables	23	(593,181)	(695,471)	(708,647)	(812,966)
Total non-current liabilities		**(4,717,995)**	**(4,822,228)**	**(4,575,485)**	**(4,682,080)**
Assets less Liabilities		**(3,720,496)**	**(3,726,551)**	**(3,006,404)**	**(3,017,609)**
Taxpayers' equity and other reserves:					
General Fund		(3,940,874)	(3,957,720)	(3,249,671)	(3,269,673)
Revaluation Reserve		220,378	231,169	243,267	252,064
Total equity		**(3,720,496)**	**(3,726,551)**	**(3,006,404)**	**(3,017,609)**

Robert Devereux
Accounting Officer

20 June 2014

Consolidated Statement of Cash Flows

for the year ended 31 March 2014

	Note	31 March 2014 Core Dept £000	31 March 2014 Departmental Group £000	31 March 2013 Core Dept £000	31 March 2013 Departmental Group £000
Cash flows from operating activities					
Net operating cost		(170,696,575)	(170,693,426)	(173,033,893)	(173,007,993)
Adjustments for non-cash transactions		659,227	669,118	479,154	487,795
Decrease/(Increase) in trade and other receivables		565,730	561,882	(584,716)	(586,976)
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(395,444)	(396,907)	501,239	500,853
Decrease/(Increase) in inventories		-	225	-	(486)
Increase/(Decrease) in trade and other payables		289,396	294,601	(395,600)	(459,644)
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(34,588)	(33,409)	230,070	272,920
Utilisation of provisions		(154,895)	(155,214)	(160,112)	(161,241)
Net cash outflow from operating activities		**(169,767,149)**	**(169,753,130)**	**(172,963,858)**	**(172,954,772)**
Cash flows from investing activities					
Purchase of property, plant and equipment	11b	(5,332)	(12,246)	(10,968)	(18,076)
Purchase of intangible assets	12c	(114,569)	(115,745)	(271,478)	(283,725)
Proceeds of disposal of property, plant and equipment		1,845	2,173	6	225
Loans to other bodies		(65,512)	(65,512)	(74,123)	(74,123)
Repayments of loans		293	293	4,593	4,593
Net cash outflow from investing activities		**(183,275)**	**(191,037)**	**(351,970)**	**(371,106)**
Cash flows from financing activities					
From the Consolidated Fund (supply) current year		80,564,082	80,564,082	85,433,353	85,433,353
From the Consolidated Fund (supply) prior year		512,955	512,955	22,651	22,651
Net financing from the National Insurance Fund		89,662,379	89,662,379	87,916,807	87,916,807
Advances from the Contingencies Fund		1,534	1,534	506,000	506,000
Repayments to the Contingencies Fund		(550)	(550)	(506,000)	(506,000)
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(124,527)	(126,075)	(126,708)	(128,138)
Net financing		**170,615,873**	**170,614,325**	**173,246,103**	**173,244,673**
Net increase/ (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**665,449**	**670,158**	**(69,725)**	**(81,205)**
Payments of amounts due to the Consolidated Fund		(116,851)	(116,851)	(565)	(923)
Net increase/ (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	21	**548,598**	**553,307**	**(70,290)**	**(82,128)**
Cash and cash equivalents at the beginning of the period	21	**(339,719)**	**(338,517)**	**(269,429)**	**(256,389)**
Cash and cash equivalents at the end of the period	21	**208,879**	**214,790**	**(339,719)**	**(338,517)**

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

		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 2012		**(4,148,928)**	**(4,196,480)**	**1,319,624**	**1,328,516**	**(2,829,304)**	**(2,867,964)**
Net Parliamentary Funding drawn down (current year)		85,433,353	85,433,353	-	-	85,433,353	85,433,353
Net Parliamentary Funding drawn down (prior year)		22,651	22,651	-	-	22,651	22,651
Funding from National Insurance Fund		87,916,807	87,916,807	-	-	87,916,807	87,916,807
Funding from Northern Ireland to ILF		-	-	-	-	-	-
Supply receivable adjustment	22(i)	512,955	512,955	-	-	512,955	512,955
Supply receivable previous year clearance		(22,651)	(22,651)	-	-	(22,651)	(22,651)
CFERs payable to the Consolidated Fund	SOPS5	(675)	(712)	-	-	(675)	(712)
Advances from the Contingencies fund		506,000	506,000	-	-	506,000	506,000
Repayments to the Contingencies fund		(506,000)	(506,000)	-	-	(506,000)	(506,000)
Comprehensive net expenditure for the year		(173,033,893)	(173,007,993)	-	-	(173,033,893)	(173,007,993)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	4	2,143	2,143	-	-	2,143	2,143
Actuarial loss on pensions		-	(10)	-	-	-	(10)
Movements in reserves:							
Recognised in Statement of Comprehensive Expenditure		-	-	(1,007,790)	(1,006,192)	(1,007,790)	(1,006,192)
Transfers between reserves (c)		68,567	70,260	(68,567)	(70,260)	-	-
Other		-	4	-	-	-	4
Balance at 31 March 2013		**(3,249,671)**	**(3,269,673)**	**243,267**	**252,064**	**(3,006,404)**	**(3,017,609)**
Net Parliamentary Funding drawn down (current year)		80,564,082	80,564,082	-	-	80,564,082	80,564,082
Repayments to the Consolidated Fund		(114,000)	(114,000)	-	-	(114,000)	(114,000)
Net Parliamentary Funding drawn down (prior year)		512,955	512,955	-	-	512,955	512,955
Funding from National Insurance Fund		89,662,379	89,662,379	-	-	89,662,379	89,662,379
Supply payable adjustment	23(i)	(158,849)	(158,849)	-	-	(158,849)	(158,849)
Supply receivable previous year clearance		(512,955)	(512,955)	-	-	(512,955)	(512,955)
CFERs payable to the	SOPS5	(10,118)	(10,118)	-	-	(10,118)	(10,118)

Consolidated Fund							
Advances from the Contingencies fund		1,534	1,534	-	-	1,534	1,534
Repayments to the Contingencies fund		(550)	(550)	-	-	(550)	(550)
Contingencies Fund Payable – current year		(984)	(984)	-	-	(984)	(984)
Comprehensive net expenditure for the year		(170,696,575)	(170,693,426)	-	-	(170,696,575)	(170,693,426)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	4	2,138	2,138	-	-	2,138	2,138
Actuarial loss on pension		-	(107)	-	-	-	(107)
Movements in reserves:							
Recognised in Statement of Comprehensive Expenditure		-	-	35,977	38,072	35,977	38,072
Transfers between reserves (c)		58,866	58,967	(58,866)	(58,967)	-	-
Other		874	887	-	-	874	887
Balance at 31 March 2014		**(3,940,874)**	**(3,957,720)**	**220,378**	**231,169**	**(3,720,496)**	**(3,726,551)**

a. The General Fund represents the total assets less liabilities 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:

	2013-14 Total £000	2012-13 Total £000
Balance at 1 April	(12,203)	(5,034)
Net change in Revaluation Reserve	(3,058)	(7,169)
Balance at 31 March	**(15,261)**	**(12,203)**

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.

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 2013-14 '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 are detailed on pages 76 to 82 and show outturn against Estimate in terms of the Department's net resource requirement and net cash requirement.

1.2 Accounting standards, interpretations and amendments

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 2014 have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM. This includes the following adoptions effective from 1 April 2013 which have had limited or no impact:

IAS 1 Presentation of Financial Statements
IAS 19 Employee Benefits

The following IFRSs, IFRIC Interpretations and Amendments 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 their impact on the Department's financial statements.

Accounting Standard	Effective for periods beginning on or after
IFRS 10 Consolidated Financial Statements	1 January 2014
IFRS 11 Joint Arrangements	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014
IFRS 13 Fair Value Measurement	1 January 2013 but not until 2015-16 in the FReM

IAS 27 Consolidated and Separate Financial Statements	1 January 2014
IAS 28 Investments in Associates	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'. Transactions between entities included in the consolidation are eliminated. The entities within the Departmental Group are:

Supply Financed:	Core Department
Crown NDPBs:	Health and Safety Executive
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 (closed 30 September 2013) Industrial Injuries Advisory Council Social Security Advisory Committee

From 1 April 2013, Council Tax Benefit, Social Fund Crisis Loans and Community Care Grants ceased and were replaced by local welfare provisions administered by local authorities.

1.5 Areas of judgement and Estimation Techniques

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.

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

Impairment of benefit receivables
Benefit receivables are reviewed annually for impairment. 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.

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.

European Social Fund (ESF)
The Department makes payments from the ESF. Until a declaration is received from an applicant, the Department cannot accurately quantify its liabilities and related accrued income. An estimate is calculated at the year-end based on a comparison between the agreed spend profiles provided by the applicants and payments made to date. However, the Department recognises that the basis of the calculation is subject to uncertainty and may need adjustment in a subsequent year of account.

Departmental estimation of Statutory Sick Pay and Statutory Maternity Pay (SSP/SMP)
Figures provided for these benefits are amounts paid to the National Insurance Fund in respect of expected recoveries of these benefits.

The estimate is produced using information on past recoveries. The 2013-14 and comparative year estimate calculations have been sourced from the Government Actuary's Department.

The most recent year for which full data is available for SSP and SMP is 2011-12. 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 2011-12.

1.6 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 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 classified 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.

1.7 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 SoCNE.

1.8 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.

1.9 Revenue recognition

The Department complies with IAS 18 in respect of its income streams and recognises revenue when earned. In respect of the European Social Fund, where the Department acts as an agent, income is recognised in the accounting periods in which the EU sponsored projects are funded by the Department.

1.10 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.

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. Where appropriate, items are pooled. The following thresholds apply:

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

All expenditure on repairs and maintenance is charged to the SoCNE during the financial period in which it is incurred.

1.11 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.

The following independent valuations have been performed on land and buildings:

Estate	Valuations performed by	Date of valuation
DWP Estate	DVS Valuation Office Agency	31 January 2013
HSE Redgrave Court	DTZ	31 December 2013
HSE Buxton	Jones Lang LaSalle	31 March 2010
HSE Carlisle	DTZ	31 December 2013

In each case, the valuations were performed on a fair value basis in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (RICS) by qualified members of the Institute.

1.12 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.

For 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.

Purchased software
The Department's purchased software licences and applications that are in use more than one year and cost more than £1,000 are capitalised at cost as intangible assets and subsequently revalued, using appropriate indices as a proxy for fair value. In view of the large number of software licences purchased across the Department, those capitalised are accounted for on a pooled basis.

Expenditure on annual software licences is charged to the SoCNE.

Indefinite Life Assets
The Department has assessed some of its software licences and developed software as indefinite life assets. The Central Payment System is 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 net book value of these assets at 31 March 2014 was £111.3 million. A further £0.2 million of software licences held by the Department have also been determined as indefinite life assets.

Internally developed software
Internally developed software is capitalised if it meets the criteria in IAS 38. 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. Costs associated with the maintenance of software are expensed when incurred.

Website development costs
Website development costs are capitalised in line with the requirements of SIC 32 'Web Site Costs'.

1.13 Depreciation

Depreciation is charged on property, plant and equipment using the straight-line method to reflect the consumption of economic benefits. No depreciation is charged on freehold land. Estimated useful asset lives are within the following ranges:

Freehold Buildings	The shorter of 50 years or remaining life as assessed by valuers
Leasehold Land and Buildings	Period remaining on lease or to next rent review
HSL/HSE 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	3 to 10 years

1.14 Amortisation

Amortisation is calculated on intangible assets with a finite life using the straight-line method, to reflect the consumption of economic benefits. Estimated useful asset lives are within the following ranges:

Software licences	Shorter of licence period or 5 years
Internally developed software	5 to 15 years
Websites	5 years

1.15 Impairment of non-current assets

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.

1.16 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.

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 SoFP.

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.

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. 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.

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

Receivables are recognised in the accounts when there is a legal basis to seek recovery. Benefit receivables recognised in the SoFP 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.

Certain categories of identified benefit 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 overpayment.

The Department undertakes periodic exercises to review the quality and consistency of write-off decision-making. The Department's write-off policy has been agreed with HM Treasury.

The Social Fund scheme administers awards of both a recoverable and non-recoverable nature. Recoverable loans are automatically recorded as receivables.

Non-recoverable Social Fund grants are only available to claimants with appropriate qualifying benefits. However, if an individual's qualifying benefit is subsequently withdrawn (for example, because of claimant misrepresentation), the Department's policy is to classify these Social Fund grants as overpayments and recover accordingly. However, HM Treasury has agreed where the overpayment was not subsequently identified, it does not represent value for money to mount specific exercises to identify and pursue recovery of historic grant overpayments that have arisen prior to 1 April 2014.

Housing Benefit (HB), Council Tax Benefit (CTB) and Discretionary Housing Payment (DHP) receivables arise when HB/CTB subsidy paid to a local authority by the Department is in excess of entitlement and results in an overpayment. Following the certification of final subsidy claims submitted by local authorities, the Secretary of State will decide whether and, how much of the subsidy overpayment should be recovered. Although CTB ceased to exist from 1 April 2013, Secretary of State recovery decisions will continue to include CTB subsidy overpayments until cleared.

1.18 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.

1.19 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 1.8 per cent (2012-13 2.35 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.

1.20 Pensions

Past and present employees are covered by the provisions of the PCSPS, details of which are described in Note 3. 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).

1.21 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. Significant lease arrangements have been assessed under IFRIC 4 and IAS 17 and have been accounted for in accordance with the FReM. Related assets are recognised as non-current assets in the SoFP 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.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases, with associated costs charged to the SoCNE.

1.22 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.

1.23 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’.

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.

1.24 Third- party assets

Child Maintenance Group (CMG)
CMG holds temporarily, as custodian, monies belonging to third parties relating to maintenance collected under the existing statutory child maintenance schemes. The transactions are included within a Client Funds Account, published separately, and are excluded from this account.

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.

1.25 Grant in Aid (GiA)

GiA to the Department’s NDPBs (see Note 8) is treated as expenditure in the Core Department’s SoCNE and as financing in the accounts of the NDPBs, credited to their reserves. With the exception of NEST, it is accounted for on a cash basis.

2. Statement of Operating Costs by Operating Segment

			2013-14			2012-13
	Core Department £000	NDPBs £000	Total £000	Core Department £000	NDPBs £000	Total £000
AME:						
Expenditure	163,316,409	-	163,316,409	165,609,896	-	165,609,896
DEL Admin:						
Expenditure	1,150,622	141,763	1,292,385	1,199,764	169,005	1,368,769
Income	(76,297)	(20,373)	(96,670)	(65,753)	(10,489)	(76,242)
DEL Programme:						
Expenditure	6,127,823	490,635	6,618,458	6,028,090	612,508	6,640,598
Income	(332,908)	(104,248)	(437,156)	(443,311)	(91,717)	(535,028)
Total	**170,185,649**	**507,777**	**170,693,426**	**172,328,686**	**679,307**	**173,007,993**

The operating segments have been redefined to better reflect the Department's structure and the prior year has been restated to allow comparison between periods.

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 has been identified as the Departmental Board.

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.

The following Segments have been disclosed:

- Core Department - This includes front line costs incurred by the Department in the delivery of a range of benefits in respect of people of working age and pension age; Housing Benefit subsidies paid by way of a grant to local authorities who administer Housing Benefit and Council Tax Benefit; corporate functions that support the business; contracts for accommodation and IS/IT; payments of SSP/SMP to HMRC; Employment Programmes; TV Licences for the over 75s and grants to Motability.
- NDPBs - This includes the cost of the Department's Crown, Executive and Tribunal Non-Departmental Public Bodies. The costs of the Department's Child Maintenance and Enforcement Commission were included until 31 July 2012 when its functions were returned to the Core Department.

3. Staff numbers and related costs

	2013-14 Core Dept £000	2013-14 Departmental Group £000	2012-13 Core Dept £000	2012-13 Departmental Group £000
Administration staff costs	422,163	473,548	456,948	521,882
Programme staff costs	2,351,722	2,513,319	2,283,379	2,493,285
Total staff costs	**2,773,885**	**2,986,867**	**2,740,327**	**3,015,167**

Staff costs comprise:

	Permanently employed staff £000	Others £000	Ministers £000	Special Advisers £000	2013-14 Total £000	2012-13 Total £000
Wages and salaries	2,404,170	24,225	159	202	2,428,756	2,432,021
Employers' National Insurance	150,807	347	14	22	151,190	161,952
Superannuation and pension costs	406,205	716	-	-	406,921	421,194
	2,961,182	**25,288**	**173**	**224**	**2,986,867**	**3,015,167**
Less recoveries in respect of outward secondments	(2,757)	-	-	-	(2,757)	(2,796)
Less other recoveries of staff costs	(3,146)	-	-	-	(3,146)	(4,160)
Total net costs	**2,955,279**	**25,288**	**173**	**224**	**2,980,964**	**3,008,211**

	Charged to Administration budgets £000	Charged to Programme budgets £000	Charged to Capital budgets £000	Total £000
Core Department	422,163	2,351,722	2,212	2,776,097
NDPBs	51,385	161,597	259	213,241
Total	**473,548**	**2,513,319**	2,471	**2,989,338**

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).

An actuarial valuation of the PCSPS is currently underway, with an effective date of 31 March 2012. This valuation is being conducted in line with Directions made by HM Treasury, made under the Public Service Pensions Act 2013.

For 2013-14, employers' contributions of £405.5 million were payable to the PCSPS (2012-13 £419.6 million) 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 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions amounting to £41.1 million (2012-13 £41.2 million) were payable to the Civil Superannuation Vote at 31 March 2014 and are included in trade payables and other current liabilities (see Note 23).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £1.4 million (2012-13 £1.5 million), 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 £0.1 million (2012-13 £0.1 million) 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 £0.1 million. Contributions prepaid at that date were £nil.

In 2013-14, 131 persons (2012-13 150 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £0.006 million (2012-13 £0.247 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 NDPBs included within the consolidated Departmental Account.

