Department
for Work &
Pensions

Annual Report and Accounts
2015-16

HC 331

Department for Work and Pensions

Annual Report and Accounts 2015-16

for the year ended 31 March 2016

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Any enquiries regarding this publication should be sent to us at
Finance Director General's Office
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Performance Report

Secretary of State's foreword

In my first months as Secretary of State, it is clear to me that this is a department of big numbers and statistics, something borne out in this Annual Report and Accounts. No other Whitehall department spends as much money; no other department connects with as many people to support them at so many different and important moments in their lives. Fundamentally, this is an organisation that should be in the business of people; of individuals and families.

I see that regularly for myself. Whether it's sitting with Jobcentre Plus work coaches who provide personal support to people to move into and stay in work, or speaking to colleagues committed to ensuring families receive the right benefit and pension payments on time, or seeing the transformative power of our Universal Credit reforms first-hand, I am impressed with the enthusiasm and commitment of the thousands of colleagues who work across this Department, in every part of the UK. The care and dedication with which they deliver services and provide support to the public is truly inspiring.

I believe the record of the past year is a strong one and I am ambitious to build on that in the year ahead. We have continued to reform our welfare system so everyone has the opportunity to lead a full and fulfilling life in work, rather than being parked for a lifetime on benefits. We have done this whilst also protecting the most vulnerable people in our society, and through our reforms to pensions, bringing greater security for the future, helping people to plan and control their finances in retirement.

Universal Credit is now available in every jobcentre in the country to new Jobseeker's Allowance claimants who are single, and some families, depending on where they live, and we have begun making Universal Credit available to all new claimants. But Universal Credit isn't just about project management. It's about transforming lives. We have seen evidence that Universal Credit is working. People already on Universal Credit are spending 50% more time looking for work, are 8 percentage points more likely to have been employed in the first 9 months of their claim and, on average, are earning more too.

As a result of transformative reforms like Universal Credit, and our growing economy, this last year has seen record-breaking levels of employment. Over 460,000 people moved into work, we have more women in work than ever before, large increases in youth employment, and large decreases in long-term unemployment. In total, over 2.5 million more people are in work than in 2010.

This is a remarkable record of achievement and progress – bringing greater security for working people and greater security for people when they retire. But the challenge we now face is to ensure everyone in our country has the opportunity to share in that success, to share in the rewards that come from being in work, to share in the rewards of playing a fully active role in society.

I want to make sure these opportunities are available in all communities, in all parts of the country, on every street and in every household, across all sections of society no matter what your background, but especially for the poorest. I'm ambitious to improve the life chances of the most disadvantaged people in our society and DWP is leading the development and implementation of a cross-government Life Chances strategy to do just that.

Ensuring everyone has the opportunity to share in the success of our economy and jobs market is also why I am ambitious to improve the life chances for disabled people and people with health conditions. There are 365,000 more disabled people in work today than two years ago. But the fact is, this increase simply hasn't kept pace with rises in employment in the labour market as a whole. We have an ambition to halve the disability employment gap, which stands at 33 percentage points. But this is not just a gap of percentage points, it's a gap in the life chances of disabled people. That is why I am committed to seeing the gap narrow.

This year, through our Green Paper, we are listening to and talking with, those who know best about what kind of support works; that's disabled people themselves. This is a long-term mission, but over the coming year, I am determined to work more effectively across the health and welfare sectors, with GPs, with employers, and of course, with disabled people and people with ill-health themselves.

By working better together, I believe we can build a strategy that will have a meaningful long-term impact on better supporting people into work, on preventing sick people from falling out-of-work and on closing the disability employment gap.

Our reforms over the last year and this Annual Report represent more security and support for working people, more security for the most vulnerable people in our society, and more security for people later in life.

The focus for me, in the year ahead, will be on delivery. That means continuing the careful and successful delivery of Universal Credit, as well as continuing to improve the quality of the services DWP provides to the public. It also means looking at ways we can work more collaboratively across and beyond government to deliver programmes that ensure everyone is able to realise their full potential and share in the success of our country.

The Right Honourable Stephen Crabb MP
Secretary of State for Work and Pensions

Permanent Secretary's foreword

Every day, across the country, we change lives for the better by helping people to improve their futures through work and savings, or through the support we offer.

In the last year alone, we've seen the number of people in employment reach a record high of 31.6 million and the number of people claiming out-of-work benefits fall to a record low.

Achieving outcomes like this reflects the continued hard work of our people and their passion and commitment for delivering high standards of customer service. Together, we've made great progress in implementing welfare reforms that are transforming lives.

Now is the time to celebrate how far we've travelled in the last year and to be proud of our achievements:

- We've now rolled out Universal Credit for single unemployed claimants to every jobcentre across the country, and in May 2016, we began to roll out the Universal Credit service in a safe and secure way to all new claimants. In March 2016 there were over 225,000 people claiming Universal Credit and we're now taking around 12,000 new claims each week.
- We successfully launched the new State Pension in April 2016, giving more people a firm state foundation on which to plan their retirement income. And we're giving more people the chance to save for their retirement by supporting small employers to meet their legal obligation to provide a workplace pension. There are now 15.1 million people saving into a workplace pension.
- Our support for young people continued and by November 2015, we had given 288,960 young people a work experience placement and 111,520 a sector-based work academy place. We've also begun providing support in schools to get young people thinking about their futures before they leave school – this early intervention is critical to our strategy to eradicate youth unemployment.
- We're helping disabled people live independently through our Personal Independence Payment (PIP). From October 2015, as planned, we began reassessing around 1.7 million Disability Living Allowance claims for entitlement to PIP. We're working with our claimants, their representative organisations and our health assessment providers to provide the best possible service to our claimants as they go through this process.
- Our Child Maintenance Service began closing down old Child Support Agency cases to give all parents the opportunity to agree family-based maintenance arrangements and take responsibility for the welfare of their children. We've already closed over 295,000 cases and another 40,300 children are benefitting from a new arrangement.
- This year we're leading the development of a cross-government Life Chances strategy to extend opportunity to the most disadvantaged people.

Keeping welfare spending under control continues to be a key priority for our department. We're taking steps to introduce a range of measures announced at Budget 2015 that will help us to bring welfare spending within the welfare cap.

As well as making a difference to the lives of many UK citizens, our welfare reforms are enabling us to simplify our rules and processes and become more efficient.

- We're now processing benefits more quickly and accurately with 90% of key out-of-work benefits processed within planned timescales. The number of complaints about our service is falling: down 6,547 from a year earlier. And customer and claimant satisfaction with our service is increasing: up 2 percentage points to 84% from last year.
- We're embracing digital services to develop new and easier ways for our claimants and customers to engage with us. We will see more digital services coming on line during this Parliament, including Access to Work and Personal Independence Payment services.
- To support these new ways of working we're building a smaller, engaged and more skilled workforce that always aims to deliver outstanding customer service. Since March 2012 our core staffing has decreased by almost 14,000 and our staff engagement score has increased by 8 percentage points to 56%.

New ways of working are also enabling us to reduce our annual running costs: down by £2.6 billion since 2009-10 with a cumulative year-on-year cash saving of £8.8 billion. We've kept a keen focus on fraud and error, identifying and tackling the root causes, with the gross value of fraud and error overpayments now at 1.8%, the lowest rate recorded and, for the fifth year in a row, we've recovered over £1.3 billion of debt.

Looking forward

We've made significant progress this year, but there is still more to do. We published our Single Departmental Plan in February 2016 which sets out our objectives and plans for this Parliament and this Annual Report sets out the progress we've already made.

Delivering change on this scale is not easy. Major organisational change, addressing new risks such as cyber security and working in different ways, as we also deliver new welfare services, all bring their challenges.

I remain immensely proud of the work this department does. Our people, policies and processes all play a crucial part in delivering an outstanding service and making this department truly exceptional. We know there are major challenges ahead, but I'm confident that we will tackle them robustly and our work will continue to make a lasting difference to the lives of many people across the UK.

Sir Robert Devereux KCB
Permanent Secretary

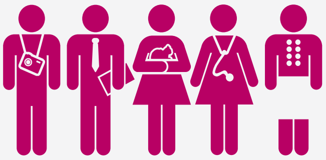
Our 2015-16 performance at a glance

We're changing lives

Achieved a record

31.6m

people in work – including **23m** full-time



6.1m

people automatically enrolled in a pension scheme sponsored by their employer

Universal Credit

now in **every Jobcentre** for single new JSA claimants and some families

87%

of parents using the Child Maintenance Service are paying maintenance for their children

Helped

1.8m

people move off Jobseeker's Allowance

Children living in workless households:

12%

for 2015 – down from **16.2%** in 2010

Youth unemployment at near record low

5.7%

State Pension

New State Pension launched - a firm state foundation on which to plan

Over

days volunteered to good causes by DWP staff

We’re transforming our service and reducing our costs

Recovered over

£1.3bn

of debt

Fraud and error at:

1.8%

- lowest recorded rate

6,547

fewer complaints than a year earlier

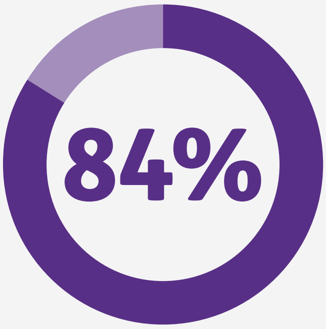
down from 54,005 to 47,458

Increased our staff engagement to

56%

Up by **12** percentage points since 2011

Achieved



customer satisfaction with our service

Reduced running costs by

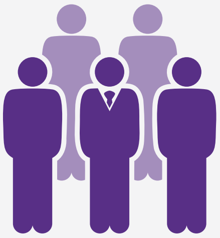
£2.6bn

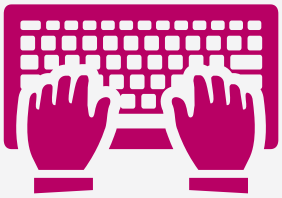
since 2009-10

Core staffing down by almost

14,000

since 2012





Processed

90%

of key out-of-work benefits within specified timescales

Reduced downtime by

42%

through an **80%** improvement in our IT

Our performance overview

Our department at a glance

Our purpose

The Department for Work and Pensions is the UK's biggest public service department. We develop policy and deliver essential services on work, welfare, pensions and child maintenance. We're creating a welfare system that supports those who are unable to work but which expects those who can work to do so. We're also leading the development of a cross-government Life Chances Strategy to improve the life chances of disadvantaged children and adults.