			2013-14 Number			2012-13 Number
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Numbers of Staff	91,873	763	5	3	92,644	99,216
Staff engaged on capital projects	63	1	-	-	64	30
Total	**91,936**	**764**	**5**	**3**	**92,708**	**99,246**
Of which:						
Core Department	**88,198**	**714**	**5**	**3**	**88,920**	**92,430**
NDPBs	**3,738**	**50**	**-**	**-**	**3,788**	**6,816**

(ii) Reporting of Civil Service and other compensation schemes - exit packages 2013-14

	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	221	330	**551**	221	331	**552**
£10,001 - £25,000	1	1,453	**1,454**	1	1,457	**1,458**
£25,001 - £50,000	1	1,625	**1,626**	1	1,628	**1,629**
£50,001 - £100,000	-	694	**694**	-	694	**694**
£100,001 - £150,000	2	65	**67**	2	65	**67**
£150,001 - £200,000	-	5	**5**	-	5	**5**
£200,001 - £250,000	-	-	**-**	-	-	**-**
£250,001 - £300,000	**-**	-	**-**	**-**	-	**-**
Total number of exit packages	**225**	**4,172**	**4,397**	**225**	**4,180**	**4,405**
Total cost £000	**1,313**	**139,942**	**141,255**	**1,313**	**140,104**	**141,417**

Reporting of Civil Service and other compensation schemes – exit packages 2012-13

	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	76	213	**289**	76	228	**304**
£10,001 - £25,000	14	223	**237**	14	230	**244**
£25,001 - £50,000	1	159	**160**	1	164	**165**
£50,001- £100,000	1	108	**109**	1	113	**114**
£100,001 - £150,000	-	14	**14**	-	14	**14**
£150,001 - £200,000	-	4	**4**	-	4	**4**
£200,001 - £250,000	-	-	**-**	-	-	**-**
£250,001 - £300,000	-	-	**-**	-	-	**-**
Total number of exit packages	**92**	**721**	**813**	**92**	**753**	**845**
Total cost £000	**649**	**20,192**	**20,841**	**649**	**20,913**	**21,562**

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 included in other provisions in Note 24.

4. Administration costs

	Note	2013-14 Core Dept £000	2013-14 Departmental Group £000	2012-13 Core Dept £000	2012-13 Departmental Group £000
Goods and services	4a	164,694	189,652	68,930	96,160
IT services		204,850	223,503	228,032	246,876
Accommodation costs		8,312	18,455	59,067	68,104
Finance lease charges		9,275	9,275	8,202	8,202
Research and Development expenditure		-	2,248	-	2,261
PFI and other service concession arrangements service charges		8,492	19,578	7,953	27,773
Rentals under operating leases		1,573	7,012	2,470	8,493
Compensation payments to customers		770	770	321	321
Audit fee		-	186	-	329
Interest charges		68	68	-	-
Other administration costs		4,338	12,974	230	9,009
Administration costs		**402,372**	**483,721**	**375,205**	**467,528**
Non-cash:					
Auditor's remuneration		2,138	2,138	2,143	2,143
Depreciation of non-current assets		154,870	161,969	159,357	166,468
Amortisation of non-current assets		140,906	141,925	118,998	121,569
Loss on disposal of non-current assets		4,322	4,518	10,239	10,369
Impairment of non-current assets	13	22,739	22,751	69,695	69,695
Amortisation of prepayments		5,000	5,000	5,000	5,000
Movement in impairment of receivables		(4,017)	(4,017)	895	1,056
Provisions movement in year		129	832	1,284	3,059
Administration costs – Non Cash		**326,087**	**335,116**	**367,611**	**379,359**
Total Administration Costs		**728,459**	**818,837**	**742,816**	**846,887**

a. The increase in goods and services is mainly due to the new contract costs in respect of Shared Services Connected Limited from 1 November 2013 for the provision of accounting, procurement and employee service functions that were previously provided in-house.

5. Programme costs

	Note	2013-14 Core Dept £000	2013-14 Departmental Group £000	2012-13 Core Dept £000	2012-13 Departmental Group £000
Goods and services		494,894	524,542	519,858	565,796
IT services		458,704	460,093	540,797	564,910
Accommodation costs		387,410	389,265	382,258	391,977
Finance lease charges		23,283	23,283	31,076	31,076
Research and development expenditure		-	5,652	-	6,095
PFI and other service concession arrangements service charges		48,120	48,120	45,068	45,222
Rentals under operating leases		3,465	4,042	5,298	5,971
Compensation payments to customers		2,144	2,144	2,412	2,736
Audit fee		-	60	-	60
Voted Expenditure	6	75,366,165	75,655,160	79,844,469	80,151,898
Non-Voted expenditure: contributory benefits	7	89,313,001	89,313,001	87,034,390	87,034,390
Agency payments on behalf of EU to third parties		158,257	158,257	298,820	298,820
Programme balances written off	9	461,733	461,733	416,129	416,129
Other programme expenditure		40,578	40,578	22,691	33,895
Programme Costs		**166,757,754**	**167,085,930**	**169,143,266**	**169,548,975**

Non-cash:					
Depreciation of non-current assets		-	73	-	75
Amortisation of non-current assets		-	103	-	52
Loss on disposal of non-current assets		1,560	1,560	-	-
Impairment of non-current assets	13	3,320	3,320	-	-
Movement in impairment of receivables:					
Contributory benefits		(7,036)	(7,036)	(5,728)	(5,728)
Non-contributory benefits		(32,498)	(32,498)	40,689	40,689
Social Fund payments		(76,520)	(76,520)	(54,994)	(54,994)
Other		1,056	2,530	(265)	(36)
Provisions:					
Movement in year		212,201	211,589	167,351	164,138
Unwinding of discount		230,787	230,787	29,470	29,458
Revaluation loss		1,507	1,331	34,733	34,495
Other non-cash costs		379	379	85	85
Programme Costs – Non Cash		**334,756**	**335,618**	**211,341**	**208,234**
Total Programme Costs		**167,092,510**	**167,421,548**	**169,354,607**	**169,757,209**

6. Voted expenditure

	Note	2013-14 Core Dept £000	2013-14 Departmental Group £000	2012-13 Core Dept £000	2012-13 Departmental Group £000
Disability Living Allowance		13,740,606	13,740,606	13,410,412	13,410,412
Income Support		3,563,239	3,563,239	5,191,490	5,191,490
Universal Credit		5,862	5,862	-	-
Personal Independence Payment		164,817	164,817	-	-
Pension Credit/Minimum Income Guarantee		6,928,599	6,928,599	7,491,296	7,491,296
Attendance Allowance		5,324,191	5,324,191	5,446,219	5,446,219
Jobseeker's Allowance		3,767,985	3,767,985	4,463,066	4,463,066
Carer's Allowance		2,079,746	2,079,746	1,920,035	1,920,035
Severe Disablement Allowance		858,923	858,923	885,371	885,371
Industrial Injuries Benefit Scheme		900,542	900,542	904,881	904,881
Employment Support Allowance		6,830,099	6,830,099	4,425,503	4,425,503
Other		118,131	118,131	164,132	164,132
Social Fund Expenditure		2,186,298	2,186,298	2,433,897	2,433,897
Amounts Paid to Local Authorities		24,507,237	24,507,237	28,829,655	28,829,655
Employment Programmes	6a	1,058,120	1,058,120	821,445	821,445
Statutory Sick Pay and Statutory Maternity Pay		2,258,201	2,258,201	2,442,799	2,442,799
Other Expenditure		1,073,569	1,362,564	1,014,268	1,321,697
		75,366,165	**75,655,160**	**79,844,469**	**80,151,898**

a. Employment programme expenditure includes the Work Programme, which is made up of £90.1 million attachments (2012-13 £180.4 million), £368.9 million sustainments (2012-13 £130.9 million) and £177.8 million outcome payments (2012-13 £142.5 million).

7. Non-voted expenditure

	2013-14 Core Dept	2013-14 Departmental Group	2012-13 Core Dept	2012-13 Departmental Group
	£000	£000	£000	£000
Retirement Benefit	82,988,556	82,988,556	79,710,898	79,710,898
Christmas Bonus	122,523	122,523	123,321	123,321
Bereavement benefits	581,769	581,769	591,882	591,882
Jobseeker's Allowance	522,215	522,215	658,782	658,782
Employment and Support Allowance	3,522,059	3,522,059	2,291,865	2,291,865
Incapacity Benefit	1,176,044	1,176,044	3,262,857	3,262,857
Maternity benefits	399,835	399,835	394,785	394,785
Total contributory benefits	**89,313,001**	**89,313,001**	**87,034,390**	**87,034,390**
NIF income	(7)	(7)	(2,400)	(2,400)
NIF write-offs and movement in impairment of receivables	58,818	58,818	57,139	57,139
NIF movement on Compensation Recovery Unit provision	-	-	(1,215)	(1,215)
	89,371,812	**89,371,812**	**87,087,914**	**87,087,914**

8. Grant in Aid to Non-Departmental Public Bodies

	2013-14	2012-13
	£000	£000
Child Maintenance and Enforcement Commission	-	170,202
Independent Living Fund	293,456	311,100
Health and Safety Executive	154,267	161,239
The Pensions Regulator	56,883	46,580
The Pensions Advisory Service	3,141	3,324
The Pensions Ombudsman	3,179	2,959
	510,926	**695,404**

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

9. Programme balances written off

	2013-14 Core Dept	2013-14 Departmental Group	2012-13 Core Dept	2012-13 Departmental Group
	£000	£000	£000	£000
Contributory benefits	65,854	65,854	62,867	62,867
Non-contributory benefits	362,832	362,832	300,065	300,065
Social Fund payments	33,047	33,047	53,197	53,197
	461,733	**461,733**	**416,129**	**416,129**

10. Income

(i) Analysis of income

	2013-14 Core Dept	2013-14 Departmental Group	2012-13 Core Dept	2012-13 Departmental Group
	£000	£000	£000	£000
Administration				
Income from Other Government Departments	67,059	67,015	49,474	48,374
CMEC income	-	-	5,982	-
ESF income	2,733	2,733	3,038	3,038
Operating lease rental income	-	-	1,076	-
HSE administrative income	-	20,532	-	18,060
CFER Income	251	251	140	243
Other administration income	6,254	6,139	6,043	6,527
	76,297	**96,670**	**65,753**	**76,242**
Programme				
Benefit income	22,836	22,836	29,063	29,063
Pension levy receipts	59,815	59,815	54,073	54,073
CMEC income	-	-	3,962	-
Income from Other Government Departments	39,469	39,446	32,090	31,942
ESF income	19,590	19,590	3,971	3,971
EU income where DWP acts as agent for payments to third parties	139,116	139,116	187,365	187,365
Exchange rate gain – non cash	1,616	1,616	99,798	99,798
HSE programme income	-	104,000	-	97,795
Operating lease rental income	-	-	2,734	-
NIF income	7	7	2,400	2,400
CFER Income	9,867	9,867	535	469
Mesothelioma Recoveries	26,013	26,013	20,480	20,480
Other programme income	14,579	14,850	6,840	7,672
	332,908	**437,156**	**443,311**	**535,028**
Total income	**409,205**	**533,826**	**509,064**	**611,270**

(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.

	2013-14 Departmental Group			2012-13 Departmental Group		
	Income	Full Cost	Surplus/ (Deficit)	Restated Income	Restated Full Cost	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
HSE income	101,954	105,697	(3,743)	95,642	96,408	(766)
Pension levy receipts	59,815	59,815	-	54,073	54,073	-
Shared Services to Other Government Departments	-	-	-	15,547	15,500	47
New Generation Human Resources	8,392	8,362	30	8,522	8,523	(1)
Legal services	6,601	6,601	-	7,035	7,035	-
Recovery of Healthcare Costs	6,463	6,392	71	-	-	-
IT Service Charges	2,240	2,240	-	564	564	-
	185,465	**189,107**	**(3,642)**	**181,383**	**182,103**	**(720)**

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

11. Property, plant and equipment

Consolidated property, plant and equipment

	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 2013	1,760,881	23,071	352,637	43,276	10,329	3,680	3,897	2,197,771
Additions	10,976	2,435	17,019	618	1,287	1,297	3,256	36,888
Disposals	(20,299)	(311)	(24,920)	(579)	(1,406)	(783)	-	(48,298)
Impairments	(3,604)	-	-	(181)	-	-	-	(3,785)
Reclassifications	-	4,339	795	3	-	-	(4,342)	795
Revaluations	31,900	62	(52)	-	13	-	-	31,923
At 31 March 2014	**1,779,854**	**29,596**	**345,479**	**43,137**	**10,223**	**4,194**	**2,811**	**2,215,294**
Depreciation								
At 1 April 2013	1,039,445	12,145	291,917	27,318	4,784	1,669	-	1,377,278
Charged in year	124,958	3,145	27,698	5,017	770	454	-	162,042
Disposals	(1,527)	(311)	(23,100)	(514)	(1,189)	(506)	-	(27,147)
Impairments	(284)	-	-	(171)	-	-	-	(455)
Reclassifications	-	-	(62)	-	-	-	-	(62)
Revaluations	195	56	(33)	-	2	-	-	220
At 31 March 2014	**1,162,787**	**15,035**	**296,420**	**31,650**	**4,367**	**1,617**	**-**	**1,511,876**
Carrying amount at 31 March 2014	**617,067**	**14,561**	**49,059**	**11,487**	**5,856**	**2,577**	**2,811**	**703,418**
Carrying amount at 31 March 2013	**721,436**	**10,926**	**60,720**	**15,958**	**5,545**	**2,011**	**3,897**	**820,493**
Asset financing:								
Owned	8,617	14,561	15,756	4,216	3,797	2,577	2,811	52,335
Finance leased	30,403	-	33,303	7,271	-	-	-	70,977
On-Statement of Financial Position PFI contracts	578,047	-	-	-	2,059	-	-	580,106
Carrying amount at 31 March 2014	**617,067**	**14,561**	**49,059**	**11,487**	**5,856**	**2,577**	**2,811**	**703,418**
Of the total:								
Department	547,739	5,088	45,502	7,299	155	-	2,224	608,007
NDPBs	69,328	9,473	3,557	4,188	5,701	2,577	587	95,411
Carrying amount at 31 March 2014	**617,067**	**14,561**	**49,059**	**11,487**	**5,856**	**2,577**	**2,811**	**703,418**

	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 2012	2,883,009	20,657	339,108	42,862	10,835	3,278	2,713	3,302,462
Additions	1,589	1,295	28,034	880	792	906	5,152	38,648
Disposals	(64,073)	(1,089)	(15,975)	(466)	(1,301)	(504)	-	(83,408)
Impairments	-	-	(568)	-	-	-	(331)	(899)
Reclassifications	-	2,186	1,940	-	-	-	(3,637)	489
Revaluations	(1,059,644)	22	98	-	3	-	-	(1,059,521)
At 31 March 2013	**1,760,881**	**23,071**	**352,637**	**43,276**	**10,329**	**3,680**	**3,897**	**2,197,771**

Depreciation								
At 1 April 2012	917,455	11,206	273,488	22,180	5,203	1,543	-	1,231,075
Charged in year	125,531	2,006	32,333	5,507	729	437	-	166,543
Disposals	(3,418)	(1,089)	(13,891)	(369)	(1,151)	(311)	-	(20,229)
Impairments	-	-	(57)	-	-	-	-	(57)
Reclassifications								
Revaluations	(123)	22	44	-	3	-	-	(54)
At 31 March 2013	**1,039,445**	**12,145**	**291,917**	**27,318**	**4,784**	**1,669**	**-**	**1,377,278**
Carrying amount at 31 March 2013	**721,436**	**10,926**	**60,720**	**15,958**	**5,545**	**2,011**	**3,897**	**820,493**
Carrying amount at 31 March 2012	**1,965,554**	**9,451**	**65,620**	**20,682**	**5,632**	**1,735**	**2,713**	**2,071,387**
Asset financing:								
Owned	11,846	10,926	24,469	4,564	3,385	2,011	3,897	61,098
Finance leased	31,187	-	36,251	11,394	-	-	-	78,832
On-Statement of Financial Position PFI contracts	678,403	-	-	-	2,160	-	-	680,563
Carrying amount at 31 March 2013	**721,436**	**10,926**	**60,720**	**15,958**	**5,545**	**2,011**	**3,897**	**820,493**
Of the total:								
Department	653,157	2,122	56,037	11,478	178	-	3,761	726,733
NDPBs	68,279	8,804	4,683	4,480	5,367	2,011	136	93,760
Carrying amount at 31 March 2013	**721,436**	**10,926**	**60,720**	**15,958**	**5,545**	**2,011**	**3,897**	**820,493**

a. Total depreciation in the year was £162 million (2012-13 £166.5 million) which was charged to the Statement of Comprehensive Net Expenditure. The in year depreciation charge for On-Statement of Financial Position PFI Contracts is £122.8 million (2012-13 £124.4 million).

b. Cash flow reconciliation

	2013-14	2012-13
	£000	**£000**
Capital payables and accruals at 1 April	2,112	2,129
Capital additions	36,711	38,695
Less: Leased capital additions	(25,952)	(20,636)
Capital payables and accruals at 31 March	(625)	(2,112)
Purchases of property, plant and equipment as per Statement of Cash Flows	**12,246**	**18,076**
Of the total:		
Department	5,332	10,968
NDPBs	6,914	7,108

Capital additions were £36.7 million (2012-13 £38.7 million) this excludes £0.2 million (2012-13 £(0.05 million)) of prior year additions expensed in 2013-14.

Land and buildings

	Land	Freehold Buildings	Leasehold Buildings	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2013	730,352	10,511	1,020,018	1,760,881
Additions	3,797	226	6,953	10,976
Disposals	(8,404)	-	(11,895)	(20,299)
Impairments	-	(3,604)	-	(3,604)
Reclassifications	-	-	-	-
Revaluations	(505)	185	32,220	31,900
At 31 March 2014	**725,240**	**7,318**	**1,047,296**	**1,779,854**
Depreciation				
At 1 April 2013	447,210	1,213	591,022	1,039,445
Charged in year	55,178	349	69,431	124,958
Disposals	(565)	-	(962)	(1,527)
Impairments	-	(284)	-	(284)
Reclassifications	-	-	-	-
Revaluations	-	40	155	195
At 31 March 2014	**501,823**	**1,318**	**659,646**	**1,162,787**
Carrying amount at 31 March 2014	**223,417**	**6,000**	**387,650**	**617,067**
Carrying amount at 31 March 2013	**283,142**	**9,298**	**428,996**	**721,436**
Of the total:				
Department	220,799	1,496	325,444	547,739
NDPBs	2,618	4,504	62,206	69,328
Carrying amount at 31 March 2014	**223,417**	**6,000**	**387,650**	**617,067**

	Land	Freehold Buildings	Leasehold Buildings	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2012	1,284,213	10,242	1,588,554	2,883,009
Additions	494	273	822	1,589
Disposals	(41,632)	-	(22,441)	(64,073)
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	(512,723)	(4)	(546,917)	(1,059,644)
At 31 March 2013	**730,352**	**10,511**	**1,020,018**	**1,760,881**
Depreciation				
At 1 April 2012	394,942	847	521,666	917,455
Charged in year	54,360	359	70,812	125,531
Disposals	(2,092)	-	(1,326)	(3,418)
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	7	(130)	(123)
At 31 March 2013	**447,210**	**1,213**	**591,022**	**1,039,445**
Carrying amount at 31 March 2013	**283,142**	**9,298**	**428,996**	**721,436**
Carrying amount at 31 March 2012	**889,271**	**9,395**	**1,066,888**	**1,965,554**
Of the total:				
Department	280,597	4,848	367,712	653,157
NDPBs	2,545	4,450	61,284	68,279
Carrying amount at 31 March 2013	**283,142**	**9,298**	**428,996**	**721,436**

c. Freehold and leasehold building have been re-analysed leading to restatements shown in the above table.
d. 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.

12. Intangible assets

The Department's intangible assets comprise purchased software licences, development costs for websites that deliver services and developed software.

	Note	Websites	Purchased Software Licences	Developed Software	Payments on Account and Assets Under Construction	Total
		£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2013		40,185	212,091	770,454	257,319	1,280,049
Additions		21	7,920	420	93,158	101,519
Disposals		-	(8,253)	(5,862)	-	(14,115)
Impairments		(446)	(31)	(5,032)	(17,014)	(22,523)
Reclassifications		-	1,976	259,789	(262,560)	(795)
Revaluations		949	(6,329)	18,169	(15)	12,774
At 31 March 2014		**40,709**	**207,374**	**1,037,938**	**70,888**	**1,356,909**
Amortisation						
At 1 April 2013		28,190	112,693	470,225	-	611,108
Charged in year	12a	7,689	31,787	102,552	-	142,028
Disposals		-	(6,694)	(4,158)	-	(10,852)
Impairments		-	170	58	-	228
Reclassifications		-	62	-	-	62
Revaluations		665	(3,622)	8,720	-	5,763
At 31 March 2014		**36,544**	**134,396**	**577,397**	**-**	**748,337**
Carrying amount at 31 March 2014		**4,165**	**72,978**	**460,541**	**70,888**	**608,572**
Carrying amount at 31 March 2013		**11,995**	**99,398**	**300,229**	**257,319**	**668,941**
Of the total:						
Department		4,142	71,047	459,646	70,757	605,592
NDPBs		23	1,931	895	131	2,980
Carrying amount at 31 March 2014		**4,165**	**72,978**	**460,541**	**70,888**	**608,572**

	Note	Websites	Purchased Software Licences	Developed Software	Payments on Account and Assets Under Construction	Total
		£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2012		40,009	148,405	756,133	134,066	1,078,613
Additions		3	49,488	6,981	215,016	271,488
Disposals		-	(5,339)	(8,272)	-	(13,611)
Impairments		-	(5,776)	(37,135)	(43,515)	(86,426)
Reclassifications		-	3,742	44,017	(48,248)	(489)
Revaluations		173	21,571	8,730	-	30,474
At 31 March 2013		**40,185**	**212,091**	**770,454**	**257,319**	**1,280,049**
Amortisation						
At 1 April 2012		20,083	80,419	406,187	-	506,689
Charged in year	12a	8,021	30,882	82,718	-	121,621
Disposals		-	(5,002)	(8,270)	-	(13,272)
Impairments		-	(2,692)	(14,881)	-	(17,573)
Reclassifications		-	-	-	-	
Revaluations		86	9,086	4,471	-	13,643
At 31 March 2013		**28,190**	**112,693**	**470,225**	**-**	**611,108**
Carrying amount at 31 March 2013		**11,995**	**99,398**	**300,229**	**257,319**	**668,941**
Carrying amount at 31 March 2012		**19,926**	**67,986**	**349,946**	**134,066**	**571,924**
Of the total:						
Department		11,973	97,419	299,447	257,135	665,974
NDPBs		22	1,979	782	184	2,967
Carrying amount at 31 March 2013		**11,995**	**99,398**	**300,229**	**257,319**	**668,941**

a. Total amortisation in the year consisted of £142 million (2012-13 £121.6 million) charged to the Statement of Comprehensive Net Expenditure and £nil (2012-13 £nil million) relating to assets purchased prior to 2013-14 charged to the General Fund.

b. The carrying amount that would have been recognised had the revalued classes of intangible assets been measured after recognition using the cost model is £592 million.

c. Cash flow reconciliation:

	2013-14	2012-13
	£000	£000
Capital payables and accruals at 1 April	20,890	35,488
Capital additions	100,800	271,492
Less: Leased capital additions	-	(2,365)
Capital payables and accruals at 31 March	(5,945)	(20,890)
Purchases of intangible assets as per Statement of Cash Flows	**115,745**	**283,725**
Of the total:		
Department	114,569	271,478
NDPBs	1,176	12,247

Capital additions were £100.8 million (2012-13 £271.5 million) this excludes £0.7 million (2012-13 £(4k)) of prior year additions expensed in 2013-14.

d. £131.3 million (2012-13 £151.9 million) of the Intangible assets relate to Universal Credit assets. This balance is broken down as follows:

	Internally Developed Software £m	Licences £m	Assets under construction £m	Total £m
Balance at 31 March 2013	**-**	**27.1**	**124.8**	**151.9**
Additions	-	0.1	6.5	6.6
Transfer from Assets Under Construction to Internally Developed Software	119.7	0.0	(119.7)	0.0
Disposals and reclassifications	-	(1.6)	-	(1.6)
Impairment	-	(0.1)	-	(0.1)
Annual amortisation	(20.4)	(5.8)	-	(26.2)
Revaluation	2.8	(2.1)	-	0.7
Balance at 31 March 14*	**102.1**	**17.6**	**11.6**	**131.3**

*Closing balances for Internally Developed Software and Licences are at Revalued Net Book Value.

The carrying value of the Internally Developed Software in use as at 31 March 2014 was £102.1 million. This consists of:

- £33.5 million (2012-13: £33.8 million) of IT assets which are being used as part of the existing IT functionality and will also be used in the new digital end-state solution and which the Department is therefore amortising over 15 years; and
- £68.6 million (2012-13: £81.9 million) of IT assets that are being used as part of the existing IT functionality and are therefore being amortised over 5 years.

Assets under Construction as at 31 March 2014 consist of completed IT assets that had not been deployed at the year-end, but are scheduled to be brought into use later in 2014.

The Department completed a further impairment review on all the capitalised intangible Universal Credit IT assets as at 31 March 2014 and have impaired £0.1 million in respect of certain software licences, which the Department no longer considers to have future use. The Department has identified no further indicators of impairment that would impact on the values of the Universal Credit IT assets.

13. Non-current assets impairment

	Note	2013-14 Core Dept £000	2013-14 Departmental Group £000	2012-13 Core Dept £000	2012-13 Departmental Group £000
Charged to SoCNE					
Property, plant and equipment	11	3,320	3,330	842	842
Intangible assets	12	22,739	22,751	68,853	68,853
Transferred from Revaluation Reserve					
Property, plant and equipment		-	(10)	-	-
Total		**26,059**	**26,071**	**69,695**	**69,695**

14. Financial assets

	2013-14 £000	2012-13 £000
Working Links (Employment) Ltd	3,637	5,594
National Employment Savings Trust Corporation	299,317	239,317
New Enterprise Allowance	9,478	7,755
	312,432	**252,666**

The Department holds investments in respect of Working Links (Employment) Limited a joint venture with Manpower plc, Capgemini UK plc and Mission Australia.

The Department has made loans for the purposes of the New Enterprise Allowance and National Employment Savings Trust Corporation (NEST).

The loan to NEST was provided for the purposes of set up and administration of the scheme:

	2013-14 £000	2012-13 £000
Balance at 1 April	239,317	171,128
Additions	60,000	68,189
Balance at 31 March	**299,317**	**239,317**

15. Capital commitments

	31 March 2014		31 March 2013	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Property, plant and equipment	5,524	6,379	2,221	2,704
Intangible assets	2,066	4,121	7,797	7,800
	7,590	**10,500**	**10,018**	**10,504**

16. 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 2014		31 March 2013	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	11,234	14,721	5,044	10,259
Later than 1 year and not later than 5 years	14,640	24,730	7,206	18,659
Later than 5 years	13,711	23,768	12,959	27,561
	39,585	**63,219**	**25,209**	**56,479**

(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 2014		31 March 2013	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Gross Liabilities				
Not later than 1 year	31,568	31,568	35,178	35,178
Later than 1 year and not later than 5 years	47,164	47,164	55,676	55,676
Later than 5 years	76,875	76,875	85,081	85,081
Total gross liabilities	**155,607**	**155,607**	**175,935**	**175,935**
Less: interest element	(50,982)	(50,982)	(57,588)	(57,588)
Present value of obligations	**104,625**	**104,625**	**118,347**	**118,347**

	31 March 2014		31 March 2013	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Present value of obligations				
Not later than 1 year	24,467	24,467	27,224	27,224
Later than 1 year and not later than 5 years	26,985	26,985	34,125	34,125
Later than 5 years	53,173	53,173	56,998	56,998
	104,625	**104,625**	**118,347**	**118,347**

Newcastle Estates accommodation

The Department entered into an arrangement for the provision of accommodation on the Newcastle Estate from 1 April 1999 until 2029.

IT Services

The Department has two contracts for 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. 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 second contract for desktop services commenced in January 2012 and runs to March 2017.

Integrated Communications Network Services

The Department has a contract with BT Global Services for its fully serviced IT and telephony network. The contract commenced on the 1 October 2005 and continues until February 2016.

Sustainable Print Services

The Department has entered into a contract for the supply of multi-function devices. The contract runs from January 2010 until the end of June 2017.

17. Commitments under PFI contracts and other service concession arrangements

The transactions arising out of the following contracts 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 assets are borne by the Department or the Department's NDPBs, rather than the PFI provider, the assets provided under the contracts are recognised as non-current assets in the Statement of Financial Position and the liabilities to pay for these assets are accounted for as finance leases. Contract payments are attributable to either the service charge element or the capital repayment and interest element of the contracts.

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.

HSE Merseyside Headquarters – Redgrave Court

Health and Safety Executive (HSE) has signed a 30 year contract for the provision of fully serviced accommodation in Bootle, Merseyside. The contract runs from May 2005 to May 2035.

HSL accommodation

With effect from 28 October 2004, the Health and Safety Laboratory (HSL) took occupation of serviced accommodation in Buxton for laboratory and support functions provided under a 32 years and 29 weeks term, 'design, build, finance and operate' contract.

HSE IT services

HSE's contract with Logica CMG and Computacenter as the key subcontractor ended on 3 June 2013. This contract involved the provision of information and communication technology and an information strategy service. On 3 June 2013, HSE entered a 3 year IT service supply contract with Steria UK Plc.

Details of the imputed finance lease charges are given in the table below for each of the following periods:

	31 March 2014		31 March 2013	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Rentals due within 1 year	118,599	128,855	120,643	130,828
Rentals due later than 1 year and not later than 5 years	355,671	396,975	482,266	523,500
Rentals due later than 5 years	-	173,078	-	183,404
Less Interest element	(45,486)	(166,554)	(73,074)	(202,779)
Present value of obligations	**428,784**	**532,354**	**529,835**	**634,953**

Details of the minimum service charge are given in the table below for each of the following periods:

	31 March 2014		31 March 2013	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Service charge due within 1 year	407,240	417,150	402,428	413,905
Service charge due later than 1 year and not later than 5 years	1,259,762	1,299,399	1,692,083	1,730,967
Service charge due later than 5 years	-	153,693	-	165,617
Total	**1,667,002**	**1,870,242**	**2,094,511**	**2,310,489**

Charge to the Statement of Comprehensive Net Expenditure and future commitments

Contingent rent of £56.6 million (2012-13 £53.0 million) is included in the SoCNE. The contingent rent figures, as at the 31 March 2014, are based on a 2.09 per cent per annum increase on the 31 March 2013 rental figure, as the rental payments within the PRIME lease contract are linked to the CPI (previously based on RPI).

18. Other financial commitments

The Department has entered into a number of significant non-cancellable contracts (which are not leases or PFI contracts) for the provision of goods and services. The commitments under those contracts with a value greater than or equal to £5m are disclosed in the table below:

	31 March 2014		31 March 2013	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	403,227	404,214	451,312	451,312
Later than 1 year and not later than 5 years	357,352	360,213	470,379	470,379
Later than 5 years	583	3,831	3,432	3,432
	761,162	**768,258**	**925,123**	**925,123**

19. Financial instruments

(i) Financial instruments

All Financial Assets are categorised as ‘Loans and Receivables’ except for the Department’s investment in Working Links Employment Ltd. amounting to £3.6 million (2012-13 £5.6 million) which is categorised as ‘Available for Sale’.

		31 March 2014		31 March 2013	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Financial Assets					
Loan and Investments		316,221	316,221	253,520	253,520
Other receivables		72,093	87,970	69,873	83,306
Cash and cash equivalents	21	256,064	262,337	207,011	213,264
Benefit overpayments	22	2,627,858	2,627,858	2,593,180	2,593,180
Social Fund	22	1,082,605	1,082,605	1,203,596	1,203,596
European Social Fund & Other EU receivables	22	398,957	398,957	332,864	332,864
Total		**4,753,798**	**4,775,948**	**4,660,044**	**4,679,730**
Less provision for impairment		**(1,574,487)**	**(1,576,530)**	**(1,694,709)**	**(1,695,929)**
		3,179,311	**3,199,418**	**2,965,335**	**2,983,801**

		31 March 2014		31 March 2013	
		Core Dept	Departmental Group	Core Dept	Departmental Group
		£000	£000	£000	£000
Financial liabilities					
Other payables		3,571,539	3,615,420	3,265,618	3,303,295
Bank overdraft	23	47,185	47,547	526,651	531,702
European Social Fund and Other EU payables	23	334,974	334,974	405,647	405,647
Total		**3,953,698**	**3,997,941**	**4,197,916**	**4,240,644**

(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 2014 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, market or interest rate risk.

Foreign currency risk
Due to the time delay between preparation of claims and receipt of funds in respect of the ESF 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.

20. Inventories

Inventories of £0.9 million (2012-13 £1.1 million) consist of publications, stationery and protective clothing in relation to the Health and Safety Executive. Of this total £0.7 million (2012-13 £0.7 million) relates to work in progress on research services projects.

21. Cash and cash equivalents

	31 March 2014		31 March 2013	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Balances at 1 April	(339,719)	(338,517)	(269,429)	(256,389)
Net change in cash and cash equivalent balances	548,598	553,307	(70,290)	(82,128)
Balances at 31 March	**208,879**	**214,790**	**(339,719)**	**(338,517)**
Represented by:				
Cash and cash equivalents	256,064	262,337	207,011	213,264
Bank Overdraft and paying agent control	(47,185)	(47,547)	(546,730)	(551,781)
	208,879	**214,790**	**(339,719)**	**(338,517)**

The following balances at 31 March were held at:

		31 March 2014		31 March 2013	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Government Banking Services		200,467	200,106	(350,352)	(355,402)
Commercial banks and cash in hand		8,412	14,684	30,712	36,964
Paying agent control	23	-	-	(20,079)	(20,079)
		208,879	**214,790**	**(339,719)**	**(338,517)**

The paying agent control balance shows the net liabilities for cheques due to be cashed against the Department's bank accounts.

22. Trade receivables, financial and other assets

(i) Analysis by type

	31 March 2014		31 March 2013	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Amounts falling due within one year				
Trade receivables	19,637	34,105	20,693	33,559
Deposits and advances	1,820	2,020	1,888	2,117
Amounts due from other government departments	21,087	20,940	31,121	30,102
Benefit overpayments	323,279	323,279	252,031	252,031
Benefit Loans	1,817	1,817	-	-
Housing and Council Tax Benefit	163,241	163,241	209,483	209,483
Prepayments and accrued income	850,186	879,910	990,238	1,017,488
Social Fund	384,405	384,405	430,321	430,321
European Social Fund and Other EU receivables	398,957	398,957	332,864	332,864
VAT	60,316	62,745	73,196	75,872
Current part of loans	1,341	1,341	270	270
Amounts due from the Consolidated Fund in respect of supply	-	-	512,955	512,955
Other receivables	22,968	23,346	15,245	15,609
Gross receivables	**2,249,054**	**2,296,106**	**2,870,305**	**2,912,671**
Less: Provision for impairment	(112,694)	(114,737)	(94,687)	(95,907)
Net receivables	**2,136,360**	**2,181,369**	**2,775,618**	**2,816,764**
Amounts falling due after more than one year				
Deposits and advances	155	248	215	311
Prepayments and accrued income	15,000	15,000	20,000	20,000
Benefit overpayments	2,141,338	2,141,338	2,131,666	2,131,666
Social Fund loans	698,200	698,200	773,275	773,275
Other receivables	4,609	5,494	711	1,608
Gross receivables	**2,859,302**	**2,860,280**	**2,925,867**	**2,926,860**
Less: Provision for impairment	(1,459,345)	(1,459,345)	(1,599,438)	(1,599,438)
Net receivables	**1,399,957**	**1,400,935**	**1,326,429**	**1,327,422**
Total net receivables	**3,536,317**	**3,582,304**	**4,102,047**	**4,144,186**

(ii) Intra-Government balances

		Amounts falling due within one year			
		31 March 2014		31 March 2013	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Balances with other central government bodies		134,839	138,998	684,782	692,629
Balances with local authorities		163,519	163,656	211,563	211,748
Balances with NHS bodies		69	216	454	520
Balances with public corporations and trading funds		8,590	8,891	32	339
Intra-government balances		**307,017**	**311,761**	**896,831**	**905,236**
Balances with bodies external to government		1,829,343	1,869,608	1,878,787	1,911,528
Total receivables at 31 March	22(i)	**2,136,360**	**2,181,369**	**2,775,618**	**2,816,764**

		Amounts falling due after one year			
		31 March 2014		31 March 2013	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Balances with bodies external to government		1,399,957	1,400,935	1,326,429	1,327,422
Total receivables at 31 March	22(i)	**1,399,957**	**1,400,935**	**1,326,429**	**1,327,422**