Our objectives (encompassing 📖 manifesto commitments)

During this Parliament we will:

- run an effective welfare system that enables people to achieve financial independence by providing assistance and guidance into employment
- increase saving for, and security in, later life
- create a fair and affordable welfare system which improves the life chances of children and adults
- deliver outstanding services to our customers and claimants
- transform the way we deliver our services to reduce costs and increase efficiency

Our services

We provide our services in a number of ways:

- **Jobcentre Plus** helps people achieve financial independence by providing assistance and guidance into employment. It helps employers to advertise and fill their vacancies. It also deals with working age benefits including Universal Credit, Jobseeker's Allowance and Employment and Support Allowance plus carer and disability benefits including Personal Independence Payment, Carer's Allowance and Disability Living Allowance.
- **The Pension Service** helps people save for security in later life. It provides pensions and benefits for pensioners including the State Pension, Pension Credit and Winter Fuel Payments.
- **The Child Maintenance Service** contributes towards improving the life chances of children. It calculates and collects child maintenance payments from parents who can't make their own financial arrangements. Child Maintenance Options gives information and support to separated parents to help them make informed choices about child maintenance.

Our structure

We are overseen by our Secretary of State for Work and Pensions and managed by our Permanent Secretary. As at 31 March 2016 we had over 74,000 whole-time equivalent staff working in the core department and our 11 arm's length bodies.

Executive summary

This section sets out a summary of our progress towards achieving the strategic objectives set out in our Single Departmental Plan. More detailed information can be found in the Performance Analysis section.

Running an effective welfare system that enables people to achieve financial independence by providing assistance and guidance into employment

Universal Credit is a dynamic and fundamental change to work and welfare that is already transforming lives for the better. It is welfare reform in action: changing the dynamics in the system, making things simpler and ensuring work pays. Universal Credit not only supports claimants to find work but also encourages them to go on to work more and earn more. We've introduced several important policy changes that better support parents with their childcare costs and simplify work allowances, the amount claimants can earn before their Universal Credit is gradually reduced, to make them easier for claimants to understand.

Universal Credit for single unemployed claimants, and some families, is now available in every jobcentre. We began testing the Universal Credit service in south London in November 2014 and launched our national rollout for all types of claimants from 25 May 2016. We're doing this in a safe and secure way, area by area, and when the full service is in place, people will no longer be able to make a new claim to the old-style benefits that Universal Credit is replacing[1]. We expect to complete the full Universal Credit rollout during 2020-21.

For the first time, we're also supporting Universal Credit claimants in work to help them increase their earnings and move towards financial independence. We've been trialling the best ways to do this. In December 2015 we began expanding our In-Work Progression trial to ensure we gain the widest possible understanding across the broadest range of eligible claimants. We will continue recruiting into the trial until we reach our target sample of 15,000 participants, which is currently expected to be around early autumn 2016, after which time the trial will run for a period of 12 months. Evaluation will follow in 2018.

While rolling out Universal Credit, our jobcentre work coaches are helping thousands of claimants to prepare for, secure and stay in employment. Since March 2016 every work coach now supports the same claimants even if their benefits change. This supports our 2020 vision to put every citizen at the heart of the services we provide. We're continuing to use the claimant commitment to agree tailored route-ways towards work with each of our claimants.

A recent Work and Pensions Select Committee report praised Universal Credit policy. It said '*Universal Credit will break the cycle of people getting stuck in low pay, low prospect employment. Nothing like this has been tried anywhere else in the world. This is a very different kind of welfare*'.

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[1] Universal Credit is replacing Jobseeker's Allowance (income-based), Employment and Support Allowance (income-based), Income Support, Housing Benefit, Working Tax Credit and Child Tax Credit. The contributory parts of Jobseeker's Allowance and Employment and Support Allowance will remain available to claimants who are entitled to those benefits and wish to claim them.

Employers advertise their vacancies on Universal Jobmatch, our online job matching service, where our claimants are required to carry out frequent personalised job search activity to find work.

Our Work Programme is our most successful programme for helping claimants with the greatest barriers to move closer to the labour market. However, with the claimant count at its lowest since 1975 and long-term unemployment falling, we are reducing spending on employment programmes and focusing on claimants who have been unemployed for over 2 years. We're also increasing spending on helping disabled people and those with long-term health conditions to stay in or re-join the labour market. In 2017 we will replace the Work Programme with the Work and Health Programme which will increase our focus on the synergies between work and health.

Our joint Work and Health Unit with the Department of Health is working to improve employment and health outcomes for people with disabilities and health conditions. The Unit is developing our evidence base by scaling up existing successful pilots and trialling new approaches. We're using this learning to develop future policy options.

In 2015-16 we supported even more disabled people to find work and remain in work through Work Choice and Access to Work. From 2017 the Work and Health Programme will also replace Work Choice.

Working with employers is a critical part of our strategy to increase confidence in employing disabled people. During 2015-16 our 'Disability Confident' campaign has focused on engaging small to medium-sized employers to help them become 'Disability Confident'.

We finished rolling out our Fit for Work service in September 2015 and are continuing to promote the service to employers and GPs to increase the number of referrals so more employees can be helped to return to work.

Since 2012 we've given extra support to young people. This includes work experience placements and sector-based work academy places. We will introduce a Youth Obligation in Universal Credit from 2017 which will include intensive support for those 18 to 21 year olds who we expect to look for work from when they first claim.

We've launched a radical new scheme to provide expert employment support to young people in schools. Our work coaches are helping young people aged 12 to 18 to think about their future career aspirations and make plans to realise them before they fall into benefits. This initiative began in Birmingham in January 2016, and we aim to have it in all districts in England by March 2017.

In our jobcentres and with our external suppliers we've started testing new ways to engage with and support people from ethnic minorities. We're engaging with exemplar employers to identify what works best in promoting and achieving a diverse workforce.

We're also working with employers to focus on retaining, recruiting and retraining older people.

For further information see pages 25 to 37.

Increasing saving for, and security in, later life

This year we've continued to make progress on our ambitious agenda to simplify and reform state pensions while offering better choices and incentives to people to save. We're also working with employers, stakeholders and individuals to ensure they are aware of phased retirement options and the benefits of later life working. We're monitoring our progress by measuring the percentage of pensioners on a low income and the number of employees in a pension scheme sponsored by their employer.

In January 2016 we began taking new State Pension claims, with the first payments being issued from April 2016. The new State Pension will make retirement income planning easier as people will know what they can expect from the state. Our national media campaign continues to inform people about the new State Pension and new State Pension statements are available to everyone. We also launched an online service in February 2016 called 'Check your State Pension'. People of working-age can use this service to see a forecast of their new State Pension, and view their National Insurance record in one place.

From June 2015 we began supporting small and micro employers to automatically enrol their eligible employees into a workplace pension, having already successfully supported large and medium-sized employers. As small employers have different needs, we've simplified the automatic enrolment process to make it easier for them to comply. By the end of March 2016 over 6.1 million eligible employees had been automatically enrolled into a workplace pension.

In autumn 2015 our department and The Pensions Regulator launched the new joint automatic enrolment advertising campaign, featuring 'Workie', to raise awareness and encourage small and micro employers to take action by visiting the dedicated website and starting the automatic enrolment process.

We take the threat posed by scams to people's pension savings very seriously and are an active member of Project Bloom: a multi-department, multi-agency group of officials which helps co-ordinate action to tackle scams, monitors trends and shares intelligence on emerging threats. Project Bloom partners have taken a range of actions, from tightening up rules in respect of pension scheme registration for tax purposes to police raids. In addition, our Pension Wise service alerts individuals to the risk of scams.

More generally we're working to increase consumer awareness of pensions. As part of this we're working with HM Treasury as they consult on a new financial guidance structure and with the Financial Conduct Authority on how financial advice should operate in the future. Our aim is to make it easier for everyone to access impartial guidance and get the financial advice they need. We're also working with the pension industry to understand how the new pension freedoms are working in practice.

Responsibility for the delivery of the Pension Wise service transferred to our department from HM Treasury on 1 April 2016. The service will continue to provide guidance to people aged 50 and over on accessing their pension savings. We're continuing to deliver the service through our external partners, The Pensions Advisory Service and Citizens Advice Bureau.

Pension wise

For further information see pages 37 to 42.

Creating a fair and affordable welfare system which improves the life chances of children and adults

Managing welfare spend

In the Budget 2015 we announced reforms to create a further £12 billion of welfare savings by 2020. The Welfare Reform and Work Bill completed Parliamentary scrutiny and achieved Royal Assent on 16 March 2016. The Welfare Reform and Work Act 2016 provides the law for us to introduce these reforms which will help us keep welfare spending under control.

We continued to lead on tightening European Economic Area (EEA) migrants' access to benefits to ensure that the UK welfare system only supports those who have come to the UK to contribute to our economy. Specifically, we have put legislation in place which means we do not have to pay Universal Credit to EU nationals who come to the UK as jobseekers. This builds on our Genuine Prospect of Work Test which we use to determine whether EU jobseekers have a genuine prospect of finding work if they have not found work after 6 months. And we're working with the Home Office to remove those migrants who do not have a genuine prospect of finding work.

We worked across government to support the welfare aspects of the Prime Minister's renegotiation to provide for an emergency brake[2] to allow the UK to restrict full access to in-work benefits to newly arrived EU nationals for up to 4 years. However, as set out in the text agreed at the February European Council, the brake will now no longer apply given the outcome of the vote in the Referendum to leave the EU.

For further information see pages 42 to 47.

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[2] A mechanism to allow any EU member country to limit access to in-work benefits for new EU migrants.

Helping disabled people to live independently

Our Personal Independence Payment (PIP) supports independent living. From July 2015 we began a controlled start rollout to reassess around 1.7 million working-age Disability Living Allowance (DLA) claimants, with long-term or indefinite awards, for eligibility for PIP. At the end of the summer we launched 'Supporting your independence', a campaign to advise DLA claimants that their claims will end by September 2017 and tell them what to do next. We continue to work with key organisations to raise awareness among those people affected.

From October 2015, as planned, we began the full national rollout of reassessment. We're introducing this final stage gradually to ensure we have sufficient resource at every stage to give our claimants the best possible service. We expect the reassessment process to complete in 2018-19.

In November 2015 we published our second response to the independent review of PIP that was published in December 2014. The government has committed to a further independent review of PIP which will report to Parliament by April 2017.

For further information see page 47.

Improving the life chances of children and adults

The family provides a vital foundation for a child's development and success, so we're doing more to help families in difficult times. We're monitoring our progress by measuring the percentage of children living in workless households.