23. Trade payables and other current liabilities

(i) Analysis by type

		31 March 2014		31 March 2013	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Taxation and social security		42,505	46,745	48,834	53,201
Superannuation		37,654	41,097	38,424	41,190
Trade payables:					
Non capital		76,526	79,242	68,764	69,528
Capital		-	-	-	63
Amounts due to other government departments		49,193	49,193	36,434	36,435
Accruals and deferred income:		3,428,199	3,459,180	3,097,581	3,124,096
Capital accruals		6,133	6,570	22,697	22,939
Bank overdrafts	21	47,185	47,547	526,651	531,702
Paying agent control	21	-	-	20,079	20,079
Imputed finance lease element of on-Statement of Financial Position PFI contracts		99,516	101,267	95,887	97,436
Finance lease obligations		24,467	24,467	27,224	27,224
CFERs due to be paid to the Consolidated Fund – received		5,359	5,359	295	295
CFERs due to be paid to the Consolidated Fund – receivable		2,203	2,203	-	-
Amounts issued from the Consolidated Fund for supply but not spent at year end		158,849	158,849	-	-
Amounts issued from the Contingencies Fund		984	984	-	-
Third party payments		56,720	56,720	47,801	47,801
European Social Fund & other EU payables		151,220	151,220	222,071	222,071
Other payables		11,488	20,763	40,142	49,484
		4,198,201	**4,251,406**	**4,292,884**	**4,343,544**
Amounts falling due after more than one year					
Imputed finance lease element of on-Statement of Financial Position PFI contracts		329,268	431,086	433,948	537,517
Finance lease obligations		80,159	80,159	91,123	91,123
European Social Fund	23a	183,754	183,754	183,576	183,576
Other payables		-	472	-	750
		593,181	**695,471**	**708,647**	**812,966**
Total payables		**4,791,382**	**4,946,877**	**5,001,531**	**5,156,510**

a. Balances due over one year of £183.8 million (31 March 2013 £183.6 million) consist of monies paid to the Department by the EU relating to European Social Fund. These advances are due to be paid back when final claims are agreed for the 2007-13 Programme which is expected to be in 2015-16.

b. Included in the Statement of Financial Position is a credit balance of £1,310.9 million (31 March 2013 £1,066.6 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

		Amounts falling due within one year			
		31 March 2014		31 March 2013	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Balances with other central government bodies		308,421	316,659	350,800	359,272
Balances with local authorities		339,660	339,680	359,979	360,048
Balances with NHS bodies		24,896	25,144	24,546	24,582
Balances with public corporations and trading funds		35	232	4,526	4,736
Intra-government balances		**673,012**	**681,715**	**739,851**	**748,638**
Balances with bodies external to government		3,525,189	3,569,691	3,553,033	3,594,906
Total payables at 31 March	23(i)	**4,198,201**	**4,251,406**	**4,292,884**	**4,343,544**

		Amounts falling due after one year			
		31 March 2014		31 March 2013	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Balances with bodies external to government		593,181	695,471	708,647	812,966
Total payables at 31 March	23(i)	**593,181**	**695,471**	**708,647**	**812,966**

24. Provisions for liabilities and charges

		31 March 2014	
		Core Dept	Departmental Group
	Note	£000	£000
Financial Assistance Scheme (FAS) provision	24a	4,234,345	4,234,345
Other provisions	24b	13,181	15,268
		4,247,526	**4,249,613**

(i) Analysis by type

FAS provision	2013-14	
	Core Dept	Departmental Group
	£000	£000
Balance at 1 April 2013	3,950,108	3,950,108
Provided in year	207,764	207,764
Provisions not required written back	-	-
Utilised in year	(153,521)	(153,521)
Borrowing costs (unwinding of discount)	229,994	229,994
Balance at 31 March 2014	**4,234,345**	**4,234,345**

Other provisions	2013-14	
	Core Dept	Departmental Group
	£000	£000
Balance at 1 April 2013	9,196	11,642
Provided in year	4,795	5,044
Provisions not required written back	(229)	(518)
Utilised in year	(1,374)	(1,693)
Borrowing costs (unwinding of discount)	793	793
Balance at 31 March 2014	**13,181**	**15,268**

a. The Financial Assistance Scheme (FAS) provides 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. FAS assets are disclosed in the FAS Trust statement (page 136).

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, £1.1 billion of FAS assets and equivalent liabilities have been transferred to Government, including £435.8 million during the year ended 31 March 2014, £345.8 million during the year ended 31 March 2013, £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 2014 has been impacted by the following:

- An increase in asset-backed FAS liabilities as a result of more assets (£435.8 million) being transferred in this year.
- The data sampling shows that the average monthly level of FAS assistance payments is 23 per cent higher, when compared to the previous year.
- Small changes in inflation assumptions used.

Offset by:

- a reduction of nearly 3 per cent in the estimated FAS population compared to last year, due to more refined and detailed data of FAS members now available from Capita who administer FAS payments;
- a lower expectation of the total GB membership and a larger proportion of members representing NI;
- more favourable discount rates used (as per HMT's PES Paper (2013) 07 published on 2 Dec 2013) than in previous year; and
- the inflation rates used to discount the provision: Short term (0-5 years) 0.06 per cent; Medium term (6-10 years) 1.34 per cent; Long term (Beyond 10 years) 4.24 per cent.

b. Other provisions mainly comprise early departure, pension commitments, onerous contracts and refurbishment work required on vacation of leased properties and termination costs in respect of other contracts, decommissioning costs and 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. For the latter 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 1.8 per cent (2012-13 2.35 per cent) in real terms.

(ii) Analysis of expected timing of discounted flows

	FAS Provisions		Other Provisions		Total	
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000	£000	£000
Not later than one year	120,422	120,422	2,290	2,434	122,712	122,856
Later than one year and not later than five years	572,494	572,494	5,629	5,629	578,123	578,123
Later than five years	3,541,429	3,541,429	5,262	5,853	3,546,691	3,547,282
Balance at 31 March 2014	**4,234,345**	**4,234,345**	**13,181**	**13,916**	**4,247,526**	**4,248,261**

This table does not include the HSE Pension liability of £1.352 million.

25. 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 possibility of a transfer of economic benefit in settlement is too remote. Therefore they have been measured following the requirements of IAS 39.

The full potential costs of these contracts are reproduced in the table below.

	1 April 2013	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2014	Amount reported to Parliament by Departmental Minute
	£000	£000	£000	£000	£000	£000
Letters of comfort and Letters of intent	415,600	387,000	-	415,600	387,000	-
Financial Guarantee	863	-	152	711	-	-
	416,463	**387,000**	**152**	**416,311**	**387,000**	**-**

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 2014 there are 2 Letters of Comfort (LOC) and 1 Financial Guarantee in place.

(i) A LOC was issued on the 1 March 2013 to the Independent Living Fund to guarantee that funding of £307.1 million will be made available to cover all financial obligations of the Independent Living Fund incurred before 31 March 2013, as they fall due up to March 2014. This includes ongoing support to individual claimants who were already in receipt of funding or had a firm offer of funding before 31 March 2013.

(ii) A LOC was issued on the 1 April 2013 to Remploy Ltd to guarantee that core funding of £79.9 million will be made available to cover all financial obligations of Remploy Ltd including the transition costs until 31 March 2014.

(iii) A Financial Guarantee was issued to 6 Councils in June 2012 that were participating in the Universal Credit Demonstration Project (Housing Benefit Pilot scheme). This guaranteed rent arrears incurred by participating landlords would be paid by the Department. This project ended in December 2013.

Non Quantifiable

The Rent Service transferred from the Department to Valuation Office Agency on 1 April 2009. Both parties accept that there may be events (external or internal) that could give rise to liabilities crystallising in respect of the Local Government Pension Scheme (LGPS). For events outside the control or influence of VOA or the Department, then VOA are indemnified against such liability. For these events the Department would seek resolution through discussion with HM Treasury.

26. 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 implementing proposals for its liquidation, previously approved by the Secretary of State, the Secretary of State has agreed to pay Remploy Limited a sum equal to excess of its debts over its assets. In addition to this guarantee over Remploy's net liabilities, the Department also guarantees to cover any shortfall in its pension provision.

European Social Fund (ESF) repayments

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 Department, as Managing Authority of the ESF in England and Gibraltar. 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.

The 2013 agreed financial correction is £1.2 million, of which £0.6 million is recoverable from the Skills Funding Agency.

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.

Financial Assistance Scheme (FAS)

Regulations came into force in April 2010 enabling the transfer to Government of FAS qualifying pension scheme assets and their associated pension liabilities. As a result, the FAS pension provision (note 24a) will increase as the assets and the associated liabilities transfer. It is estimated that the total value of the assets transferred to Government will reach £1.7 billion. However, until the assets transfer it is not possible to estimate the impact on the FAS pension liability.

Transfer of State Pensions and Benefits

In 2007, regulations were put in place to allow 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.

Since 2007, 1,212 transfer applications have been received, 83 per cent of which have resulted in transfer payments.

Compensation claims

The Department has contingent liabilities arising from 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.

Fixed Term Appointments

An Employment Tribunal ruled against the Department's position that the release of Fixed Term Appointment (FTA) employees at the agreed end date of their contract of employment does not constitute a redundancy situation.

3,678 FTA employees whose contracts of employment had been extended beyond two years have been released by the Department since 2008. However, as the Department's liability will depend on the number of future qualifying cases brought, the value of the liability cannot be estimated with any certainty.

Compensation Recovery

The Department recognises recoveries from insurance companies in respect of on-going compensation claims made by benefit recipients. Once the recovery is made the insurance company has the right to appeal within 28 days. If the appeal is successful recoveries are refunded to the insurance company. Analysis of historic data suggests it is reasonable to recognise a contingent liability of £3 million for successful appeals.

Independent Living Fund (ILF)

The announcement of the closure of ILF creates a contingent liability as at 31 March 2014 in respect of future staff redundancy costs, but no sufficiently reliable estimate of the amount of the obligation can yet be made.

Health and Safety Laboratory (HSL)

In April 2013, the Health and Safety Laboratory (HSL) was advised that the European Commission may attempt to recover some funding previously provided for work already undertaken. HSL continues to work with the EC to resolve this matter as HSL disputes both the value and principle of the recovery. The timing, likelihood nor amount of the potential repayment can be adequately determined at this stage.

IT Licenses

One of the Department's IT software licence vendors has commissioned an audit to assess the Department's compliance with the terms and conditions of licence usage. If non-compliance issues are identified, the department may be liable for a financial penalty. Until the audit and subsequent commercial negotiations are concluded, the value of any financial penalty is uncertain.

27. Losses and Special Payments [1]

	2013-14				Restated 2012-13			
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	Cases	Cases	£000	£000	Cases	Cases
Losses	567,257	569,319	1,727,116	1,728,036	618,489	621,312	1,679,171	1,681,541
Special Payments	6,818	6,909	13,549	13,554	6,947	7,399	14,783	16,477

Details of cases over £300,000

	2013-14 £000

(i) Losses Arising from Benefit Overpayments, Grants and Subsidies

General losses 420,915

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

Customer Fraud 7,177

Customer fraud is written off following exhaustion of debt recovery processes.

State Pension Reduction 355

In 2000, part time working customers were given the opportunity to apply for backdated membership to their employer occupational pension scheme. If successful, the impact on the individual pensioner's State Pension would generally be a reduction, resulting in overpayment. The amount of State Pension overpayment, after offsetting against a refund of NI contributions, will not have to be repaid and will therefore be written off. In 2013-14, 226 claimants who took up this option have incurred an overpayment that has been written off.

Guaranteed Minimum Pension (GMP) 467

This exercise commenced in 2006 in respect of 172,000 customers in receipt of Pension Credit. A system error meant that the correct action was not taken to review entitlement as widows approached aged 60 & therefore GMP was not being deducted from the award as is appropriate. 98 cases with a value of £0.5 million have been written off in 2013-14.

Incorrect payment of Disability Living Allowance or Attendance Allowance 1,435

The Department identified 34,886 claimants at risk of being incorrectly paid

[1] Categories of Losses and Special Payments are explained in HM Treasury's Managing Public Money annexes 4.10 and 4.13 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/212123/Managing_Public_Money_AA_v2_-_chapters_annex_web.pdf

Disability Living Allowance or Attendance Allowance alongside their State Pension. Ministerial approval was obtained to correct errors and to waive recovery of overpayments. In 2013-14 1,049 cases have been waived. This exercise was completed in July 2013.

Duplicate Christmas Bonus 1,033

Duplicate Christmas Bonus payments can arise because more than one benefit system may generate that payment. The volume of duplicate payments during 2013-14 is 98,833.

Housing and related benefits 713

The Secretary of State, in accordance with provision in section 140C (3) of the Social Security Administration Act 1992, may exercise his discretion in deciding as to whether, and if so, how much of Housing Benefit and Council Tax Benefit overpaid subsidies to recover from local authorities. In the exercise of his discretion the Secretary of State has waived 5 overpaid subsidy cases in respect of 2007-08, 2008-09, 2010-11 and 2011-12 inclusive.

Social Fund 50,804

Low-cost funeral expenses payments are made to a person who is in receipt of (or whose partner is in receipt of) a qualifying benefit or tax credit. Whilst they are recoverable from the estate of the deceased, the majority are written off because insufficient assets exist. During the year the Department wrote off 39,066 such payments with a total value of £50.8 million.

Budgeting and Crisis Loans are written off in a limited number of cases, subject to a set of strict criteria. During the year, 46,073 loans with a total value of £5.3 million were written off which represents less than 0.5 per cent of the total debt stock. 5,331

During the year, there were 20,064 irrecoverable grant overpayments, totalling £1.5 million that have been written off. 1,499

Independent Living Fund (ILF) Grant 1,331

The 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 the year ILF wrote off 243 such grants where recovery was deemed to be unachievable.

Work Programme 11,000

The Department has estimated potential overpayments of £11 million to Work Programme providers relating to Sustainment Payments (0.8 per cent of total Work Programme payments to date). These are payments made to providers for every four weeks that a participant spends off-benefit and in employment following a Job Outcome.

For a sample of participants who have passed the off-benefit check, the Department conducts validation checks to confirm that the participant is in work during the period of the claim. It does this by contacting employers using evidence supplied by the provider, and recovers overpayments identified in this sample. The Department does not, however, currently extrapolate error rates to reclaim proportionate payments across the rest of the submitted Sustainment Payment claims (as it does for Job Outcomes). The Department is looking to reach agreement with providers to include extrapolation in the Sustainment Payment validation regime going forwards.

The Department conducted an exercise to estimate the total value of the invalid Sustainment Payments made since the start of the Work Programme. For all claims that failed the initial validation check, the Department has used information from a number of employment data sources, such as HMRC Real Time Information data, Working Tax Credits data, P45 data and the National Benefits database records, to identify evidence of participants being in work that may be sufficient to validate the claims.

In deriving this estimate, the Department has made a number of assumptions in interpreting the data sources referred to above. The Department also expect providers to have additional employment information for the Department to consider when validating some of these cases so the actual level of the loss may differ from this estimate.

The Department is continuing to evaluate the impact that these combined employment data sources will have on its validation processes for both Sustainment Payments and Job Outcome payments.

(ii) Cash Losses

Reimbursement of Child Maintenance overpayments 5,928

Reimbursements arise when a non-resident parent has a change in circumstances which has been notified to Child Maintenance Group (CMG) and a delay in implementing the new maintenance assessment leads to an overpayment. These overpayments are not recovered from the parent with care, but CMG makes a refund to the non-resident parent.

European Social Fund (ESF) Technical Assistance Write Off 15,080

Claims for Technical Assistance deemed ineligible by the ESF Certifying Authority have been written off after a review by the ESF Audit Authority and European Commission Auditors.

European Social Fund (ESF) repayments 635

Following the 2013 audit by the Audit Authority to the European Commission, the ESF Certifying Authority agreed to a one-off financial correction by the Department due to inadequate procurement documentation for ESF claims.

Court Cost Write-Offs	1,215
The Department undertook an exercise to cleanse old and un-recoverable debt in respect of Court Costs.	
Return to Work Credit and In Work Credit overpayments	4,538
Following a review of administration debt relating to Return to Work Credit and In Work Credit allowances, 19,309 overpayments identified as low value and uneconomical to pursue or owed by individuals deemed to be vulnerable, were written off.	
Employment Programme Losses	1,369
The Department provides funds to some claimants to buy items needed to attend a job interview. Where claimants do not provide receipts, or provide incomplete or incorrect receipts to provide claim validation, the funding is treated as a loss.	
(iii) Constructive Losses	
My Benefits Online (MyBOL)	27,172
The project was designed to allow claimants to access claims and information online. A significant amount of the savings on which the project was predicated has been achieved by action elsewhere in the Department to reduce the number of claimant enquiries (for example by dealing with enquiries first time and reducing the levels of work outstanding). In addition, Universal Credit's online access plan will reduce the period over which the MyBOL project delivers benefits as the MyBOL scope was limited to legacy benefits only. The decline in future benefits has resulted in the Department not continuing with the full roll out of MyBOL resulting in a loss.	
The Enhancing Security Infrastructure Controls	3,594
The purpose of this project was to deliver infrastructure changes required for security re-accreditation of the Customer Information System database. Following a review, the scope of this project was reduced.	
IT reporting functionality project - Analytics	967
The Analytics project was terminated early as this reporting functionality will be delivered to the Department by Shared Services Connected Limited.	
Software Licenses	777
Due to changes in Universal Credit's project plans, software licenses purchased to support the development and operation of the Pathfinder system will no longer be utilised.	

(iv) Other Accountability Issues

Fraud

There were 46 internal fraud investigations completed in relation to salary, expenses, contract and other non-benefit losses, resulting in proven fraud of £36k.

In addition 18 investigations were completed on non-contributory and Jobseeker's Allowance (contributory) benefits, resulting in proven fraud of £145k.
A total of 4 investigations of potential fraud by Welfare to Work providers were completed between 1 April 2013 and 31 March 2014 which resulted in a case to answer. The total value of these cases was £30k.

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

Serious and Organised Fraud

The Fraud Investigation Service conducts investigations into organised and systematic abuse of the benefits system. 199 fraud investigations with a value of £4.3 million were concluded in 2013-14. Recovery action is taken at a local level and not recorded separately for disclosure.

28. Incorrect payments

Background

The Department has a responsibility to pay claimants 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 claimants' 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 small 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 2013-14 fraud and error preliminary estimates, published on 15 May 2014, show that the value of benefit overpaid has decreased from £3.5 billion in the 2012-13 preliminary estimates to £3.3 billion; the proportion overpaid 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 the fall can be attributed to the removal of Council Tax Benefit from the Department's expenditure. Please see figures 1-4 below for more detail. The value of benefit underpaid has remained at £1.4 billion in the 2013-14 preliminary estimates; the proportion underpaid has also remained at 0.9 per cent.

The Department, along with HMRC, first set out the Government commitment to reduce annual welfare fraud and error overpayments by over 25 per cent (or £1.4 billion) in October 2010. In February 2012 the Department published a strategy refresh in a joint report with HMRC and the Cabinet Office updating plans to tackle fraud and error in the tax credit and benefit systems**.** The strategy is being implemented principally by the Fraud, Error and Debt Programme. This Programme is a key part of the Government's Welfare Reform Agenda. It aims to ensure fairness to benefit claimants and to taxpayers, ensuring that people with a genuine claim get the right money and support, whilst preventing and correcting fraud and error. It will also seek to ensure that those who do defraud the system are punished, whilst deterring those who might try to abuse the system in the future.

The Department has introduced legislative changes to toughen the penalties regime for fraud and error in the Welfare Reform Act 2012. The new penalties regime has successfully implemented the tougher Administrative Penalty which came into effect on 8 May 2012, introduced a new Civil Penalty for claimant error which came into force on 1 October 2012 and tougher Loss of Benefit penalties for those convicted from 1 April 2013.

The Department has put in place an on-going programme of case cleansing the major benefits, identifying and correcting claims that have become incorrect.

Through 2013-14 the Department has continued to deliver changes to the way it manages Fraud and Error. The Department has started the shift to a new 'risk based' prevention strategy for managing customer transactions in April 2013 by implementing new 'pre-claim' checks as part of our counter-fraud measures for the rollout of Universal Credit (UC) and Personal Independence Payments. The Department has built on that by adding 'in-claim' checks to identify risk that the claim has become incorrect since benefit was put into payment.

The IRIS (Integrated Risk and Intelligence Service) project aimed to introduce a new strategic capability to better improve our ability to identify and prevent fraud and error, to support UC. Fraud and security capabilities that were being developed as part of IRIS are now being developed as part of the overall UC Digital Service.

To support the 'Test the Service' phase of the UC Digital Service in November 2014, counter fraud and security capabilities will be in place, including automated security risk assessments and fraud risk analysis. As the UC Digital Service expands, the automated fraud and security risk assessment capability will also expand. This approach will allow the Department to test and learn how best to secure the UC service as it grows, and without committing to unnecessary expenditure.

The decision to implement Single Fraud Investigations, covering the totality of welfare benefit fraud was announced in the Autumn Statement by the Chancellor of the Exchequer in December 2013. The implementation approach agreed by FED Programme Board is to commence rollout with the Phase one sites in July 2014, followed by the Phase two rollout commencing in October 2014 through to March 2016. Single Fraud Investigations will be delivered by Fraud and Error Services (FES) in the Department.

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[1]. Please refer to the end notes below the tables when interpreting these figures.

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

Estimated overpayments	Percentage 2013-14		Amount 2013-14		Percentage 2012-13		Amount 2012-13	
Overpayments								
Fraud	0.7%	(0.5,1.0)	£1.1bn	(0.9,1.6)	0.7%	(0.6,1.1)	£1.2bn	(1.0,1.8)
Claimant Error	0.9%	(0.7,1.1)	£1.5bn	(1.2,1.9)	0.9%	(0.8,1.2)	£1.6bn	(1.3,2.0)
Official Error	0.4%	(0.3,0.6)	£0.7bn	(0.5,1.0)	0.4%	(0.4,0.6)	£0.7bn	(0.6,1.1)
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)
Claimant Error	0.6%	(0.3,0.8)	£0.9bn	(0.6,1.4)	0.6%	(0.3,0.8)	£0.9bn	(0.6,1.4)
Official Error	0.3%	(0.3,0.4)	£0.5bn	(0.4,0.6)	0.3%	(0.2,0.4)	£0.5bn	(0.4,0.6)
Total Overpayments	2.0%	(1.7,2.4)	£3.3bn	(2.8,3.9)	2.1%	(1.8,2.5)	£3.5bn	(3.1,4.2)
Total Underpayments	0.9%	(0.6,1.2)	£1.4bn	(1.1,1.9)	0.9%	(0.6,1.1)	£1.4bn	(1.0,1.9)
Total Expenditure			£163.9bn				£166.8bn	

Some totals may not sum due to rounding; monetary amounts rounded to nearest £100m, percentages to nearest decimal point.

Figure 2: Jobseeker's Allowance and low income benefits (continuously measured)

Income-related benefits		Income Support		Jobseeker's Allowance[2]		Pension Credit		Housing Benefit	
Expenditure	2013-14	£3.7bn		£4.4bn		£7.2bn		£23.9bn	
	2012-13	£5.5bn		£5.2bn		£7.6bn		£23.8bn	
Within which are estimated:									
Total overpayments	2013-14	4.0%	£150m	3.7%	£160m	5.7%	£410m	5.8%	£1,380m
	2012-13	4.6%	£250m	4.2%	£220m	5.5%	£420m	5.3%	£1,270m
Total underpayments	2013-14	1.0%	£40m	0.4%	£20m	2.2%	£160m	1.6%	£370m
	2012-13	1.1%	£60m	0.3%	£10m	2.1%	£160m	1.3%	£300m
Analysed between:									
Fraud overpayment	2013-14	2.1%	£80m	2.6%	£120m	1.9%	£140m	1.4%	£340m
	2012-13	2.6%	£140m	2.9%	£150m	2.0%	£150m	1.5%	£350m
Claimant error overpayment	2013-14	1.3%	£50m	0.3%	£10m	2.1%	£150m	3.8%	£900m
	2012-13	1.3%	£70m	0.6%	£30m	1.8%	£140m	3.3%	£790m
Official error overpayment	2013-14	0.5%	£20m	0.8%	£30m	1.8%	£130m	0.6%	£150m
	2012-13	0.7%	£40m	0.7%*	£40m	1.7%	£130m	0.6%	£130m

Some totals may not sum due to rounding; expenditure rounded to nearest £100m, monetary amounts of fraud and error rounded to nearest £10m, percentages to nearest decimal point.

[1] The Department defines **fraud** as those cases where claimants deliberately claim money to which they are not entitled. It splits error into two categories: **claimant error,** which occurs when claimants provide inaccurate information, and **official error,** which occurs when officials process information incorrectly or fail to apply specific rules.

[2] Comprises income-based and contributory Jobseeker's Allowance

Figure 3: State Pension and disability benefits

		Disability Benefits							
State Pension and disability benefits		**Employment Support Allowance[1]**		**Incapacity Benefit**		**Disability Living Allowance**		**State Pension**	
Expenditure	2013-14	£10.5bn		£1.2bn		£13.8bn		£83.1bn	
	2012-13	-		£3.3bn		£13.5bn		£79.9bn	
Within which are									
Total overpayment	2013-14	3.4%	£360m	2.4%	£30m	1.9%	£260m	0.1%	£110m
	2012-13	-	-	2.4%	£80m	1.9%	£250m	0.1%	£110m
Total underpayment	2013-14	1.5%	£160m	0.7%	£10m	2.5%	£340m	0.1%	£120m
	2012-13	-	-	0.7%	£20m	2.5%	£340m	0.2%	£180m
Analysed between:									
Fraud overpayment	2013-14	1.6%	£170m	0.3%	£0m	0.5%	£70m	0.0%	£0m
	2012-13	-	-	0.3%	£10m	0.5%	£70m	0.0%	£0m
Claimant error overpayment	2013-14	0.8%	£90m	0.9%	£10m	0.6%	£90m	0.1%	£70m
	2012-13	-	-	0.9%	£30m	0.6%	£80m	0.1%	£70m
Official error overpayment	2013-14	1.0%	£100m	1.2%	£10m	0.8%	£110m	0.1%	£40m
	2012-13	-	-	1.2%	£40m	0.8%	£100m	0.1%	£50m

Some totals may not sum due to rounding; expenditure rounded to nearest £100m, monetary amounts of fraud and error rounded to nearest £10m, percentages to nearest decimal point.

Figure 4: Level of fraud and error in other benefits

Benefit		**Expenditure**	**Fraud & error overpayments**		**Fraud & error underpayments**	
Carer's Allowance	2013-14	£2.1bn	5.5%	£120m	0.1%	£0m
	2012-13	£2.0bn	5.5%	£110m	0.1%	£0m
Interdependencies	2013-14	-	-	£40m	-	-
	2012-13	-	-	£50m	-	-
Council Tax Benefit	2013-14	-	-	-	-	-
	2012-13	£4.9bn	4.7%	£230m	1.1%	£50m
Other Unreviewed	2013-14	£14.0bn	1.8%	£250m	1.5%	£210m
	2012-13	£21.1bn	2.5%	£530m	1.4%	£310m

Some totals may not sum due to rounding; expenditure rounded to nearest £100 million, monetary amounts of fraud and error rounded to nearest £10 million, percentages to nearest decimal point.

Notes to the tables at Figures 1-4:

1. Source of 2013-14 data: DWP National Statistics: Fraud and Error in the Benefit System: Preliminary 2013-14 Estimates. Figures are based on fraud and error National Statistics for the period covering October 2012 - September 2013 and estimated benefit expenditure for 2013-14. Source of the 2012-13 data: DWP National Statistics: Fraud and Error in the Benefit System: Preliminary 2012-13 Estimates. Figures are based on fraud and error National Statistics for the period covering October 2011 - September 2012 and estimated benefit expenditure for 2012-13.

2. Total expenditure figures for 2013-14 and 2012-13 were the latest estimated expenditure figures available for the financial year at the time of producing the fraud and error estimates.

3. The Department reviews a selection of benefits for fraud and error each year. Estimates for other benefits are derived from historic review exercises, or from proxies. Please refer to the latest National Statistics publication for further details.

[1] Comprises income-based and contributory Employment and Support Allowance

4. Figures expressed as percentages (%) give the overpayments and underpayments as a percentage of the benefit paid out in the year.

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

6. Approximate 95 per cent confidence intervals are given in Table 1. These allow for the fact that the sampling approach introduces statistical uncertainty into the figures. 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.

7. None of the changes are statistically significant at a 95 per cent level of confidence, unless marked with an *. Where changes are not statistically significant, 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.* indicates that there has been a statistically significant increase/decrease when comparing the 2013-14 preliminary and 2012-13 preliminary estimates.

8. “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.

9. A ‘dash’ indicates that the category is not relevant for that benefit.

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 UK Statistics Authority (UKSA). National Statistics protocols ensure their production is independent of Departmental and Ministerial influence.

The Department’s strategy for estimating the level of incorrect payments takes into account the value of the benefit, its risk profile and previous experience.

Further information on our estimation strategy can be found at https://www.gov.uk/government/collections/fraud-and-error-in-the-benefit-system (the latest National Statistics publication and the technical appendix document links towards the bottom of the webpage).

In particular, when interpreting the statistics, readers should bear in mind that 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 official error underpayment where and when they are identified.

29. Related party transactions

The Department for Work and Pensions sponsors the Non-Departmental Public Bodies listed in Note 1.4. 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. The Department also transacts with Working Links Employment Limited.

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

30. 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 Group. The cash balance held at the reporting date is £24.3 million (2012-13 £18.8 million).

Financial Assistance Scheme Trust Statement

for the year ended 31 March 2014

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 47.

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 2014 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, 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 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 financial statements

In my opinion:

- the Financial Assistance Scheme Trust Statement gives a true and fair view of the state of affairs of Financial Assistance Scheme as at 31 March 2014 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.

Sir Amyas C E Morse
Comptroller and Auditor General

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

23 June 2014

Statement of Revenue, Other Income and Expenditure

for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Revenue			
Income from pension schemes	2	435,804	345,831
Total revenue		**435,804**	**345,831**
Other income			
Investment income	4	2,207	1,151
Change in fair value of investments	5	(4,068)	2,474
Total other income		**(1,861)**	**3,625**
Total revenue and other income		**433,943**	**349,456**
Total expenditure		**-**	**-**
Net Revenue for Consolidated Fund		**433,943**	**349,456**

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 144 to 150 form part of this statement.

Statement of Financial Position
as at 31 March 2014

	Note	31 March 2014 £000	31 March 2013 £000
Non-current assets			
Financial assets - annuity policies	6	53,094	26,806
Financial assets - other	6	128	237
Total non-current assets		**53,222**	**27,043**
Current assets			
Transfer-in receivables	6	3	1,219
Cash and cash equivalents	6	96,576	11,576
Total current assets		**96,579**	**12,795**
Total current liabilities		-	-
Net current assets		**96,579**	**12,795**
Net current assets plus non-current assets		**149,801**	**39,838**
Non current liabilities		-	-
Assets less Liabilities		**149,801**	**39,838**
Represented by			
Balance on Consolidated Fund Account	7	149,801	39,838
Total Funds		**149,801**	**39,838**

Robert Devereux
Accounting Officer

20 June 2014

The notes on pages 144 to 150 form part of this statement.

Statement of Cash Flows
for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Net cash flow from operating activities	A	408,980	336,850
Cash paid to the consolidated fund		(323,980)	(375,145)
(Decrease) / increase in cash		**85,000**	**(38,295)**

Notes to the Statement of Cash Flows

A: Reconciliation of the net cash flow to movement in net funds

	Note	2013-14 £000	2012-13 £000
Net Revenue for the consolidated fund		433,943	349,456
Increase in non-current assets	6	(26,179)	(11,521)
Increase in receivables	6	1,216	(1,085)
Increase in current liabilities		-	0
Increase in non-current liabilities		-	0
Net cash flow from operating activities		**408,980**	**336,850**

B: Analysis of changes in net funds

	Note	2013-14 £000	2012-13 £000
(Decrease) / Increase in cash	6	85,000	(38,295)
Net Funds at 1st April (net cash at bank)	6	11,576	49,871
Net Funds at 31 March (Closing Balance)	6	**96,576**	**11,576**

The notes on pages 144 to 150 form part of this statement.

Notes to the Trust Statement

for the year ended 31 March 2014

1. Statement of Accounting Policies

1.1 Basis of preparation

The Trust Statement is prepared in accordance with the Accounts Direction issued by HM Treasury on 20 December 2013, under section 7 of the Government Resources and Accounts Act 2000. The accounts direction requires the Department to prepare accounts in accordance with the 2013-14 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 receivables, 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.

Financial instruments held at fair value by FAS consist mainly of annuity policies received from transferring pension schemes. The fair value of these annuity policies is assessed using actuarial techniques based on a number of demographic and financial factors, including:

- forecasting future annuity income flows relating to the annuitants covered by the policies; and
- discounting future cash flows to a net present value, which is treated as the fair value.

This valuation process is carried out by qualified actuaries working in the Actuarial – Policy and Process team of the Board of the Pension Protection Fund, acting as the FAS Scheme Manager. The process requires the Board 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 the Board 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

		2013-14	2012-13
		£000	**£000**
FAS 1 Scheme Assets transferred	(i)	1,021	2,107
FAS 2 Scheme Assets transferred	(ii)	434,783	343,724
Total income from pension schemes		**435,804**	**345,831**

(i) FAS1 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. FAS1 beneficiaries receive from FAS amounts which top up the annuities purchased by the scheme trustees to the benefit levels promised by FAS.

(ii) FAS2 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. FAS2 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 mainly of annuity policies.

	31 March 2014	31 March 2013
	£000	£000
Balance at 1 April	27,043	15,522
Asset transfers	30,347	9,047
Redemption of loan notes	(100)	-
Change in fair value	(4,068)	2,474
Balance at 31 March	**53,222**	**27,043**

The fall in the assessed fair value over the year reflects particularly:

- changes in the rates used to discount future annuity income flows to a net present value
- the actual mortality experience of FAS annuitants compared to previous assumptions
- annuity income received by FAS from insurers

6. Financial Instruments and related risks

(i) Financial Instruments by category	**31 March 2014**	**31 March 2013**
	£000	**£000**
Financial assets designated at fair value through profit or loss		
Annuity policies	53,094	26,806
Other financial assets	128	237
	53,222	**27,043**
Loans and receivables		
Cash and cash equivalents	96,576	11,576
Transfer-in receivables	3	1,219
	96,579	**12,795**
Liabilities	-	**-**
Total Financial Instruments	**149,801**	**39,838**

The increase in the value of cash held by FAS at the end of the accounting period is explained by the number of high value scheme transfers completed in the month of March 2014.

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 2014	31 March 2013
	£000	£000
Annuity policies	53,094	26,806
Other financial assets	128	237
Cash and cash equivalents	96,576	11,576
Transfer-in receivables	3	1,219
Total	**149,801**	**39,838**

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 small 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

	2013-14	2012-13
	£000	£000
Balance on Consolidated Fund account at 1 April	39,838	65,527
Net revenue for the Consolidated Fund	433,943	349,456
Amount paid to the Consolidated Fund	(323,980)	(375,145)
Balance on Consolidated Fund account at 31 March	**149,801**	**39,838**

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 2014 for the revenue and other income, as directed by the Treasury, 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 2013-14.

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 Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Ross Campbell
Deputy Director, Government Financial Reporting
Her Majesty's Treasury

20 December 2013

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: Board Attendance and Governance Structure

Departmental Board and Sub-Committee Attendance Records

Departmental Board							
Ministers	19 Jun 2013	16 Oct 2013	11 Dec 2013	5 Mar 2014			
Rt Hon Iain Duncan Smith	✓	✓	✓	✓			
Rt Hon Mike Penning		✓	x	x			
Mark Hoban	x						
Steve Webb	✓	✓	✓	✓			
Lord Freud	x	✓	✓	✓			
Rt Hon Esther McVey	✓	x	✓	✓			
Non Executives							
Sir Ian Cheshire	✓	✓	✓	✓			
Dame Clara Furse	✓	✓	✓	✓			
David Lister	✓	✓	x	x			
Willy Roe	✓	✓	✓	✓			
Executives							
Robert Devereux	✓	✓	✓	✓			
Noel Shanahan	✓	✓	✓	✓			
Mike Driver	✓	✓	✓	✓			
Andrew Nelson	✓	✓	✓	✓			
Departmental Audit and Risk Assurance Committee							
Non Executives	19 Apr 2013	8 Jun 2013	3 Oct 2013	23 Oct 2013	8 Nov 2013	6 Dec 2013	22 Jan 2014
Dame Clara Furse	✓	x	✓	✓	✓	x	✓
Bill Griffiths	x	✓					
Kenneth Ludlam	✓	✓	✓	✓	✓	x	✓
Andrew Graham	✓	✓	✓	✓	✓	✓	✓
Lynne Turner	x	✓	✓	✓	✓	✓	✓
Departmental Audit and Risk Assurance sub-Committee							
Non Executives	18 Jun 2013	21 Nov 2013	22 Jan 2014				
Bill Griffiths	✓						
Kenneth Ludlam	✓	✓	✓				
Andrew Graham	✓	x	✓				
Lynne Turner	✓	✓	✓				
Shared Services Audit sub-Committee[1]							
Non Executives	18 May 2013	29 May 2013					
Bill Griffiths	✓	✓					
Malcolm Green	✓	✓					
Christine Daws	✓	✓					
Nominations Committee							
Non Executives	23 May	19 Sep	3 Mar				

[1] The Shared Services organisation transferred to the Cabinet Office on 1 April 2013.