We're leading a cross-government Life Chances strategy to improve children's life chances. This is a new approach to tracking the life chances of disadvantaged children. We've legislated for new measures that will focus on the levels of work in a family and improvements in educational attainment. We will explain these in the strategy and report against them each year. We will publish the strategy later in July 2016 and report against it for the first time before March 2017. The strategy will set out a comprehensive plan to fight disadvantage and extend opportunity.

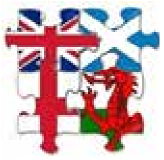
In September 2015 we launched a pilot project with 12 local authorities to provide relationship and family support. This could include training local authority staff to recognise the signs of relationship distress and parenting programmes to include a focus on the couple's relationship and its importance to children.

As part of the government's welfare reforms we're closing down all the child maintenance cases in the Child Support Agency's 1993 and 2003 schemes that will not close naturally by December 2017. This will give all parents the opportunity to consider whether they can agree maintenance arrangements between themselves. If they cannot, then our Child Maintenance Service is there to help.

For further information see page 48.

Devolution

Devolution is changing the way we do our business and its influence has increased during 2015 and 2016. In December we launched our Departmental Engagement and Capability Plan on devolution to ensure we work effectively with devolved administrations to deliver the highest quality outcomes for our claimants and customers.



We're making plans to devolve a range of welfare powers to the Scottish Parliament. Ensuring a smooth transition of these powers will be challenging but we've already undertaken extensive joint activity with the Scottish Government and continue to do so.

Welfare and employment in Wales remains with the UK Parliament and we're supporting Northern Ireland officials to put a set of regulations in place to ensure Northern Ireland again enjoys the same level of social security provision as the rest of the UK.

We're also negotiating devolution city deals on an individual basis between local areas and central government. So far we've agreed 10 deals relating to our department, with more being considered.

For further information see pages 48 to 49.

Delivering outstanding services to customers and claimants

We aim to deliver our services professionally and with pride as we help people at some of the most difficult times in their lives. We're making better use of digital technology to provide new and easier ways for our claimants to interact with us, with services backed by more efficient, secure and stable IT. And we will see more new services coming online throughout this Parliament.

Across our operations we're putting more effort into processing benefits quickly and accurately. We continue to set ourselves challenging internal targets for processing benefits and we're monitoring our progress annually through our new aggregate benefit processing measure. In 2015-16 we processed 90% of the key out-of-work benefits within agreed timescales.

We're sharing good practice to ensure a more consistent approach across our sites doing similar work. And we're also reviewing our internal guidance for staff and our external communications to claimants to improve clarity and understanding.

To support our new ways of working, we're creating a more engaged and skilled workforce which better understands its customers and claimants and always aims to deliver outstanding service. Our staff engagement[3] score has increased for the fourth consecutive year to 56% – that's up 10 percentage points since 2010. And more of our people told us what they thought this year, with an additional 6,500 staff completing the survey.

Knowing what our claimants think about our service is critical to helping us understand where we need to improve. We're monitoring how well we're doing by measuring customer and claimant satisfaction of DWP service. But it's not just about statistics. Unhappy people are likely to phone us more often or not do the things we need them to do and this creates additional work and costs for us. We want to do things right every time for every claimant.

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[3] Staff engagement is the relationship between an organisation and its employees. An "engaged employee" is one who is fully absorbed by and enthusiastic about their work and so takes positive action to further the organisation's reputation and interests.

Our customer charter

The core principles in our customer charter are based on what our claimants and customers tell us is important to them. These are:

- **Right treatment** – we will listen to and treat people fairly and with respect
- **Getting it right** – we will give people confidence in our decisions and explain the next steps if someone is unhappy with a decision
- **Keeping you informed** – we will deal with people as quickly as we can and explain what to expect
- **Easy access** – we will make sure people can contact us in a way that is simple and easy to understand

Overall, 84% of claimants and customers who contacted us in 2015-16 said they were satisfied with the service they received. But, we want to do even better. So we've maintained a sharp focus on our claimants, aiming to do things once and right. As a result, complaints are falling – down 6,547 from 54,005 in 2014-15.

For further information see pages 49 to 61.

Transforming the way we deliver our service to reduce costs and increase efficiency

Since 2009-10 we've reduced our annual running costs by around £2.6 billion and we remain committed to reducing our costs even further by transforming our services, training our staff and increasing our efficiency.

Reduced running costs by

£2.6bn

since 2009-10

We're moving towards a smaller, more flexible and skilled workforce. We're continuing to invest in our capability in key areas such as digital and commercial. And we're building a pipeline of stronger leaders through our flagship 'Changing Futures' leadership development programme. As our workforce becomes more skilled and our services transform, our overall staffing numbers will continue to decline steadily which will reduce our administration costs further.

We reviewed our Employee Deal to ensure it meets the future needs of our business. Looking ahead to 2019-20 we expect claimant demand to extend further into the evening and weekend, especially as we roll out Universal Credit and in-work conditionality. Most of the improvements we've made to our service so far have been built on our philosophy of once and right but we're now improving access to our services. Some parts of our business already offer extended opening hours, such as our child maintenance and debt operations, and we're aiming to move to a similar service across other areas of our business.

Through the digital agenda we're transforming the way we deliver our services. We're continuing to build our full Universal Credit service where claimants can manage their business with us online. We're also building other digital solutions, including ones to transform how we deliver Personal Independence Payment and Access to Work.

We're also looking at services that support the way we work. For example, we are building our Universal Credit service centres in a way that can be replicated across other parts of our business. This will make it easier, quicker and cheaper to build other services and our staff will be able to use a common platform wherever they work.

We've reviewed some of our largest IT contracts and replaced them with smaller more flexible contracts. This saved £78.1 million (cash savings) on technology contracts alone in 2015-16. And we regularly review our estates requirements to make savings whenever possible.

Our focus on reducing fraud and error has been relentless during 2015-16. We've agreed a future joint target with HM Revenue and Customs for net loss due to fraud and error to be no more than 1.6% of total welfare spending by 2017-18. This challenging target consists of fraud and error in tax credits, the monetary value of fraud and error of DWP benefits less the value of DWP benefits overpayments recovered. The 1.6% total welfare target represents a 20% reduction on the net outturn for both departments; based on an estimated 2% in 2013-14. The target will be reviewed in 2018 when Universal Credit has had time to bed in[4].

Within our department, the net percentage of benefit overpayments in 2015-16 (after DWP recoveries have been offset) is 1.2% of overall DWP expenditure, the gross level of overpayments is 1.8%, the lowest on record.

For further information see pages 61 to 66.

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[4] The 2013-14 figure is a departmental estimate which includes the 2013-14 figures for fraud and error in tax credits and the monetary value of fraud and error of DWP benefits, less the value of DWP benefits overpayments recovered. It is unaudited.

Our performance analysis

During the last Parliament we began delivering welfare reforms that reward work and support vulnerable people. This is welfare support that people use when they need it, not welfare support that is a way of life. This Parliament we are continuing that work while transforming the way we deliver services to claimants and customers.

In February 2016 we published our Single Departmental Plan which sets out our objectives for this Parliament. They are:

- run an effective welfare system that enables people to achieve financial independence by providing assistance and guidance into employment
- increase saving for, and security in, later life
- create a fair and affordable welfare system which improves the life chances of children and adults
- deliver outstanding services to our customers and claimants
- transform the way we deliver our services to reduce costs and increase efficiency

Our objectives encompass the manifesto commitments 📖 made by this government. This section provides a detailed summary about the progress we have made against our Single Departmental Plan as measured through our headline indicators. More detailed information about each of our headline indicators can be found in our technical annexes on www.gov.uk.

We're also committed to making sustainable development standard in everything we do.

Economic		We aim to achieve high and sustainable levels of employment to support economic growth
Social		We aim to recognise the needs of everyone and support those with complex barriers to turn their lives around for the better
Environmental		We aim to make prudent use of natural resources to help protect the environment

Our budget

In 2015-16 our total resource departmental expenditure limit (DEL) budget was £6.5 billion and our total resource annually managed expenditure (AME) budget was £174.9 billion. More detail on our actual spend can be found on page 114.

1. Strategic objective: Running an effective welfare system that enables people to achieve financial independence by providing assistance and guidance into employment

Work is good for our wellbeing and remains the best route out of poverty. A decent job and regular pay packet is the best way to provide security for families and give them hope for the future. That's why we're helping people to secure sustainable jobs and increase their earnings in work until they can become financially independent. We're also creating a welfare system that supports people to work and ensures that work always pays.

We know that some people need more help to prepare for and find work than others. With the proportion of working-age people on benefits claiming Employment and Support Allowance rising, we need to do more. So we're bringing together the work and health agendas to provide a joined-up service to help more claimants prepare for and find work if they are able to.

We're working to prevent young people from falling on to benefits by reaching into schools. We're aiming to eradicate youth unemployment by tackling it head on to ensure every young person is earning or learning.

Working with employers is also a critical part of our strategy towards full employment. We're aiming to increase confidence in employing disabled people, people from ethnic minorities and older people by engaging directly with employers and sharing best practice.

What we said we would do and how we're measuring our progress

In our Single Departmental Plan we've set out our ambition to achieve full employment, reduce the disability employment gap and abolish youth unemployment.

We will do this by:

- helping claimants to transform their life chances by providing them with support to become sustainably employed and, when in work, to increase their earnings
- helping claimants with a disability or health condition to prepare for, find and secure employment
- helping young people to find work
- helping the number of people from black and minority ethnic (BME) backgrounds to prepare for, find and secure employment while working with employers to create more diverse workforces
- supporting increased labour supply and retirement incomes by working with employers to ensure older people do not leave the labour market unnecessarily

We're measuring how well we're doing through the following 4 headline indicators:

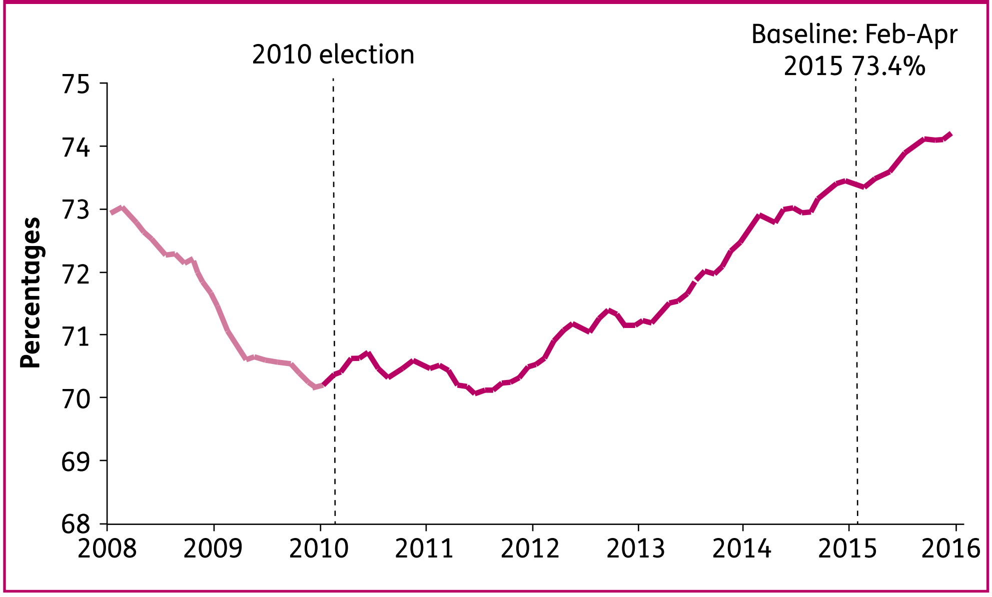
- overall UK employment rate
- UK employment rate for disabled people
- percentage of young people not in full-time education in employment
- number of people on key out-of-work benefits

How well are we doing?

Indicator 1: the overall UK employment rate

The overall UK employment rate reached a new record high of 74.2% between January and March 2016, up 0.8 percentage points from February to April 2015 (our baseline period for this Parliament) and up 4 percentage points since 2010.

UK employment rate (%), 2008 to present



This indicator is measured using data from the Labour Market statistics published by the Office for National Statistics. It is a three month rolling average of the 16-64 year olds employment rate for the UK and is seasonally adjusted. Therefore comparisons can be made between any non-overlapping quarters. An increase would denote an improvement in this indicator.

Underpinning these statistics is improvement across many areas. Statistics published in May 2016 show there are:

31.6 million people in employment – that's 2.5 million more than in 2010

23.1 million people in full-time work – that's 1.9 million more than in 2010

Over 9.6 million older people (50 and over) in work – that's 204,000 more than a year earlier

14.7 million women in work – that's 1.1 million more than in 2010

4.7 million self-employed people – that's over 720,000 more than in 2010

467,000 people unemployed for more than a year – that's 320,000 fewer than in 2010

8.5 million people in part-time work – up 635,000 from 2010 with only 14.3% of them wanting a full-time job

670,000 more workers from black and ethnic minority backgrounds employed than in 2010

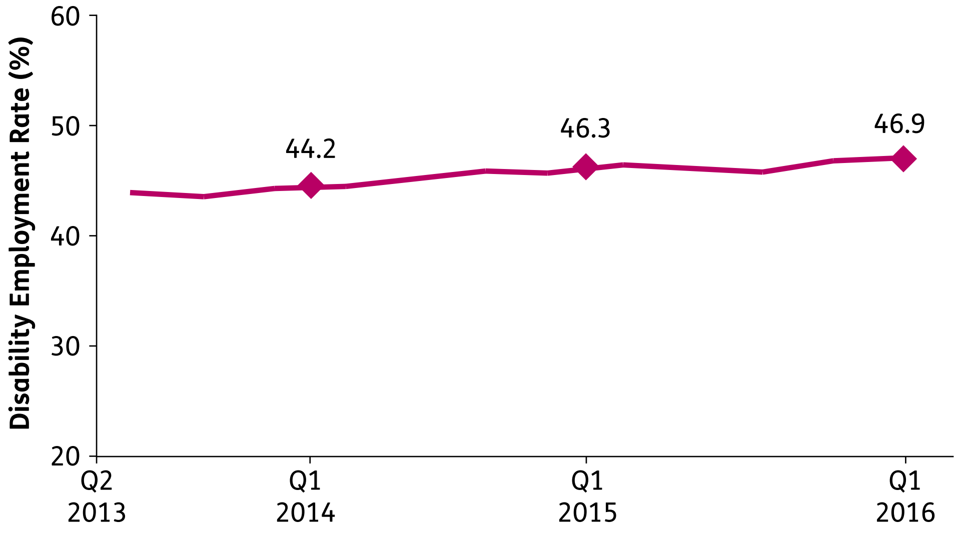
Only two G7 countries with an employment rate higher than the UK's Source: OECD Q4 2015

Indicator 2: the UK employment rate of disabled people

The employment rate for disabled people between January and March 2016 was 46.9%, up 2.6 percentage points over the last two years, from 44.2% in the same quarter in 2014. Please note the figures do not sum due to rounding.

Over this period the number of disabled people in employment has increased by around 365,000 to a total of 3.3 million.

UK disabled employment rate (%), Q2 2013 to Q1 2016



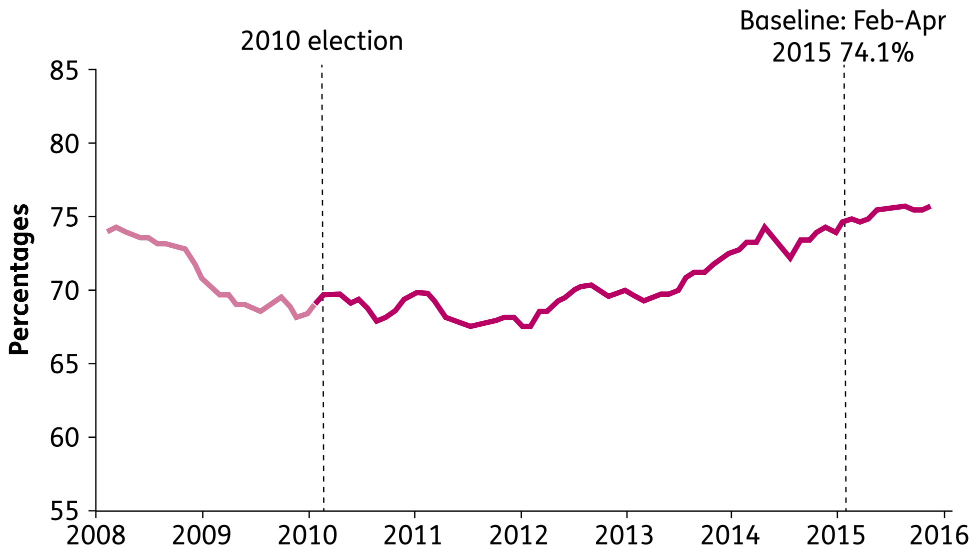
This indicator is measured using data from the Labour Force Survey published each quarter by the Office for National Statistics. The data is not seasonally adjusted so only year-on-year comparisons between quarters should be made. The definition of who is classed as disabled within the Labour Force Survey changed in 2013 and this has led to a step change in the levels of reported disability and has effectively set a new baseline for this indicator. This means the current rate cannot be directly compared to data earlier than Q2 2013. An increase in the employment rate would be an improvement for this indicator.

Indicator 3: the percentage of young people not in full-time education in employment

Altogether 75.8% of young people not in full-time education were in employment between January and March 2016 compared to 74.1% in February to April 2015 (our baseline for this Parliament), and 69% in February to April 2010.

The proportion of the 18 to 24 year old population who are not in full-time education and are unemployed is 6.6%.

Percentage of young people (18-24) not in full-time education who are in employment (%)

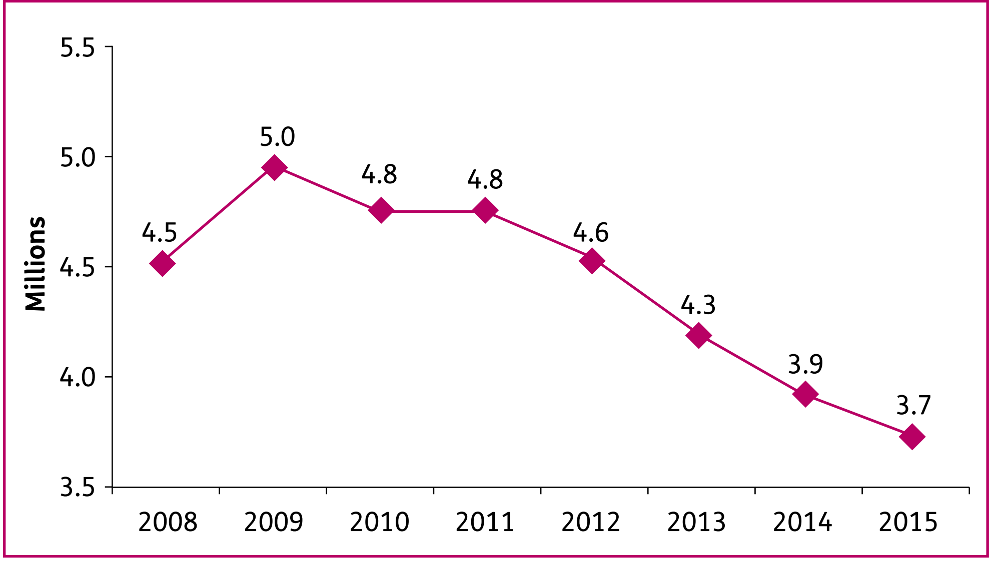


This indicator measures the proportion of people aged 18 to 24 years not in full-time education who are in employment. It uses data from the Labour Force Survey published monthly by the Office for National Statistics. Data is seasonally adjusted, so quarter-on-quarter comparisons can be made. An increase would be an improvement for this indicator.

Indicator 4: the number of people on key out-of-work benefits

The latest data shows that in November 2015 there were 3.71 million people in receipt of key out-of-work benefits compared to 4.78 million in November 2010.

Number of people on key out-of-work benefits (millions). November figures



This indicator measures the non-seasonally adjusted number of people aged 16 to State Pension age claiming, Jobseeker's Allowance (JSA), Universal Credit and not in employment, Employment and Support Allowance, Incapacity Benefit, Severe Disablement Allowance, Income Support (as a lone parent or in the 'other' category), Pension Credit (under State Pension age). Data is published quarterly. Data is measured using 100% administrative data (JSA published by the Office for National Statistics, other benefits (except Universal Credit) from the Work and Pensions Longitudinal Study). Universal Credit figures are from DWP Experimental Statistics. A decrease would denote an improvement in this indicator.