	2013	2013	2014				
Sir Ian Cheshire	✓	✓	✓				
David Lister	✓	✓	✓				
Executives							
Robert Devereux	✓	✓	x				
Chris Last	x						
Gill Aitken	✓	✓					
Crystal Akass		✓					
Debbie Alder			✓				
Naomi Mallick			✓				

Board Sub-Committee Reports

Departmental Audit and Risk Assurance Committee (DARAC)
The Departmental Audit and Risk Assurance Committee is chaired by a Non-Executive Member who is also on the Board. The other members of the Committee and its sub-committee are independent Non-Executives. The Committee provides an independent view of the appropriateness, adequacy and value for money of the Department's governance, risk management, control and associated assurance processes.

The Committee received regular reports on the Department's plans to tackle and clear the Department's significant control challenges, receiving updates on:

- Information security and assurance – noting the lack of traction in improvement plans mitigating key aspects of the Department's IT Security risks, the Committee requested quarterly updates, leading to increased senior direction and oversight, ensuring greater focus and a momentum of improvement actions in the IT security organisation and Information Security governance.
- Universal Credit - establishing close links with the Programme encouraging openness; the Committee receives regular updates from the Programme's Senior Responsible Owner at Committee meetings and through regular face to face meetings with one of the Committee's members.
- Capacity and Capability - considering risks in connection with the management of supply and demand of IT capabilities and the activity taking place particularly in the recruitment of the right skills for the future.
- Monetary value of fraud and error - National Audit Office provided the definition of irregularity, its materiality and the benchmarking work in respect of fraud and error in October 2013 and receiving regular reports on associated activity.
- Child Maintenance - receiving assurance on the implementation of the Government's programme of reforms through its sub-committee.

The Committee also added value by:

- Risk management – focusing challenge on appropriate escalation of risk and on the critical dependencies the Department has on its suppliers.
- Change Portfolio – focusing on the impact of change on the Department's operations, seeking to better understand the totality of the change portfolio, plans for implementation, key interdependencies and the capacity and capability to deliver change, particularly in respect of IT systems and the associated assurance.
- Work Programme – noting the importance of building in independent assurance requirements and standards from the start of the contracting process.
- Personal Independence Payments – focusing on the programme's key issues and risks

- Shared Services[1] – the Committee was assured that the move of the Department's Shared Services to the Cabinet Office was executed with the Department's interests at the fore-front.

The Chair continues to review the way the Committee operates to ensure maximum effectiveness and planning for succession. An effectiveness review during the year found the DARAC to be, overall, an effective audit committee, demonstrating some aspects of good practice and excellence.

In addition to regular reports from the Chair, the Departmental Board was presented with an annual report in June 2014 reporting that the Committee 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.

Nominations Committee

The Nominations Committee has been established as a bi-annual (Autumn and Spring) sub-committee of the Departmental Board and advises on whether the Department's systems are effective in helping the Department achieve its goals.

The Committee supports, and reports to, the Board in its responsibilities of identifying and developing leadership and high potential; scrutinising the incentive structure; and succession planning. The Committee will periodically review its own effectiveness and is advisory.

The Committee consists of two Non-Executive members of the Board as well as the Permanent Secretary, Director General for Human Resources and Director General for Professional Services. Sir Ian Cheshire currently chairs the Committee meetings. Other attendees are invited as necessary, and at the Chair's discretion, to support the Committee's discussions on specific issues. A secretariat function is provided by Human Resources.

During this year the Committee reviewed departmental governance arrangements, Senior Civil Service pay, the Department's people plan, Director General level appointments, and talent development.

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

[1] The Shared Services organisation transferred to the Cabinet Office on 1 April 2013.

Annex 2: Arm's Length Bodies[1]

National Employment Savings Trust (NEST) Corporation (Public Corporation): Ensures all employers have access to suitable, low-charge pension provision to meet their new duty to enrol all eligible workers into a workplace pension automatically. http://www.nestpensions.org.uk

The Pensions Regulator (NDPB): Protects the benefits of members of work-based pension schemes, promotes and monitors good scheme administration and reduces the risk of situations arising that may lead to claims from the Pension Protection Fund. Maximises employer compliance with automatic enrolment duties. http://www.thepensionsregulator.gov.uk

Pension Protection Fund (Public Corporation): Provides compensation to members of eligible defined benefit pension schemes whose employers become insolvent and where there are insufficient pension scheme assets to pay what was promised. Manages the Financial Assistance Scheme. http://www.pensionprotectionfund.org.uk

The Pensions Advisory Service (NDPB): Provides independent and free pensions information and guidance to citizens. http://www.pensionsadvisoryservice.org.uk/

Health and Safety Executive (NDPB): Responsible for encouragement, regulation and enforcement of workplace health, safety and welfare and for research into occupational risks in England, Scotland and Wales. http://www.hse.gov.uk/

Independent Living Fund (NDPB): Provides money to help disabled people live an independent life in the community rather than in residential care. http://www.dwp.gov.uk/ilf/

Remploy Limited (Public Corporation): Provides support to transform the lives of disabled people and those who experience complex barriers to work by providing sustainable employment opportunities. http://www.remploy.co.uk/

Pensions Ombudsman (NDPB): Determines complaints and disputes concerning occupational and personal pension schemes. http://www.pensions-ombudsman.org.uk/

Pension Protection Fund Ombudsman (NDPB): Handles complaints and reviewable matters concerning the Pension Protection Fund and Financial Assistance Scheme appeals. http://www.ppfo.org.uk/

Equality 2025[2] (NDPB) http://odi.dwp.gov.uk/equality-2025/index.php

Industrial Injuries Advisory Council (NDPB) http://iiac.independent.gov.uk/

Social Security Advisory Committee (NDPB) http://ssac.independent.gov.uk/

[1] Arm's Length Bodies consist of Non-Departmental Public Bodies and Public Corporations. https://www.gov.uk/government/publications/public-bodies-reports
[2] Equality 2025 Members' terms of appointment ended on 30 September 2013, at which point the NDPB ceased to operate.

Annex 3: Staff Information

Numbers of Staff in Post (Core Table 5)[1]

The Departmental Group had 88,903 whole time equivalent (WTE) payroll staff in post on 31 March 2014 – a reduction of 9,646 whole time equivalents from 31 March 2013.

Staff in Post (WTEs)		31 March 2014	31 March 2013	31 March 2012
Payroll Staff	**Departmental Group**	88,903	98,549	104,182
	Core Department (not including Arm's Length Bodies)	83,942	92,530	88,626
	Arm's Length Bodies	4,961	6,019	15,556[2]
Off-Payroll Staff	**Departmental Group**	171	397	417
	Core Department	85	121	81
	Arm's Length Bodies	86	276	336

On 31 March 2014 there were 220 individual Senior Civil Servants in the Core Department equating to 215 WTE – this represents a reduction of 5 Senior Civil Servants equating to 4 whole time equivalents compared to 2012-13.

Senior Civil Servants by payband		Headcount		
		31 March 2014	**31 March 2013[3]**	**31 March 2012**
Permanent Secretary	£142,000-£200,000	1	1	1
SCS3	£103,000-£208,100	7	5	6
SCS2	£84,000-£162,000	45	54	47
SCS1	£60,000-£117,800	167	165	162
	Total	**220**	**225**	**216**

Staff Diversity (Core Department)		31 March 2014	31 March 2013	31 March 2012
Workforce	Ethnic Minority%	11.4	11.2	11.4
	Women%	68.9	68.3	68.3
	Disabled%	6.8	6.5	6.5
Senior Civil Servants[4]	Ethnic Minority%	6.8	5.2	3.7
	Women%	39.5	39.6	40.2
	Disabled%	4.1	4.2	3.6
Ministers	Women%	20.0		
Non-Executive Directors	Women%	25.0		
Executive Team	Women%	12.5		

[1] All figures are shown as at 31 March on a whole time equivalent basis and payroll staff whole time equivalent numbers reflect the current Office for National Statistics definition for civil service staff.
Figures quoted Include the Executive Team.

[2] My Civil Service Pensions (My CSP) transferred to Cabinet Office on 1 February 2011 but staff remained on the Department's payroll and are included in the March 2012 Departmental figures above. The figures are not included in the March 2013 Departmental total.

[3] Jobcentre Plus and Pension, Disability and Carers Service ceased to have legal status from October 2011. Child Maintenance Group, formerly with Arms Length Bodies status, became part of the Department on 1 August 2012. Figure includes Child Maintenance Group.

[4] Figures quoted include the Executive Team.

Recruitment

During 2013-14 the Department maintained strict control of external recruitment. In 2013-14 the Department recruited 604 staff (equating to 598 whole time equivalents) – compared to around 2,800 whole time equivalents in 2012-13. Of the 604 staff recruited, 227 were permanent staff and 377 were temporary staff. The primary reason for permanent recruitment was to fill specialist roles, such as analytical and digital, and for contact centre advisers. Of the 377 temporary staff recruited, 250 were apprentices with the remainder recruited to address immediate work pressures.

Off-Payroll Information

The Department spent £13.2 million on consultancy in 2013-14 compared to £14 million in 2012-13 and £25.2 million on temporary staff compared to £39 million in 2012-13 - representing an overall reduction of £14.6 million in 2013-14. The Department's spend on consultancy remains closely aligned to the challenges faced with implementing significant welfare reforms. The reduction in temporary staff spend reflects the wider resource pressure in frontline services during 2013-14 and the need to make efficiencies to manage within a reduced allocation.

	Consultancy (£m)		
	2013-14	**2012-13**	**2011-12**
Core Department	11.7	10.6	6.5
Arm's Length Bodies	1.5	3.4	2.3
Total	**13.2**	**14.0**	**8.8**
	Temporary Staff (£m)		
Core Department	21.7	34.9	13.2
Arm's Length Bodies	3.5	4.1	7.2
Total	**25.2**	**39.0**	**20.4**

Tax Arrangements of Public Sector Appointees

Within the Core Department all engagements as at 31 March 2014 for more than £220 per day and that last for longer than 6 months have been subject to a risk based assessment as to whether assurance is required. Assurance has been sought for those that reached six months engagement during 2013-14.

Off-payroll engagements as of 31 March 2014, for more than £220 per day and lasting longer than 6 months		
	Core Department	**Arm's Length Bodies**[1]
Number in place as of 31 March 2014	80	5[2]
Of which:		
Number existed for less than one year	55	5
Number existed between one year and two years	24	
Number existed between two years and three years	-	
Number existed between three years and four years	1	
Number existed for four years or more	0	

[1] Excludes Remploy, Pension Protection Fund and National Employment Savings Trust as they are not consolidated into the Department's accounts
[2] All 5 are within the Pensions Regulator

New off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and lasting longer than 6 months		
	Core Department	Arm's Length Bodies[1]
Number of new engagements or those that reached 6 months duration between 1 April 2013 and 31 March 2014	79	5[2]
Number of the above which include contractual clauses giving the Department the right to request assurance in relation to income tax and national insurance obligations	79	5
Number for whom assurance has been requested	79	5
Of which:		
Number for whom assurance received	8	5
Number for whom assurance not received[3]	71	
Number terminated as a result of assurance not being received	0	

Off-payroll engagements of Board members and/or senior officials with significant financial responsibility between 1 April 2013 and 31 March 2014		
	Core Department	Arm's Length Bodies[1]
Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year	0	0
Number of individuals who have been deemed 'board members and/or senior officials with significant financial responsibility' during the financial year. This figure should include both off-payroll and on-payroll engagements.	0	0

[1] Excludes Remploy, Pension Protection Fund and National Employment Savings Trust as they are not consolidated into the Department's accounts.
[2] All 5 are within the Pensions Regulator.
[3] The Department has referred cases to HMRC where assurance has been requested but not received.

Annex 4: Performance Annex

Business Plan Input and Impact Indicators and Other Data Sets[1]

Input Indicators	Data Published in 2013-14	Data Published in 2012-13
Overall Department for Work and Pensions productivity measure, (% increase compared with previous year)[2]	0 (provisional data)	1 (2012-13)
Impact Indicators	**Latest published data**	**Previous Comparable data**
Rate of people moving from key out of work benefits[3] (1) JSA (%) at 52 weeks, (2) ESA (%) at 65 weeks	(1) 91.9 (Jan-Mar 13) (2) Not yet published(Jan-Mar 13)	(1) 90.1 (2) 54.1 (Jan-Mar 12)
	(1) 90.9 (2) 47.2 (Oct -Dec 12)	(1) 89.4 (2) 53.2 (Oct-Dec 11)
	(1) 89.4 (2) 50.4 (Jul-Sept 12)	(1) 88.1 (2) 61.6 (Jul-Sept 11)
	(1) 89.5 (2) 50.8 (Apr-Jun 12)	(1) 87.4 (2) 72.9 (Apr-Jun 11)
Number of people on key out of work benefits[4], (millions)	4.3 (Nov 13)	4.6 (Nov 12)
	4.4 (Aug 13)	4.7 (Aug 12)
	4.5 (May 13)	4.8 (May 12)
	4.7 (Feb 13)	4.9 (Feb 12)
Proportion of children living in workless households[5] (%)	13.3 (Oct-Dec 13)	14.2 (Oct-Dec 12)
	13.6 (Apr-Jun) 13	15.1 (Apr-Jun 12)
Proportion of young people not in full time education who are not in employment, (%)	27.9 (Jan-Mar 14)	30.2 (Jan-Mar 13)
	29.0 (Oct-Dec 13)	29.6 (Oct-Dec 12)
	30.1 (Jul-Sept 13)	30.5 (Jul-Sept 12)
	30.9 (Apr-Jun 13)	31.9 (Apr-Jun 12)
Proportion of the lowest earning 25-30 year olds that experience wage progression ten years later, (%)	12.1 (2004-13)	12.1 (2003-2012)
Rate of disability poverty[6], (%)	2012-13 data not yet published	19 (2011-12)
Gap between the employment rates for disabled people and the overall population[7] (percentage points)[8]	27.9 (Jan-Mar 14)	24.4 (Jan-Mar 13)
	27.9 (Oct-Dec 13)	24.7 (Oct-Dec 12)
	28.3 (Jul-Sept 13)	24.8 (Jul-Sept 12)
	27.3 (Apr-Jun 13)	24.7 (Apr-Jun 12)
Fraud and Error in the benefit system, as a percentage of expenditure (%) (1) Overpayments and (2) Underpayments	(1) 2.0 (2013-14 Preliminary)	(1) 2.1 (2012-13 Results)
	(2) 0.9 (2013-14 Preliminary)	(2) 0.9 (2012-13 Results)
Rate of pensioner poverty[9], (%)	2012-13 data not yet published	14 (2011-12)

[1] Measurement annexes for all indicators are at https://www.gov.uk/government/publications/dwp-business-plan-transparency-measures/dwp-business-plan-transparency-measures

[2] There has been a change in how productivity is measured from previous years to reflect changes in Departmental processes. This means productivity for 2012-13 has been restated as 1 per cent from 3 per cent. Between 2004-05 and 2011-12, labour market output was represented by aggregating volumes of personal adviser interviews and job search reviews, delivered by the Department during a customer's time on benefit. However, there has been recent major cultural change in Jobcentres in which individual districts have far greater freedoms and flexibilities to deliver according to their local labour markets. The aim, by introducing a more flexible and tailored approach to how the business is managed, is to help more people into work. This change led to the need to review labour market output measures in the productivity calculation, and move to an output equals input measure. The aggregate productivity measure relates total Departmental output to input. Following convention, total output is represented through an index that combines direct measures of the Department's social security and child maintenance outputs, alongside expenditure on labour market activity, work programme and the Department's policy and regulatory functions in a cost-weighted sum.

[3] Data are not seasonally adjusted. Percentages are the mean percentages for each on-flow cohort quarter

[4] Data are not seasonally adjusted so year on year comparison only

[5] Data are not seasonally adjusted so year on year comparison only.

[6] Data for 2012-13 will be published in July 2014 via https://www.gov.uk/government/publications/dwp-business-plan-transparency- measures/dwp-business-plan-transparency-measures

[7] Data are not seasonally adjusted, year on year comparison only, due to a change in the labour market survey question data before 2010 cannot be compared with data after 2010.

[8] The introduction of a core measure of disability (based on the Equality Act definition) to the survey in 2013 led to a decrease in the total number of people classed as disabled. The group now classed as non-disabled have higher employment rates than those who are. The employment rate of all people with a health condition (including disabled) is 58 per cent, compared with 45 per cent for all disabled people. The net result of this change effectively sets a new baseline for gap between the employment rate of disabled people and the overall population and means data from 2013-14 cannot be compared with earlier data.

[9] Data for 2012-13 will be published in July 2014 via https://www.gov.uk/government/publications/dwp-business-plan-transparency-measures/dwp-business-plan-transparency-measures

Number of employees in a pension scheme sponsored by their employer, (millions)	11.7 (April 2013)	10.7 (April 2012)
Average age people stop working[1], (years) (Men/Women)	64.8/63.2 (Jan-Mar 14)	64.7/63.0 (Jan-Mar 13)
	64.9/63.3 (Oct-Dec 13)	64.8/62.9 (Oct-Dec 12)
	64.8/63.2 (Jul-Sep 13)	64.8/62.7 (Jul-Sept 12)
	64.8/63.1 (Apr-Jun 13)	64.8/62.6 (Apr-Jun 12)
Customer and claimant opinion of Departmental service levels, (%)	81 (2013)	83 (2012)
Other Data Sets	**Data published 2013-14**	**Data published 2012-13**
Proportion of customers for whom providers have achieved a Job Outcome payment at 12 months on the Work Programme (%)[2]	12.8 (Mar 13 Cohort)	13.2 (Mar 12 Cohort)
	10.7 (Dec 12 Cohort)	9.9 (Dec 11 Cohort)
	11.8 (Sept 12 Cohort)	9.5 (Sept 11 Cohort)
	13.1 (Jun12 Cohort)	8.4 (June 11Cohort)
Number of Incapacity Benefit recipients reassessed and those moving from Incapacity Benefit to Employment and Support Allowance nationally	1,224,300/888,300 (to Jun 13)	872,100/614,000 (to Nov 12)
Proportion of new Jobseeker's Allowance applications submitted online (%) (JSA)	84.8 (Mar 14)	55.2 (Mar 13)
	83.6 (Dec 13)	45.5 (Dec 12)
	84.2 (Sept 13)	39.0 (Sept 12)
	73.5 (Jun 13)	29.5 (Jun 12)
The proportion of households that are workless[3] (%)	16.6 (Oct-Dec 13)	17.3 (Oct-Dec 12)
	17.1 (Apr-Jun 13)	17.9 (Apr-Jun 12)

Structural Reform Plan

As at 31 March 2014 the Department has completed 23 of the 25 actions due for completion by 31 March 2014, compared to 33 of 37 in 2012-2013 (see Table below)[4]. The two missed 2013-14 actions are:

- to 'evaluate and publish the Young Person Day One Support Pilot' – delayed due to Departmental quality assurances processes prior to publication; and
- to 'put Common Benefit Enquiries Online (MyBOL)' – missed as the Department has made a decision not to continue with the full rollout – see Note 27 to the accounts.