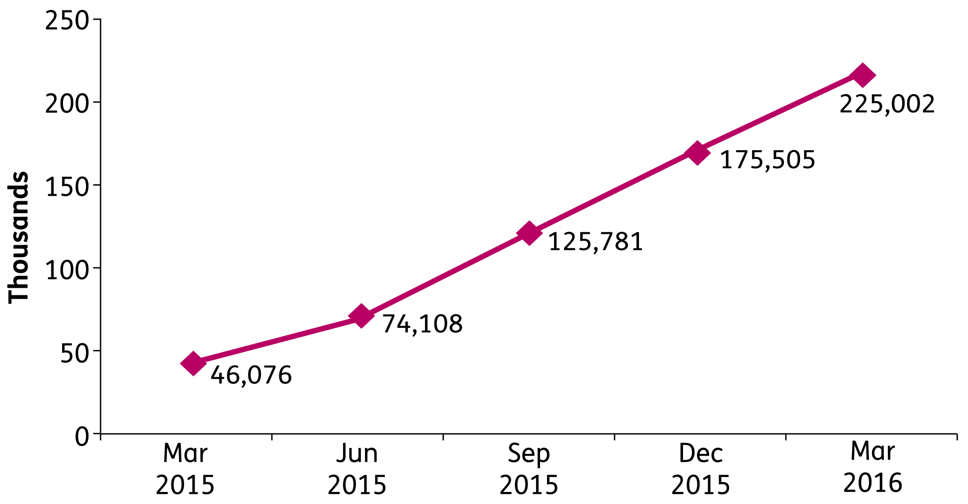
What we're doing to achieve progress

We're tracking a number of key outputs to help us achieve progress in our headline indicators and strategic objectives. These will help us monitor the progress we are making and identify challenges more quickly. This section sets out what we are doing and the key outputs we are tracking.

We're continuing to roll out Universal Credit and working towards extending job search conditionality to a further 1.3 million claimants by 2020-21

Universal Credit for single unemployed claimants, and some families, is now available in all of our jobcentres across the country. During 2015-16 the Universal Credit caseload continued to grow. In March 2016 it stood at 225,002 with 39% of claimants in employment and 61% not in employment. In total we have received over 453,000 Universal Credit claims since April 2013.

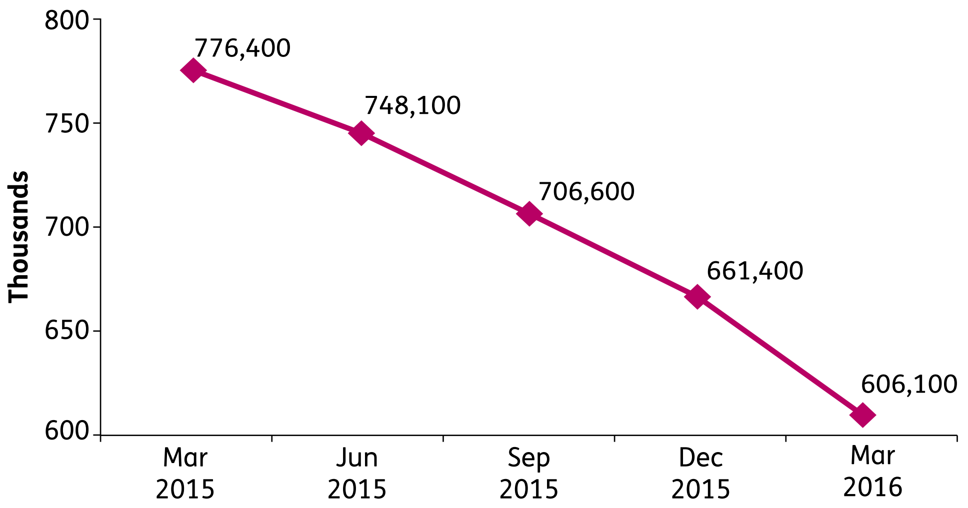
Universal Credit caseload in 2015-16



Source: DWP UC monthly experimental offical stats.
Note: this is the number of claimants with a 'live' Universal Credit claim at the stated time.

During 2015-16 the Jobseeker's Allowance caseload continued to decline as more single unemployed people claimed Universal Credit and the UK economy continued to grow.

Jobseeker's Allowance caseload



Source: Office for National Statistics JSA caseload (seasonally adjusted).

In December 2015 we published our latest evaluation of Universal Credit. It shows Universal Credit continues to deliver better financial and work outcomes for our claimants by improving their chances of getting a job. It also shows Universal Credit claimants were:

- 8 percentage points more likely to have been employed at some point in the first 9 months of their claim – 71% for Universal Credit compared to 63% for Jobseeker's Allowance
- on average, working 12 days more in the first 9 months of their claim than Jobseeker's Allowance claimants
- earning more, on average, than Jobseeker's Allowance claimants

As well as supporting employers to grow their businesses through more flexible workforces, Universal Credit also incentivises claimants to increase the hours they work. Our evaluation of Universal Credit claimants working less than 30 hours per week shows:

- 86% were trying to work more hours – compared to 38% on Jobseeker's Allowance
- 77% were trying to earn more – compared to 51% on Jobseeker's Allowance

Childcare costs are one of the biggest barriers faced by working parents. Since 11 April 2016, we've made it easier for working parents on Universal Credit as they can now claim back up to 85% of their childcare costs, up from 70% previously.

We're continuing to develop a more personalised and improved service within Universal Credit that supports every claimant, regardless of their circumstances, to be able to work if they are able to do so. This approach will begin to make work a more realistic option for those claimants who face the greatest barriers to employment, as they will not have to keep reapplying for benefit if things don't work out, their earnings may be topped up by Universal Credit and they will not be trapped into a life on benefit.

Universal Credit is making a difference to the lives of our claimants.

- It's opening up work for thousands of people across the country
- Claimants on a low income have their wages topped up by Universal Credit
- Temporary and part-time vacancies are becoming a good place to start entering or re-entering the labour market
- Universal Credit doesn't stop if a claimant works more than 16 hours in any week
- Claimants in work on Universal Credit still get support from their work coach to progress their career and earn more

We're providing a range of employment support through our jobcentres and our Work Programme including helping people to become self-employed

The Work Programme has been our most successful initiative in helping claimants into work compared to our previous initiatives. It is delivered through our external partners and we monitor their performance regularly. Over the last 12 months minimum performance standards have been exceeded for each contract. The proportion of participants finding sustained employment by the 12 month stage is now more than twice that of the earliest joiners. Latest published data to December 2015 shows:

Around 1.81 million people have joined the Work Programme and of these, 503,000 spent at least 6 months in work (or 3 months for harder to help claimants)

Around 1.48 million people have completed their time on the programme and almost 25% of them were still in work at the 2 year point

The number of people joining the Work Programme each month has been decreasing since May 2013. This was expected as we initially transferred claimants from previous programmes and soon after improved the policy to include earlier access for some claimant groups. In addition, individuals can only be referred to the programme once.

Since February 2015, between 7,000 and 11,000 claimants join the Work Programme each month. These later intakes contain a higher proportion of people expected to need more support. Almost 25% of the intake in December 2015 included claimants on Employment and Support Allowance, compared to less than 5% at the start of the programme.

Claimants remain on the Work Programme for up to 2 years. Around 65% of Work Programme participants did not find sustained work after 2 years and returned to Jobcentre Plus.

Our nationwide network of jobcentre work coaches are also helping people prepare for and find work every working day, with every work coach now supporting their claimants throughout their employment journey regardless of which benefit they are on.

Our New Enterprise Allowance has helped over 80,000 claimants set up their own business since April 2011 by providing advice and financial support. Of these:

- 37% were set up by women
- 24% by people aged over 50
- 20% by people with a disability

In January 2016 a survey of 1,500 New Enterprise Allowance participants showed:

- 80% were still trading
- 90% of these had been going for more than 12 months
- 50% reported an increase in their client base and turnover with many having plans to grow their company in the future

Universal Jobmatch is part of the government's plan to provide online access to our services. It allows employers to post vacancies and jobseekers to look for work. The percentage of jobseekers accessing the site via a mobile device has steadily increased and currently around 27% of visits are from mobiles. In March 2016 we launched a new mobile-optimised version of the site to improve our service to mobile users. Within the first month following the launch, we had around 3.6 million visits to the site.

We're providing specialist employment support for claimants with a disability or health condition and for claimants who have been unemployed for over 2 years

Increasing employment levels among people with disabilities and health conditions is a key part of the government's ambition to reduce the disability employment gap and increase the overall employment rate.

Despite the number of disabled people in work increasing by around 365,000 over the past 2 years, the disability employment gap has not significantly changed. There are currently 4.8 million people who have a long-term health condition out-of-work. Without effective and timely support to address their health and work needs, many of these disabled people and people with health conditions will end up further from the labour market, so we're targeting support towards these individuals.

As long-term unemployment is falling, we can refocus our provision to better support claimants with a disability or health condition along with claimants who have been unemployed for over 2 years. We're working with our stakeholders and claimant representative groups to develop our policies that will underpin a new Work and Health Programme to replace our Work Programme and Work Choice from 2017. In the meantime we will continue to provide support through our jobcentre work coaches, our Work Programme, Work Choice and the new Specialist Employability Support programme which targets those furthest from the labour market.

There are close links between work and good health so we've set up a Work and Health Unit, with the Department for Health, to improve employment and health outcomes for individuals with a disability or health condition. The unit will do this by:

- creating a more integrated and supportive individual journey through the work and health systems
- encouraging work to be seen as a health outcome
- creating cultural change so everyone recognises the importance of work and health
- influencing employers to support health in the workplace

The Work and Health Unit has already allocated funding for DWP initiatives to address mental health issues: £43 million for mental health trials, £55 million to increase the number of employment advisors in IAPT[5] services and £20 million for a mental health and employment social impact bond[6]. The DWP initiatives include:

- telephone and group support trials for claimants with mental health issues
- specific mental health training for jobcentre work coaches

During 2015-16 Work Choice and Access to Work continued to provide financial support to disabled people to help them find, secure and stay in work.

Since Work Choice began in October 2010, there have been 42,000 successful outcomes for Work Choice claimants, with 8,000 of these being achieved during 2015-16. The job outcome rate as a percentage of starts for 2015-16 is not yet available as those people who started the programme in 2015-16 have not yet had enough time to complete it. Work Choice will continue to support claimants with a disability or health-condition until 2017 when it will be replaced by the Work and Health Programme.