Structural Reform Plan Actions	Data published in 2014-15	Data published in 2013-14	Data published in 2012-13
Total number of actions completed during the year	-	23	33
Total number of actions deleted during the year	-	3	-
Total number of actions added during the year	-	2	-
Total number of actions overdue at the end of the year	-	2	4
Number of overdue actions attributable to external factors	-	-	2
Total number of actions on-going	36	36	44

[1] Data are rounded to the nearest 0.1 year; and are subject to sampling variation and are not seasonally adjusted.
[2] The 12 month period of the measure starts at the end of the each cohort.
[3] Data are not seasonally adjusted, year on year comparison only.
[4] http://transparency.number10.gov.uk/

Correspondence

The Department's Ministers received more than 42,000 items of correspondence between January and December 2013 down from 43,000 in 2012. Of those in 2013, more than 21,000 were from MPs or Peers, and the remainder were from members of the public. Replies were sent within 20 working days for 91 per cent of the correspondence.

Complaints made to the Independent Case Examiner in 2013-14

In 2013-14 the Independent Case Examiner dealt with 1,117 complaints about the Department - compared with 1,273 in 2012-13. Of the complaints received in 2013-14:

- 15 complaints were withdrawn by the complainant.
- The Independent Case Examiner brokered an agreement between the parties for 359 complaints.
- 395 complaints were upheld, fully or partially, by the Independent Case Examiner.
- 348 complaints were overturned.

Complaints to the Ombudsman in 2013-14

Departmental business[1]	Complaints accepted by the Ombudsman	Complaints reported on by the Ombudsman	Complaints fully upheld	Complaints partially upheld	Complaints not upheld	No of recommendations complied with [2]	No of recommendations not complied with
Jobcentre Plus	5	4	3	1	-	7	1
Child Maintenance Group	-	3	1	2	-	8	-
Independent Case Examiner	5	8	1	4	3	9	-
The Pension, Disability and Carers Service	2	-	-	-	-	1	-
Independent Living Fund	-	-	1	-	-	4	-
Total	12	15	6	7	3	29	1

The Department provides financial redress in the form of special payments to individuals (or their representatives) who have incurred additions costs, losses or other effects of maladministration. In 2013-14 13,382 ex-gratia compensation awards totalling £2 million[3] were authorised under these arrangements.

[1] Complaints are still recorded against the individual Department's businesses

[2] Some complaints result in more than one recommendation

[3] The figure excludes (a) Financial redress paid in respect of Loss Of Statutory Entitlement (LOSE) and (b) Advance Payments of Child Maintenance. This amount is excluded as it is not an additional cost arising from maladministration – it is money that (a) would have been paid anyway if no maladministration had occurred (b) in the case of Child Maintenance will be recovered from the non-resident parent. 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.

Benefit overpayment receivables

The following table shows the number of benefit overpayments referred for action and the amount recovered in 2013-14[1]:

Year	Overpayment	Recoveries
2005-06	0.8 million	£149 million
2006-07	1.0 million	£212 million
2007-08	1.3 million	£242 million
2008-09	1.6 million	£251 million
2009-10	1.9 million	£260 million
2010-11	2.1 million	£288 million
2011-12	2.0 million	£335 million
2012-13	2.0 million	£358 million
2013-14	1.9 million	£363 million

[1] 'In 13/14 DWP recovered £363m by way of Fraud and Error benefit overpayments and an additional £58m from other debts including Civil Penalties and Social Fund off benefit giving a total Core Recovery figure of £421m.

Annex 5: Sustainable Development

The Department is committed to supporting the UK Strategy for Sustainable Development and the Coalition Government's commitment to mainstream sustainability – making it business as usual in everything we do - and to become the 'greenest government ever'. The Department's Sustainable Development Policy has 4 main aims:
- social progress which recognises the needs of everyone;
- effective protection of the environment;
- prudent use of natural resources; and
- maintenance of high and stable levels of economic growth and employment.

In 2013-14 the Department supported and contributed to the following initiatives:
- **Mainstreaming Sustainability** - assessing and managing social and environmental impacts in policy development – for example, working with Universal Credit to identify and understand the environmental impacts associated with the development and implementation of a new benefit.
- **Greening Government Commitments** – reducing environmental impact by reducing greenhouse gas, waste and water usage – see table below. The Department rolled out a number of specific projects, primarily aiming to reduce carbon emissions and waste generation. Significant improvements in carbon reduction have been made this year – these need to be sustained to ensure the Department achieves the 25 per cent reduction required.
- **Sustainable procurement** – procuring more sustainable and efficient products by understanding the supplier chain better and working towards the Government's aspirational target of 25 per cent of the Department's expenditure going to small and medium sized enterprises by 2015. In 2013-14 it is estimated that 15 per cent[1] of the Department's expenditure with third party suppliers is flowing though small and medium sized enterprises, either directly or indirectly. The Department continues to use a Sustainable Procurement Risk Assessment Methodology (SPRAM) to ensure impacts are assessed from initial design to procurement.
- **Climate Change adaptation** – utilising evaluation tools which contain questions related to climate change adaptation – for example, asking decision makers to consider the impact of severe weather events. In addition the Flood Risk Assessment undertaken by the Department to understand the potential impacts on its estate is also a practical tool to assist with business continuity planning.
- **Rural Proofing** Departmental policies and services and using flexibilities to meet the needs of rural communities, businesses and people.

Examples of successful rural proofing activity include:
- In Kent the Flexible Support Fund was used to support two agricultural sector based work academies which resulted in 32 unemployed people finding work in rural areas.
- In Essex the Flexible Support Fund supported a fleet of mopeds for 12 months to enable unemployed young people living in rural areas to overcome transport barriers and to access Volunteering, Work Placements and Community Projects. As a result 15 young people found work and 5 returned to full time education or training.

[1] Final confirmed figures will be available later in 2014. The estimate is derived from ongoing monitoring of the target.

Financial costs of Waste and Paper

Departmental waste management costs are covered within the charges for facilities management under the overall PRIME contract. The supplier manages all waste collection and recycling on site, both directly generated by the Department and indirectly generated by contractors on site and customers of our services. It is currently not possible to separate out costs for waste management.

Departmental costs for cut paper were £2,448,188 in 2013-14, down from £2,114,372 in 2012-13.

More details of all sustainability topics covered here, including practical examples of sustainability in practice, and a more detailed breakdown of environmental performance can be found in the annual Sustainable Development report for 2013-14[1].

Summary of performance: Greening Government Commitments			
	2009-10 baseline	**2013-14 performance**	**2015 Target performance[2]**
Reduce greenhouse gas emissions by 25 per cent from a 09-10 baseline from the whole estate and business-related transport (TCO2e)			
Total greenhouse gas emissions	202,341[3]	137,082[4]	151,755
Reduce domestic business travel flights by 20 per cent by 2015 from a 09-10 baseline.			
Number of domestic flights	21,931	8,397	17,545[5]
Reduce the amount of waste we generate by 25 per cent from a 2009-10 baseline (Tonnes)			
Total volume of waste produced	16,626	12,584	12,470
Volume of waste recycled	10,522	8,332	N/A
Reduce the amount of paper used			
A4 (Reams)	2,061,685	1,094,590	N/A
A3 (Reams)	8,606	3,655	N/A
Reduce water consumption from a 2009-10 baseline, and report on office water use against best practice benchmarks			
Total water consumption	810,701	626,818	N/A

Water Use Performance against best practice benchmarks		
	2009-10 baseline	**2013-14 performance[6]**
Best Practice (<4m3/FTE)	107	110
Good Practice (4-6m3/FTE)	500	311
Poor Practice (>6M3/FTE)	156	296

[1] https://www.gov.uk/government/collections/dwp-annual-sustainable-development-reports
[2] Where target performance shows N/A, target is to achieve a reduction and is not numerical.
[3] Baseline Figure adjusted due to new conversion factors. Originally was 204,621.
[4] Contains estimated fugitive emissions data as annual data not available.
[5] Target Adjusted to take into account new baseline. Originally was 16,448.
[6] Water Benchmarks are based upon rounded data.

Annex 6: Better Regulation

The Government wants to ensure that all regulations are fair and effective and to strike the right balance between protecting people's rights, health and safety whilst freeing business from unnecessary burden. To achieve this the Department is:

- controlling the number of new regulations which impose burdens on business by operating a **'one in, two out' rule** – where new costs imposed on business must be matched by savings of twice the value of the costs. Between January 2013 and June 2014 the Department is forecast to have reduced the burden on business by £11 million per year. Since 2010, the Department has contributed an annual burdens reduction of almost £800 million;
- effectively assessing the impact of each regulation. The **Regulatory Policy Committee** 2013 Annual Report[1] showed over 90 per cent of the Department's performance on assessments submitted were fit for purpose;
- reviewing regulations as part of the **Red Tape Challenge,** see below;
- reducing regulations for **small businesses,** see below;
- **improving enforcement** of government regulations. The Health and Safety Executive, with the Department for Environment, Food and Rural Affairs as part of the competent authority for Control of Major Accident Hazard sites, has been implementing the recommendations of the BRE-led Focus on Enforcement review of the chemicals industry. Continued collaboration with the industry and the changes that are now taking place are improving the business experience of regulation in the chemicals sector;
- ensuring that the need for each new regulation is regularly reviewed and in cases where regulation is no longer needed, or where it imposes disproportionate burdens, using a **sunset provision** to ensure it is removed. The Department (including the Health and Safety Executive) brought into force eleven measures which had an impact on business in 2013-14 – none included sunset clauses. There are no Post Implementation Reviews due in 2014[2]. The Department has published its Post Implementation Review commitments at https://www.gov.uk/government/publications/reviewing-regulation-detailing-dwp-including-hse-commitments;
- using **alternatives to regulation**. With over 130 million days lost to sickness every year, with negative impacts on government, employers and employees, the Health and Work Service is being introduced to help improve sick absence management without changes to regulation. It will offer occupational health advice and assessment, at around four weeks of sickness absence, to identify issues preventing return to work and devise a plan to overcome these;
- **reducing the cost of European Union (EU) regulation** - The Department represented the Government's interests in respect of employment and social policy at the International Labour Organization, the employment strand of the G20 and throughout the annual cycle of policy coordination at the EU level, including at the EU Employment, Social, Consumer and Health Affairs Council and its preparatory bodies. This included promoting structural reforms in labour markets; support for business and effective activation policies to support jobseekers; and collaboration between European public employment services. In this context, the Department also prepared the employment and social policy aspects of the UK's National Reform Programme Report as part of the European Semester. The Department has also introduced a range of measures to protect further the integrity of the UK welfare system and

[1] https://www.gov.uk/search?q=regulatory+policy+committee+report+2013&tab=government-results

[2] There was one review due on the Pensions Act 2007 (abolition of contracting-out for defined contribution pension schemes)(consequential amendments) (No2) Regulations 2011 but the policy team have agreed to postpone. Annual reports are being published as committed to ahead of the Workplace Pension Reforms PIR in 2017.

ensure that access to benefits by European Economic Area (EEA) nationals is focused increasingly on those in work; and
- **Improving regulations,** see below.

Red Tape Challenge
- Just over a tenth of the 92 substantive private pensions regulations reviewed through the Red Tape Challenge are due to be improved or revoked by the end of the Parliament – estimated savings to business are £10.7 million per year at this point. The Department is on track to implement the agreed outcomes by the end of the Parliament.
- The Health and Safety Executive is due to complete the recommendations in Professor Löfstedt's review of health and safety legislation by the end of 2014. This work will deliver the majority of the Government’s commitment to scrap, review or improve 84 per cent of health and safety regulations and guidance.
- The Department will remove Statutory Sick Pay record keeping requirements.
- The Department will abolish the Percentage Threshold Scheme by March 2014 as part of the Department for Business, Innovation and Skills-led Employment Related Law Red Tape Challenge.

Reducing regulations for small businesses
- Automatic enrolment into a workplace pension is being rolled out by employer size to give smaller employers longer to prepare. No small employer (with fewer than 50 employees) will be required to begin enrolling their staff before June 2015. Furthermore, in response to stakeholder comments on the consultation on Better Workplace Pensions, the Government will ensure all employers have at least twelve months to prepare for changes in request of qualifying automatic enrolment schemes.

Improving regulations
- The Occupational and Personal Pension Scheme (Disclosure of Information) Regulations replaced two existing sets of regulations. The new regulations simplify and update the existing provisions, remove duplication between Departmental legislation and FCA rules on basic scheme information for personal pension schemes, clarify the rules on giving information electronically and introduce a number of other changes, such as introducing a requirement to give information about lifestyle and a change in relation to statutory money purchase illustrations to enable schemes the flexibility to use more personalised assumptions and include lump sums in the pension illustrations.
- May 2013 - new Code for local authority health and safety inspection. The Code requires local authorities to focus their proactive inspection at higher risk activities/sectors of those businesses with a poor health and safety record.
- Health and Safety Executive 's revised work at height guidance.

Annex 7: Expenditure Tables (Core Tables)

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

	£ Millions [11,12,13]						
	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	2015-16 Plans
Resource DEL [6]							
Section A: Operational Delivery	1,399	1,294	2,487	2,535	2,404	2,098	2,490
Section B: Child Maintenance Group	-	-	-	330	463	447	445
Child Maintenance and Enforcement Commission (Net)	448	391	484	155	-	-	-
Section C: Health and Safety Executive (Net)	231	203	175	162	155	142	140
Section D: Financial Assistance Scheme	33	45	73	109	153	-	-
Section E: European Social Fund	-	-	15	122	(3)	-	-
Section F: Executive Non-Departmental Public Bodies (Net)	431	391	375	366	354	344	66
Section G: Employment Programmes	1,313	1,814	876	802	1,037	906	737
Section H: Support for Local Authorities	614	585	546	529	644	656	421
Section I: Other Programmes	276	352	252	125	114	109	129
Section J: Departmental operating costs	3,100	2,835	1,453	1,460	1,478	972	1,093
Unallocated provision	-	-	-	-	-	1,413	211
Section K: National Insurance Fund	1,056	1,093	821	706	611	600	549

Expenditure incurred by the Social Fund	139	131	46	39	37	40	40
Section L: Consolidated Fund Extra Receipts	-	-	-	-	-	-	-
Total Resource DEL	**9,041**	**9,133**	**7,603**	**7,440**	**7,448**	**7,727**	**6,321**
Of which:							
Staff costs	3,585	3,553	3,188	3,066	2,999	2,359	2,288
Purchase of goods and services	2,756	2,945	2,111	2,087	2,251	2,238	3,041
Income from sales of goods and services	(354)	(373)	(284)	(154)	(233)	(305)	(540)
Current grants to local government (net)	741	686	560	565	749	681	421
Current grants to persons and non-profit bodies (net)	1,161	1,377	594	536	555	802	91
Current grants abroad (net)	(338)	(540)	(248)	(187)	(139)	(400)	-
Subsidies to private sector companies	6	2	29	95	108	-	-
Subsidies to public corporations	117	174	206	141	120	86	97
Rentals	1,124	1,126	983	754	693	704	553
Depreciation 2	222	163	202	249	183	137	139
Other resource	21	22	262	287	162	12	19
Unallocated funds - resource	-	-	-	-	-	1,413	211
Resource AME 10							
Section M: Severe Disablement Allowance	907	888	881	887	860	537	138
Section N: Industrial Injuries Benefits Scheme	845	888	888	905	901	909	907
Section O: Universal Credit	-	-	-	-	6	3	(8)
Section P: Jobseekers Allowance	3,589	3,668	4,173	4,507	3,812	3,175	2,949
Section Q: Employment and Support Allowance	689	1,282	2,168	4,475	6,898	8,306	8,946

Section R: Income Support	8,369	7,872	6,997	5,254	3,583	2,823	2,648
Section S: Pension Credit	8,133	8,242	8,037	7,566	7,042	6,704	6,565
Section T: Financial Assistance Scheme	(71)	(1,481)	1,171	93	284	442	500
Section U: TV Licences for the over 75s	555	578	587	596	606	631	643
Section V: Attendance Allowance	5,107	5,228	5,339	5,476	5,360	5,522	5,637
Section W: Personal Independence Payment	-	-	-	-	165	1,426	2,425
Section X: Disability Living Allowance	11,503	11,877	12,566	13,430	13,763	13,389	12,263
Section Y: Carer's Allowance	1,497	1,572	1,733	1,927	2,088	2,267	2,443
Section Z: Housing Benefit	14,279	15,736	16,941	17,686	17,883	18,258	18,858
Section AA: Rent Rebates	5,324	5,279	5,447	5,748	5,817	5,863	5,960
Section AB: Statutory Sick Pay and Statutory Maternity Pay	1,713	2,460	2,548	2,443	2,258	2,400	2,435
Section AC: Other Benefits	327	344	326	360	419	142	123
Section AD: Other Expenditure	(29)	(4)	(34)	(142)	11	(6)	(6)
Section AE: Other Expenditure ENDPBs (Net)	1	(5)	1	(4)	(2)	-	-
Section AF: Incapacity Benefit	6,109	5,562	4,939	3,276	1,187	154	4
Section AG: Jobseekers Allowance	1,089	788	735	662	527	487	471
Section AH: Employment and Support Allowance	582	963	1,414	2,305	3,539	4,350	4,623
Section AI: Maternity Allowance	345	343	366	395	400	400	424
Section AJ: State Pension	66,969	69,884	74,219	79,858	83,137	86,560	90,029
Section AK: Bereavement	649	614	594	593	582	574	563

benefits							
Section AL: Expenditure incurred by the Social Fund	3,186	3,681	2,328	2,390	2,106	2,274	2,248
Section AM: Other Contributory Benefits	-	-	-	-	-	-	-
Section AN: Consolidated Fund Extra Receipts	-	-	-	-	-	-	-
Total Resource AME	**141,668**	**146,259**	**154,363**	**160,686**	**163,232**	**167,592**	**171,790**
Of which:							
Purchase of goods and services	-	-	-	1	-	-	-
Income from sales of goods and services	-	-	(1)	-	-	-	-
Current grants to local government (net)	19,622	21,034	22,409	23,489	23,862	24,121	24,819
Current grants to persons and non-profit bodies (net)	121,405	125,430	130,002	136,307	138,130	142,273	145,738
Depreciation 2	(120)	439	(75)	2	5	66	68
Take up of provisions	(28)	(1,422)	1,250	204	442	446	503
Release of provision	(75)	(78)	(98)	(162)	(156)	(171)	(211)
Other resource	863	857	877	845	948	858	872
Total Resource Budget	**150,709**	**155,392**	**161,966**	**168,126**	**170,680**	**175,319**	**178,111**
Of which:							
Depreciation 2	102	602	126	251	188	203	208
Capital DEL 4							
Section A: Operational Delivery	51	66	37	6	-	3	3
Section B: Child Maintenance Group	-	-	-	12	15	6	6
Child Maintenance and Enforcement Commission (Net)	20	8	12	8	-	-	-
Section C: Health and Safety Executive (Net)	6	6	5	7	5	6	5

Section F: Executive Non-Departmental Public Bodies (Net)	2	-	-	1	3	2	-
Section G: Employment Programmes	-	-	3	-	6	-	-
Section I: Other Programmes	7	81	52	68	60	85	94
Section J: Departmental operating costs	186	161	171	273	97	30	84
Expenditure incurred by the Social Fund	48	45	47	44	47	44	45
Unallocated provision	-	-	-	-	-	110	-
Total Capital DEL	**320**	**368**	**327**	**419**	**233**	**286**	**236**
Of which:							
Capital support for local government (net)	-	-	-	-	-	-	-
Capital grants to persons & non-profit bodies (net)	19	10	1	-	-	-	-
Capital grants to private sector companies (net)	-	-	-	-	-	-	-
Capital grants abroad (net)	-	-	-	-	-	-	-
Capital support for public corporations	7	2	1	-	-	-	-
Purchase of assets	254	233	229	308	126	47	99
Income from sales of assets	(3)	-	(2)	(3)	(6)	-	(2)
Net lending to the private sector and abroad	48	45	46	45	53	44	45
Other capital	(5)	79	51	68	60	85	94
Unallocated funds - capital	-	-	-	-	-	110	-
Capital AME [4]							
Section O: Universal Credit	-	-	-	-	1	-	-
Section P: Jobseeker's Allowance	-	-	-	-	1	-	-
Section AL: Expenditure incurred by the Social Fund	123	132	(12)	(17)	(136)	-	-

Total Capital AME	**123**	**132**	**(12)**	**(17)**	**(134)**	**-**	**-**
Of which:							
Net lending to the private sector and abroad	123	132	(12)	(17)	(134)	-	-
Total Capital Budget	**443**	**500**	**315**	**402**	**99**	**286**	**236**
Total departmental spending 5	**151,050**	**155,290**	**162,155**	**168,277**	**170,591**	**175,402**	**178,139**
Of which:							
Total DEL	9,139	9,338	7,728	7,610	7,498	7,876	6,418
Total AME	141,911	145,952	154,426	160,667	163,093	167,526	171,722

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.
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 Personal Independence Payment, plus on-going recession related work programme activities.
10. AME limits are set as part of the Budget and Autumn Statement process.
11. Table 1 is produced automatically from the HM Treasury OSCAR system, which is used by all central government departments to record their spending and plans. At 31 March 2014, OSCAR reflects the position agreed at Budget 2014 which will not match the outturn in previous years' financial statements and some spending may also appear on different lines.
12. The 2012-13 outturn shown in the Statement of Parliamentary Supply is against the 2012-13 Supply Estimate and has not been revised to take account of changes in accountability for Council Tax Benefit, and responsibility for some of the Social Fund payments, moving from

the Department to the Local Authorities in 2013-14. This table has been revised to reflect the changes and are designed to enable trends and comparisons to be seen over time.

13. Totals may not sum due to rounding.

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

	£ Millions			
	2013-14 Original Plans	**2013-14 Adjusted Plans**	**2013-14 Final Plans**	**2013-14 Outturn**
Resource DEL	**7,757**	**7,757**	**7,401**	**7,448**
Operational Delivery	2,123	2,123	2,708	2,404
Child Maintenance Group	503	503	467	463
Health and Safety Executive	157	157	157	155
Financial Assistance Scheme	93	93	154	153
European Social Fund	6	6	-3	-3
Executive Non-Departmental Public Bodies (Net)	374	374	359	354
Employment Programmes	736	736	1,041	1,037
Housing Benefit and Council Tax Benefit Administration	619	619	469	644
Other Programmes	32	32	34	114
Departmental operating costs	1,284	1,284	1,403	1,478
Unallocated provision	1,218	1,218	-	-
Expenditure Incurred by the Social Fund	-	-	-	37
National Insurance Fund	611	611	611	611
Resource AME	**163,738**	**163,738**	**164,589**	**163,232**
Severe Disablement Allowance	856	856	877	860
Industrial Injuries Disablement Benefit	904	904	907	901
Universal Credit	72	72	10	6
Jobseekers Allowance	4,602	4,602	3,986	3,812
Employment and Support Allowance	6,543	6,543	6,805	6,898
Income Support	3,280	3,280	3,709	3,583
Pension Credit and Minimum Income Guarantee	7,208	7,208	7,150	7,042
Financial Assistance Scheme	450	450	626	284
TV Licences for the over 75s	604	604	610	606
Attendance Allowance	5,591	5,591	5,428	5,360
Personal Independence Payments	183	183	144	165
Disability Living Allowance	13,793	13,793	13,768	13,763
Carers Allowance	2,076	2,076	2,085	2,088
Housing Benefit	17,659	17,659	17,951	17,883
Rent Rebates	5,647	5,647	5,814	5,817
Statutory Sick Pay and Statutory Maternity Pay	2,442	2,442	2,213	2,258
Other Benefits	415	415	475	419
Other Expenditure	-6	-6	1	11
Other Expenditure ENDPBs (net)	-	-	-	-2
Incapacity Benefit	932	932	1,199	1,187
Jobseeker's Allowance	656	656	541	527
Employment and Support Allowance	3,047	3,047	3,487	3,539

Maternity Allowance	402	402	403	400
State Pension	83,427	83,427	83,204	83,137
Bereavement benefits	575	575	586	582
Expenditure incurred by the Social Fund	2,379	2,379	2,611	2,106
Total	**171,495**	**171,495**	**171,990**	**170,680**
Of which:				
Voted expenditure	79,465	79,465	79,348	78,554
Non-voted expenditure	92,029	92,029	92,642	92,126
Capital DEL	**372**	**372**	**199**	**233**
Operational Delivery	9	9	1	-
Child Maintenance Group	-	-	11	15
Health and Safety Executive	8	8	8	5
Executive Non-Departmental Public Bodies (Net)	1	1	4	3
Employment Programmes	-	-	6	6
Other Programmes	68	68	66	60
Departmental operating costs	38	38	103	97
Unallocated provision	249	249	-	-
Expenditure Incurred by the Social Fund	-	-	-	47
Capital AME	**46**	**46**	**-29**	**-134**
Universal Credit	-	-	-	1
Jobseeker's Allowance	-	-	2	1
Expenditure incurred by the Social Fund	46	46	(32)	(136)
Total Spending in AME	**46**	**46**	**(29)**	**(134)**
Total	**418**	**418**	**170**	**99**
Of which:				
Voted expenditure	372	372	199	233
Non-voted expenditure	46	46	(29)	(134)

Table 2 Notes

1. Explanations of notable variances are included in the Strategic Report section of the Annual Report and Account.
2. Totals may not sum due to roundings.
3. The 2012-13 outturn shown in the Statement of Parliamentary Supply is against the 2012-13 Supply Estimate and has not been revised to take account of changes in accountability for Council Tax Benefit, and responsibility for some of the Social Fund payments, moving from the Department to the local authorities in 2013-14. This table has been revised to reflect the changes and are designed to enable trends and comparisons to be seen over time.
4. Table 1 is produced automatically from the HM Treasury OSCAR system, which is used by all central government departments to record their spending and plans. At 31 March 2014, OSCAR reflects the position agreed at Budget 2014 which will not match the outturn in previous years' financial statements and some spending may also appear on different lines.

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

	£ Millions [5]						
	2009-10 Outturn	**2010-11 Outturn**	**2011-12 Outturn**	**2012-13 Outturn**	**2013-14 Outturn**	**2014-15 Plans**	**2015-16 Plans**
Assets and liabilities on the statement of financial position at end of year:							
Assets							
Non-current Assets	**3,612**	**3,760**	**3,937**	**2,972**	**2,926**	**2,806**	**2,598**
Intangible 2	448	506	538	666	606	585	506
Tangible	**1,955**	**2,044**	**1,977**	**727**	**608**	**508**	**380**
Of which:							
Land and buildings 3	1,821	1,939	1,896	653	548	444	341
Leasehold improvements	-	-	-	2	5	4	2
Plant and Machinery	2	20	16	11	7	4	3
Furniture & Fittings	10	-	-	-	-	-	-
Transport & Equipment	-	-	-	-	-	-	-
Information Technology 3	122	85	62	56	46	54	32
Payments on Account & Assets under construction	-	-	3	4	2	2	2
Financial Assets	49	126	177	253	312	312	312
Trade and Other Receivables	1,160	1,084	1,244	1,326	1,400	1,400	1,400
Current Assets	**2,680**	**2,813**	**2,602**	**2,983**	**2,392**	**2,392**	**2,392**
Liabilities							
Payables (<1 year)	(4,905)	(5,276)	(4,598)	(4,293)	(4,198)	(4,187)	(4,190)
Payables (>1 year)	(1,113)	(985)	(851)	(709)	(593)	(481)	(365)

Provisions 4	(4,312)	(2,774)	(3,919)	(3,959)	(4,248)	(4,747)	(4,934)
Pension Liabilities	-	-	-	-	-	-	-
Capital Employed within Core Department	**(4,038)**	**(2,462)**	**(2,829)**	**(3,006)**	**(3,721)**	**(4,216)**	**(4,498)**
Arm's Length Bodies Net Assets 1	**(65)**	**(48)**	**(39)**	**(11)**	**(6)**	**(6)**	**(6)**
Total Capital Employed in Departmental Group	**(4,104)**	**(2,510)**	**(2,868)**	**(3,018)**	**(3,727)**	**(4,422)**	**(4,504)**

Table 3 Notes

1. In this table, the previous years have been restated, moving the capital employed for Health and Safety Executive to Arm's Length Bodies net assets. This is consistent with the Core Department in the 2012-13 Statement of Financial Position.
2. International Financial Reporting Standards (IFRS) requires 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 Statement of Financial Position contracts for IT and accommodation moving onto the Department's Statement of Financial Position as assets owned under finance leases. This is a classification change and the opening position at 1 April 2009 has been restated. This makes the figures consistent with the Consolidated Statement of Financial Position in this publication.
4. Provisions are primarily in respect of the Financial Assistance Scheme and reflect the latest forecasts of the likely assistance payments.
5. Totals may not sum due to rounding.

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

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	2015-16 Plans
Resource DEL							
Section A: Operational Delivery	1,396	1,269	176	161	151	122	90
Section B: Child Maintenance Group	-	-	-	88	93	68	37
Child Maintenance and Enforcement Commission (Net)	448	391	121	44	-	-	-
Section C: Health and Safety Executive (Net)	153	132	111	105	107	94	94
Section E: Executive Non-Departmental Public Bodies (Net)	-	-	15	16	18	20	12
Section I: Departmental operating costs	3,010	2,726	910	765	722	905	760
Section K: National Insurance Fund	1,056	1,093	-	-	-	-	-
Total administration budget	**6,063**	**5,610**	**1,333**	**1,180**	**1,091**	**1,209**	**993**
Of which							
Staff costs	3,506	3,436	652	524	479	554	224
Purchase of goods and services	1,434	1,123	440	299	423	577	701
Income from sales of goods and services	(230)	(246)	(100)	(27)	(92)	(59)	(72)
Current grants to local government (net)	-	-	-	-	-	-	-

Rentals	1,124	1,126	121	138	62	-	-
Depreciation	220	162	212	232	199	137	139
Other resource	9	8	9	14	19	-	-

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 change.
2. National Insurance Fund (NIF) administration relates to the administration costs of processing NIF benefits, directly related to volumes of activity (see Note 8 Table 1). From 2011-12, activities funded from the NIF are now re-classified to DEL Programme.
3. The 2012-13 outturn shown in the Statement of Parliamentary Supply is against the 2012-13 Supply Estimate and has not been revised to take account of changes in accountability for Council Tax Benefit, and responsibility for some of the Social Fund payments moving from the Department to local authorities in 2013-14. This table has been revised to reflect the changes and are designed to enable trends and comparisons to be seen over time.
4. Totals may not sum due to rounding.

For Core Table 5 Staff Numbers see Annex 3

Table 6: Total Department for Work and Pensions identifiable expenditure on services by country and region, 2008-09 to 2012-13

	£ Millions				
	National Statistics				
	2008-09 Outturn	**2009-10 Outturn**	**2010-11 Outturn**	**2011-12 Outturn**	**2012-13 Outturn**
North East	5,859	6,305	6,495	6,557	6,861
North West	15,239	16,360	16,803	17,053	17,813
Yorkshire and the Humber	10,378	11,274	11,641	11,787	12,309
East Midlands	8,668	9,414	9,756	10,001	10,460
West Midlands	11,357	12,319	12,684	12,814	13,288
East	10,530	11,447	11,891	12,220	12,831
London	12,246	13,264	13,720	13,788	14,242
South East	14,623	15,959	16,632	17,111	17,992
South West	10,292	11,173	11,583	11,931	12,520
Total England	**99,191**	**107,514**	**111,206**	**113,261**	**118,317**
Scotland	11,204	12,041	12,404	12,597	13,115
Wales	7,107	7,614	7,794	7,937	8,239
Northern Ireland	-	-	-	-	-
UK identifiable expenditure	**117,502**	**127,170**	**131,404**	**133,796**	**139,672**
Outside UK	2,821	2,952	3,116	3,290	3,505
Total identifiable expenditure	**120,322**	**130,121**	**134,520**	**137,086**	**143,177**
Non-identifiable expenditure	-	-	1	17	10
Total expenditure on services	**120,322**	**130,121**	**134,521**	**137,103**	**143,187**

Table 7 – Department for Work and Pensions identifiable expenditure on services, by country and region, per head 2008-09 to 2012-13

	£ per head				
	National Statistics				
	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn
North East	2,280	2,448	2,511	2,526	2,636
North West	2,190	2,342	2,394	2,417	2,514
Yorkshire and the Humber	1,996	2,158	2,215	2,229	2,315
East Midlands	1,952	2,105	2,165	2,204	2,290
West Midlands	2,066	2,229	2,279	2,285	2,355
East	1,845	1,990	2,048	2,085	2,172
London	1,568	1,670	1,702	1,681	1,714
South East	1,735	1,880	1,939	1,978	2,062
South West	1,977	2,138	2,202	2,251	2,345
England	1,914	2,060	2,112	2,133	2,212
Scotland	2,168	2,318	2,375	2,377	2,468
Wales	2,349	2,505	2,556	2,591	2,680
Northern Ireland	-	-	-	-	-
UK identifiable expenditure	**1,902**	**2,044**	**2,095**	**2,114**	**2,192**

Table 8 – Department for Work and Pensions identifiable expenditure on services by function, country and region, for 2012-13

	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	Outside UK	Not Identifiable	Totals
General public services																
Executive and legislative organs, financial and fiscal, external affairs	-	1	1	1	1	1	1	1	1	8	-	-	-	-	10	18
Total general public services	-	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**8**	-	-	-	-	**10**	**18**
Economic affairs																
General economic, commercial and labour affairs	141	304	249	166	250	177	341	219	139	1,986	215	122	-	-	-	2,323
R&D economic affairs	1	2	2	2	2	3	4	4	2	22	2	1	-	1	-	27
Economic affairs n.e.c.	1	5	1	1	1	2	2	3	2	18	1	-	-	-	-	19
Total economic affairs	**142**	**311**	**253**	**169**	**253**	**181**	**348**	**226**	**143**	**2,026**	**218**	**123**	-	**2**	**-**	**2,369**
Social protection																
Sickness and disability	1,836	4,877	2,948	2,423	3,121	2,552	3,489	3,509	2,618	27,373	3,546	2,387	-	72	-	33,378
Old age	3,883	10,175	7,407	6,656	8,146	8,769	7,782	12,509	8,595	73,922	7,683	4,729	-	3,357	-	89,690

Survivors	29	76	54	45	58	56	56	84	51	509	63	34	-	18	-	624
Family and children	318	921	504	377	545	434	1,048	607	419	5,172	589	355	-	5	-	6,121
Unemployment	328	695	581	377	580	397	793	483	304	4,538	487	278	-	1	-	5,303
Social exclusion n.e.c.	124	288	213	164	230	170	263	218	147	1,818	191	133	-	1	-	2,143
Social protection n.e.c	199	470	348	249	353	272	463	354	242	2,951	340	201	-	49	-	3,541
Total social protection	**6,718**	**17,501**	**12,056**	**10,291**	**13,034**	**12,649**	**13,893**	**17,765**	**12,376**	**116,283**	**12,898**	**8,116**	**-**	**3,503**	**-**	**140,800**
TOTAL DEPARTMENT FOR WORK AND PENSIONS	**6,861**	**17,813**	**12,309**	**10,460**	**13,288**	**12,831**	**14,242**	**17,992**	**12,520**	**118,317**	**13,115**	**8,239**	**0**	**3,505**	**10**	**143,187**

Tables 6, 7 and 8 Notes

1. **Tables 6, 7 and 8** show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in the November 2013 release. The figures were largely taken from the Online System for Central Accounting and Reporting (OSCAR) during the summer of 2013 and the regional distributions were completed by the following autumn (taking on board any revisions to departmental totals). Therefore the tables may not show the latest position and may not be consistent with other tables in the Departmental Report. Please note that 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 Public Expenditure Statistical Analyses 2013.

4. The data feature both identifiable and non-identifiable spending:

    a. Identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions.
    b. Expenditure that is incurred for the benefit of the UK as a whole and cannot be disseminated by individual country or region is considered to be non-identifiable.

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 November 2013 release. These are not the same as the strategic priorities shown elsewhere in the report.

Contact details

Details of how to contact the Department can be found on the following website:

https://www.gov.uk/government/organisations/department-for-work-pensions

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