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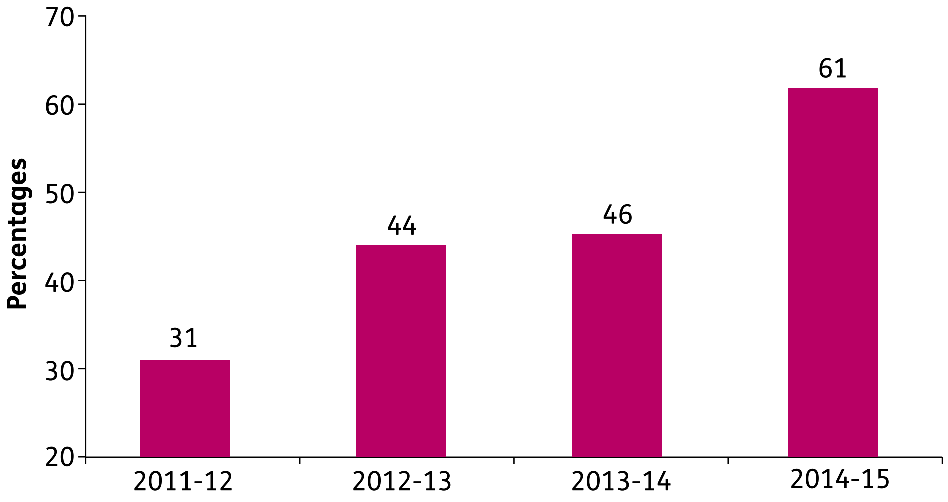
[5] Improving Access to Psychological Therapies (IAPT).

[6] A contract with the public sector in which a commitment is made to pay for improved social outcomes that result in public sector savings.

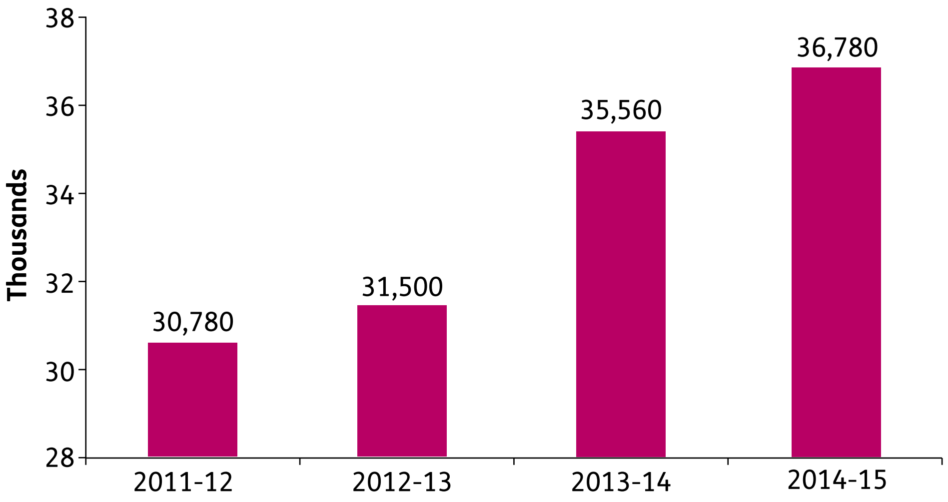
Work Choice - job outcome rates as % of starts



Source: DWP official statistics May 2016 table 6a.

Access to Work provides practical and financial support to people whose health or disability affects their ability to do their job. The Spending Review announced a real terms increase in resources for Access to Work. Therefore, we're planning to introduce a digital application process and marketing campaign this summer to promote Access to Work more widely.

Access to Work - number of individuals helped



Source: DWP official statistics April 2016.

Note: Between 1 April 2015 and 31 December 2015, Access to Work had helped 32,150 people. The figures for 2015-16 will be available in July 2016.

We're supporting employers to gain confidence in recruiting and retaining disabled people and to help their employees who are off sick to return to work

Working with employers is a critical part of our strategy to increase confidence in employing disabled people. Our 'Disability Confident' campaign, now in its third year, has 124 employer partners and has won awards for its use of innovative and low-cost communications. This year the campaign has focused on engaging small and medium-sized employers. We're encouraging these employers to register an interest in the campaign so they can get help in taking steps forward to become a 'Disability Confident' employer. Over 500 employers of all sizes have registered with the campaign so far, with currently around 100 joining each month.

With our partners, we've developed a new 'Disability Confident' self-assessment and accreditation scheme which we expect to launch later in 2016. This will give employers the tools and techniques they need to recruit, retain and develop disabled staff. 'Disability Confident' activity has been supported by a number of events, frequently led by a local MP, designed to match local employers and their vacancies against local disabled people with skills and enthusiasm to work.

Fit for Work provides work-related health advice and supporting occupational health assessments to help individuals stay in or return to work.

The national rollout of the Fit for Work service was completed in September 2015 and is now providing advice for employees, GPs and employers to help employees with health conditions to return to work and remain in employment. The service is run by HML (Health Management Ltd) in England and Wales and by NHS Scotland. We're continuing to evaluate the service.

We're working towards abolishing youth unemployment by ensuring every young person is earning or learning

We want to give every young person the right opportunities to succeed. We're almost halfway through our programme of welfare reform, and nearly 86% of 16 to 24 year olds are now in full-time study or work. And all 16 to 24 year olds who have left full-time education and are unemployed now make up 5.7% of the youth population, close to the lowest rate on record. But there is still more to do.

During 2015-16 we've continued to provide additional support for young people aged 16 to 24 years. This may include extra work coach support, referrals to the Careers Service, sector-based work academy places and work experience placements. Between April 2012 and November 2015 we provided 288,960 young people with a work experience placement and 111,520 young people with a sector-based work academy opportunity.

We know that most young people claim benefit for a short while: over 70% of new claims to Jobseeker's Allowance by people aged 18 to 24 years end within 3 months and nearly 90% end within 6 months. We also know that, too often, young people end up cycling in and out of benefits from an early age, so we want to find better ways to enable young people to move in to and stay in work.

Early intervention is critical. So, we're beginning to provide support in schools to get young people thinking about their careers earlier on in their lives. We want young people to understand the options open to them on leaving school and we're aiming to inspire them to pursue the opportunities and routes into employment they represent. This support began in Birmingham in January 2016, is now in 30 schools across 10 areas and will be across England by March 2017.

We're on track to introduce the Youth Obligation for young people on Universal Credit from 2017. Young people will be expected to complete a curriculum designed to make them effective full-time jobseekers and, after 6 months, to apply for an appropriate opportunity to help them secure and get on in work.

We're supporting the Prime Minister's ambition to increase the number of people in work from black and ethnic minority backgrounds by 20% by 2020

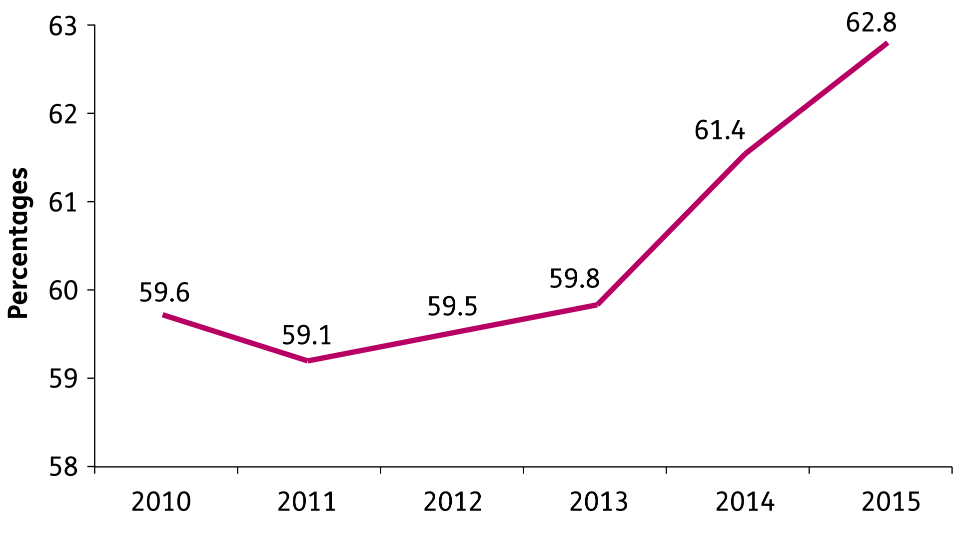
Increasing the number of people in work from black and ethnic minority (BME) backgrounds is critical to achieving full employment and helping people to transform their lives. So we're leading a cross-government initiative to increase BME employment by 20% by 2020. Our research has shown that the BME population can need additional support to overcome a range of barriers to employment and that many of these will need to be tackled in different ways. Barriers include discrimination, language issues and cultural expectations.

We're working with employers to learn from those who most successfully recruit from BME groups. We're also working with our jobcentres which have been most successful at getting people from BME backgrounds into work to gain a better understanding of the practices they have in place. Our aim is to use this learning to encourage sectors where BME groups are under-represented to take up this good practice to create more diverse workforces.

Statistics released in April 2016 show the highest number of people from ethnic minority backgrounds in work since records began in 2001. There are now 670,000 more BME workers in employment than in 2010 – that's an increase of around 24%. The employment rate gap – the difference between the employment rate of the ethnic minority population and the overall population – has remained broadly flat since 2010.

The employment rate of BME people increased from 59.6% in 2010 to 62.8% in 2015. This gives us a strong platform on which to build to increase BME employment and apprenticeship take-up by 20% by 2020.

Employment rate of black and minority ethnic people



Source: DWP labour market stats by ethnic group (annual data to 2015 calendar year).

We're supporting increased labour supply and retirement incomes through employer-led initiatives to minimise the number of older people leaving the labour market early

There are now more than 9.6 million workers who are over 50 years old in employment – an increase of just over 206,000 from a year earlier. The employment rate of people aged 50 to 64 is now the highest rate on record at 70% – up 5 percentage points over the last 5 years. The employment rate of people aged 65 and over is 10.4% – up 1.6 percentage points over the last 5 years.

But early exit from the labour market is still a big problem and there are around 3.3 million people aged 50 to 64 years who are currently inactive. Population projections also show us that between 2014 and 2024 there will be 3.2 million more people aged 50 years to State Pension age (an increase of 29.5%) and 200,000 fewer people aged 16 to 49 years.

Over half of men and women have already stopped working by the year before they reach State Pension age

One in 6 men and 1 in 4 women who had recently reached State Pension age hadn't worked since at least age 55 years

Through our Fuller Working Lives strategy we've identified the main reasons why older people leave the labour market early and the possible consequences of doing so. Reasons for leaving early include caring responsibilities and redundancy. That's why we're working with employers to ensure older people have the opportunity to continue working or work more flexibly. There are benefits to individuals, the economy, employers and society if older people remain in the labour market for longer.

By retiring at 65 instead of 55 an average earner could have over £200,000 extra income and increase their pension pot by 60%

We spend around £7 billion each year on out-of-work benefits for claimants aged 50 years to State Pension age

2. Strategic objective: Increasing saving for, and security in, later life

As more people live longer and many do not save enough for their retirement, the existing pension system has become unsustainable. We're aiming to encourage a culture in the UK where people save for and plan their retirement and do not rely solely on the state for income in retirement. We also want people to choose when they stop working or to have the opportunity to work more flexibly as they get older so they can continue to build up their retirement income if they wish to do so.

Through the new State Pension, automatic enrolment and pensions flexibilities, we're making it easier for people to plan their retirement to ensure they have sufficient income in retirement for their chosen lifestyle. The new State Pension makes it easier for people to understand what they can expect from the state when they retire. Automatic enrolment and pension flexibilities ensure that saving for retirement always pays.

What we said we would do and how we're measuring our progress

In our Single Departmental Plan we set out our ambition to increase the number of people saving for their retirement and to make retirement planning simpler.

We will do this by:

- providing greater security, choice and dignity for people in retirement, while also ensuring the system is sustainable for the future
- helping people save for a private pension and giving them the freedom to access their pension savings in the best way for them

We're measuring how well we're doing through the following headline indicators:

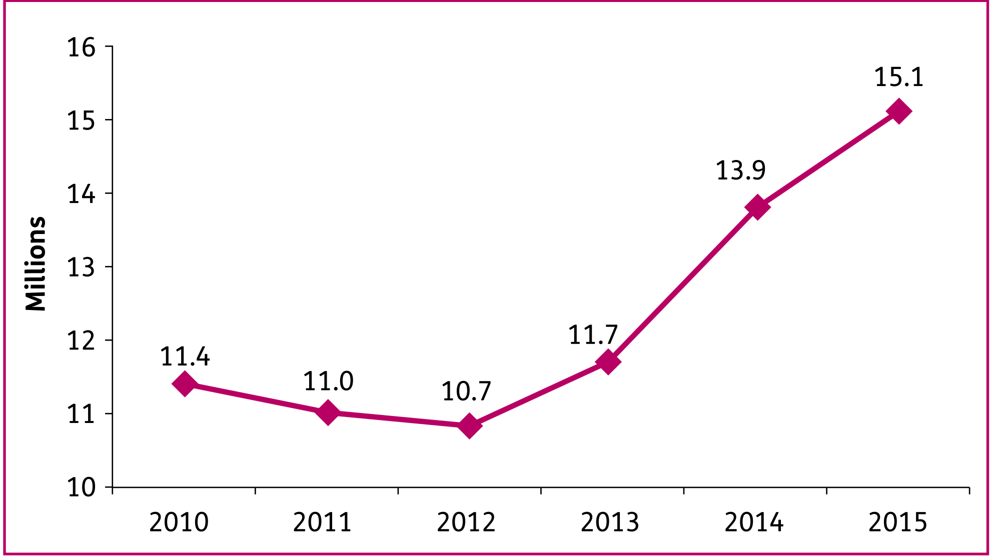
- number of eligible employees in a pension scheme sponsored by their employer
- percentage of pensioners with a low income

How well are we doing?

Indicator 5: the number of eligible employees in a pension scheme sponsored by their employer

The number of eligible employees in a pension scheme sponsored by their employer in 2015 was 15.1 million. This represents a 4.4 million increase from 10.7 million in 2012.

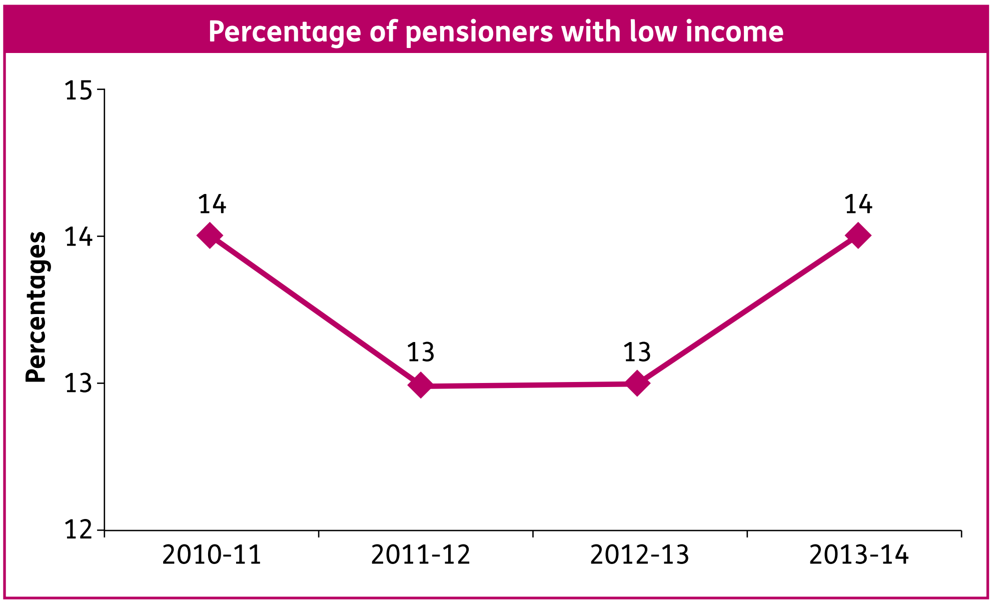
Pension scheme membership



This indicator measures the number of employees (excludes self-employed people) saving into a pension scheme sponsored by their employer who are at least 22 years old, under State Pension age, and earning above the earnings threshold (£10,000 2015-16) for automatic enrolment. Data is published annually in the DWP official statistic 'Workplace pension participation and trends'. An increase would denote an improvement in this indicator.

Indicator 6: the percentage of pensioners with a low income

The level of pensioners with a low income is at a near historical low and has remained stable in recent years.



This indicator measures the percentage of pensioners living in low income households ‘after housing costs’. Household income is equivalised to take account of the size and composition of households in which people live. The poverty estimate is then derived by counting how many pensioners fall below 60% of the median equivalised income value. Data is published annually in the ‘Households Below Average Income series, table 6.1tr’. A reduction in this indicator would denote improvement.

What we’re doing to achieve progress

We’re giving people greater understanding and confidence by introducing the new State Pension

We’re making retirement planning simpler by providing a firm state foundation, so we’ve introduced the new State Pension to replace the existing State Pension for people reaching State Pension age from 6 April 2016. It consists of a single rate that is easier for people to understand. As announced in the Spending Review 2015, the full weekly rate of the new State Pension for 2016-17 is £155.65 (compared to £119.30 for the existing basic State Pension) but the amount each claimant will get depends on their National Insurance record. We’re helping people to find out more about the new State Pension through our ‘Know your facts’ campaign and our ‘YouTube’ channel ‘Pension Tube’.

We began taking claims to new State Pension in January 2016. Up until the middle of May we had taken 94,000 claims.

We trialled our new State Pension statement service in September 2014 and formally launched it on 4 October 2014. It provides a personalised written estimate of what an individual can expect to receive under the new State Pension system, based on their work history and National Insurance contributions to date. These statements are now available to all working-age people. Over 800,000 paper statements had been issued to the end of April 2016.

From 12 February 2016 we introduced a new online service, called 'Check your State Pension', on www.gov.uk. This service allows working-age people living in the UK to view, online, a forecast of their potential State Pension at their state pension age, an estimate of how much they may get based on their current National Insurance record, and the age and date they will be eligible for their new State Pension. In the first two and a half months, since its launch in February, over 300,000 forecasts have been viewed online. Real time data on our 'Check your State Pension' service is available to view on the DWP performance platform on www.gov.uk.

People who reached State Pension age before 6 April 2016 may be able to make voluntary lump sum National Insurance contributions to 'top up' their State Pension. We're giving people the opportunity to increase their State Pension in retirement and supplement their income in a way that will protect them from inflation. This scheme runs from October 2015 until 5 April 2017. We are supporting people to make decisions about the scheme by providing information on what this opportunity means for them.

We're continuing to protect existing pensioners

In 2013-14, there were 100,000 fewer pensioners living with low income after housing costs than there were in 2009-10. The 'triple lock'[7] means that the basic State Pension is over £1,100 per year higher than in 2010, and we're protecting the poorest pensioners through Pension Credit as well as protecting pensioners with concessionary travel, the Winter Fuel Payment, and helping the poorest pensioners with energy bills.

We're continuing to increase the basic State Pension through the 'triple lock' and to award Winter Fuel Payments. From April 2016 we increased the basic State Pension by 2.9%. This means someone on the full basic State Pension can expect to receive around £570 more a year in 2016-17 than if it had been uprated by average earnings since the start of the last Parliament. In addition we issue around 12 million Winter Fuel Payments every year to pensioners.

We've extended automatic enrolment to eligible employees working for small and micro employers

In June 2015 we began supporting the first of around 1.8 million small and micro employers (those with fewer than 50 employees) to automatically enrol their eligible employees into a workplace pension. Employers with more than 50 employees have already automatically enrolled their eligible employees.

This remains challenging: small employers have different requirements and behave differently to larger employers. To help overcome this, we've worked closely with the Pensions Regulator and the National Employment Savings Trust to simplify the process for them, including:

- a simplified step-by-step process on the Pensions Regulator website
- bespoke journeys for employers with distinct needs
- improved National Employment Savings Trust web services to support small employers

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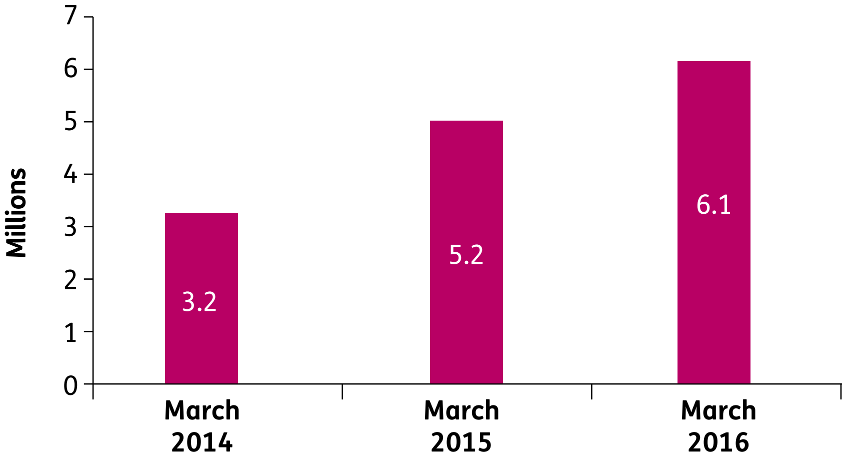
[7] From April 2010 the basic State Pension has been uprated by the 'triple lock' which is the highest of earnings, Consumer Price Index or 2.5%.

Levels of compliance amongst employers have been consistently high and automatic enrolment is being successfully implemented for all sizes of employers.

In November 2015 we published an evaluation of automatic enrolment. This showed increased levels of workplace pension participation, appropriate levels of compliance and improved awareness and understanding among employers.

Altogether more than 6.1 million eligible workers have been automatically enrolled between October 2012 and March 2016 and the opt-out rate remains very low at around 9%.

Number of eligible employees automatically enrolled



Source: Pensions Regulator monthly reports.

In accordance with the Pension Act 2008, we've undertaken our annual review of the automatic enrolment earnings trigger of £10,000[8] for the tax year 2016-17. We published our findings in December 2015. The Secretary of State re-considered all the review factors against the latest analytical evidence and policy objectives and decided that the current threshold of £10,000 remains the right level, and therefore will not change for 2016-17.

Freezing the value of the automatic enrolment trigger at £10,000 in 2016-17 is a real terms decrease in the trigger. This brings an additional 130,000 individuals into the automatic enrolment population (of whom around 91,000 (71%) are women) and an associated increase in pension saving of £6 million in 2016-17.

We've legislated to allow people to benefit from their retirement savings in a way that better suits their lifestyle

We're giving people aged 55 years and over greater choice in how they access their private pension savings. Altogether 232,000 people received a flexible payment derived from their savings between April 2015 and March 2016. That amounted to 516,000 payments with a total value of £4.35 billion[9].

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[8] Those earning less than the trigger but more than £5,824 a year will not be automatically enrolled but can choose to opt-in to a workplace pension and will be entitled to a contribution from their employer.

[9] HMRC Official Statistics (https://www.gov.uk/government/statistics/flexible-payments-from-pensions). HMRC figures only refer to the amount of pension payment that is taxable. It therefore does not include tax-free lump sums, small cash-lump sum payments or annuities.

Since 6 April 2015 we've been protecting savers by requiring schemes to signpost to Pension Wise's free and impartial guidance. We've also introduced legislation requiring schemes to send risk warnings about the options they provide members.

We're introducing a series of measures to help those choosing the pension freedoms to navigate and secure better value from their savings. We're working with the Pensions Regulator to improve the transfer process by which savers can secure their preferred choice, have announced a cap on early exit fee charges for occupational pension schemes and have consulted on improvements to the requirement, for certain pension savers, to take financial advice.

3. Strategic objective: Creating a fair and affordable welfare system that gives children and adults the best life chances

We want to create a welfare system that is fair and affordable but which protects vulnerable people, disabled people and pensioners. We want a welfare system that protects people from poverty and supports them to transform their lives and improve their life chances.

We want all parents to take responsibility for the welfare of their children and to work together in the best interests of their children. We've created a child maintenance system that supports this so we are now transferring child maintenance cases agreed under previous schemes to the new scheme so that every parent has the opportunity to make a difference to the lives of their children.

We cannot, however, improve the life chances of children on our own. So, we're working to develop a cross-government approach.

At the same time, we need to keep welfare spending under control. That's why we want everyone who can work to do so and we're making sure that work always pays. We're putting the working-age benefit system on a more sustainable footing by ensuring the system does not support lifestyles and rents that are not available to the taxpayers who pay for that system.

What we said we would do and how we're measuring our progress

In our Single Departmental Plan we've set out our ambition to create a welfare system that is fair and affordable, protects vulnerable people and improves the life chances of children and adults.

We will do this by:

- implementing a range of measures announced in Budget 2015 to reduce welfare spending by £12 billion by 2019-20
- supporting disabled people to live independently
- improving the life chances of children and adults
- working closely with all the nations within the UK on how devolved powers will work in practice

We're measuring how well we're doing through the following 2 headline indicators:

- forecast welfare spending within the welfare cap
- percentage of children living in workless households

How well are we doing?

Indicator 7: forecast spending within the welfare cap

The welfare cap was reset in July 2015 at the first Budget after the General Election. In November 2015, the Office for Budget Responsibility's (OBR) assessment was that the welfare cap would be breached in 2016-17, 2017-18 and 2018-19 but would be observed (met) in the margins for 2019-20 and 2020-21. As the welfare cap is forward-looking, no assessment was made of spending in 2015-16. The next formal assessment of the welfare cap will be at the 2016 autumn Statement.

More than a third of spending within the welfare cap is administered by other government departments. This share will gradually reduce as Universal Credit, administered by our department, replaces tax credits, currently administered by HM Revenue and Customs. However, around 14% of capped spending will continue to be outside of the direct control of our department in the longer term.

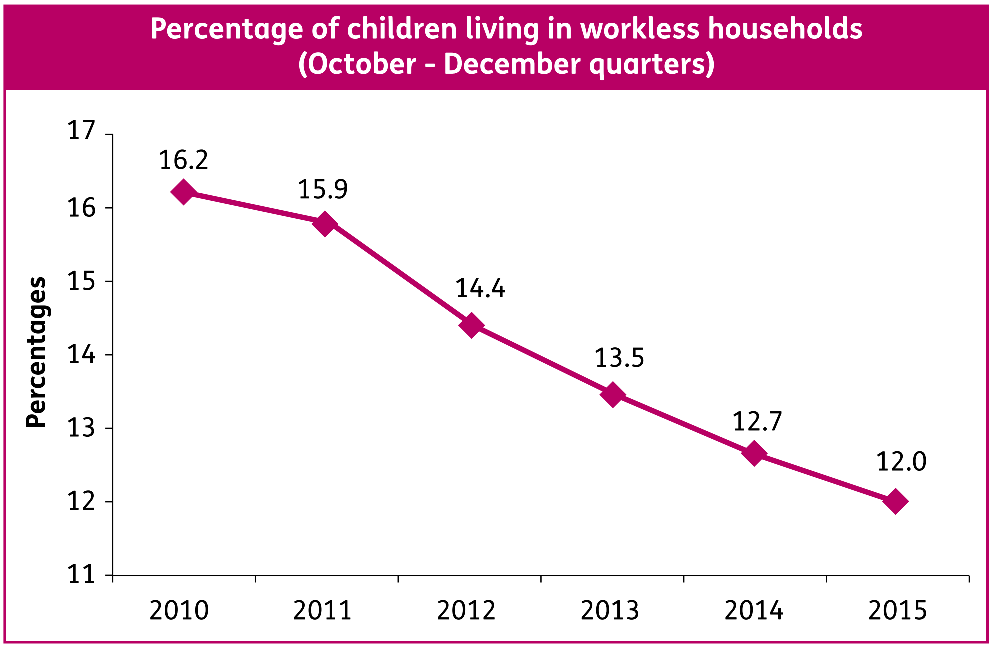
	2016-17 £bn	**2017-18 £bn**	**2018-19 £bn**	**2019-20 £bn**	**2020-21 £bn**
Welfare cap (December 2014)	122.3	124.8	127.0	129.8	-
Current welfare cap (reset in July 2015)	115.2	114.6	114.0	113.5	114.9
Reduction between 2014 and 2015 cap	7.1	10.2	13.0	16.3	-
2 per cent forecast margin (July 2015)	2.3	2.3	2.3	2.3	2.3
OBR forecast (November 2015)	119.2	117.7	115.9	115.3	117.1
OBR assessment (November 2015)	Breach	Breach	Breach	Observed (margin)	Observed (margin)

Source: Office for Budget Responsibility November 2015.

This indicator assesses whether the government has observed the terms of the welfare cap in each year of the forecast. As required under the Charter for Budget Responsibility, the welfare cap was reset for this Parliament at the July 2015 Budget, where the government chose to set it at the Office for Budget Responsibility's post-measures forecast. This locked in a reduction in the level of the cap compared with Autumn Statement 2014 that reached £16.3 billion by 2019-20. The government sets a 2% forecast margin above the cap, which can be used if forecast judgements push up spending, but cannot be used to accommodate policy measures that increase spending. This is why in 2018-19 the OBR judged that the cap is set to be breached even though spending is forecast to be within the margin. In future years this table will be extended so that changes in performance against the July 2015 welfare cap will be shown.

Indicator 8: percentage of children living in workless households

In 2015 (October to December) the percentage of children living in workless households was 12% – an improvement from 16.2% in 2010 (October to December).



Percentage of children living in workless households (October - December quarters)

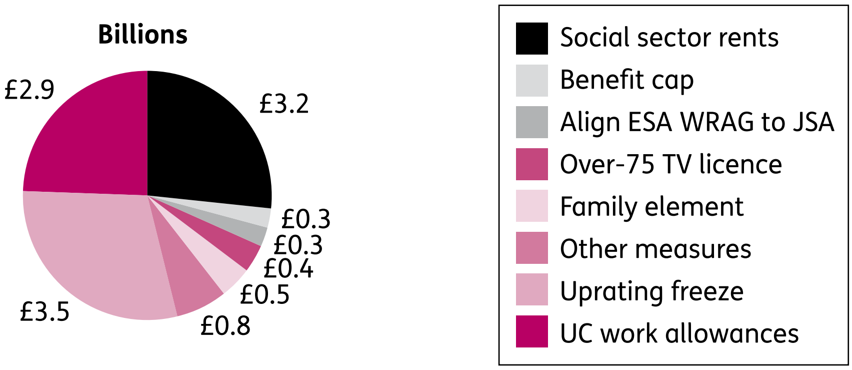
This indicator measures the percentage of children (aged under 16) who live in workless households. We define these as households containing at least one person aged 16-64 where none of the members aged 16 or over are in employment. The Household Labour Force Survey data is published for April to June and October to December each year. Data isn't seasonally adjusted, so only year-on-year comparisons are meaningful. A reduction would denote an improvement for this indicator.

What we're doing

We've legislated to create a further £12 billion of savings by 2019-20 while protecting the most vulnerable people in our society

In the Budget 2015 we announced reforms to create a further £12 billion of welfare savings by 2020. Budget 2016 figures show we are still on track to achieve these planned savings.

Savings from main welfare reforms in 2019-20



Note: figures may differ due to rounding.

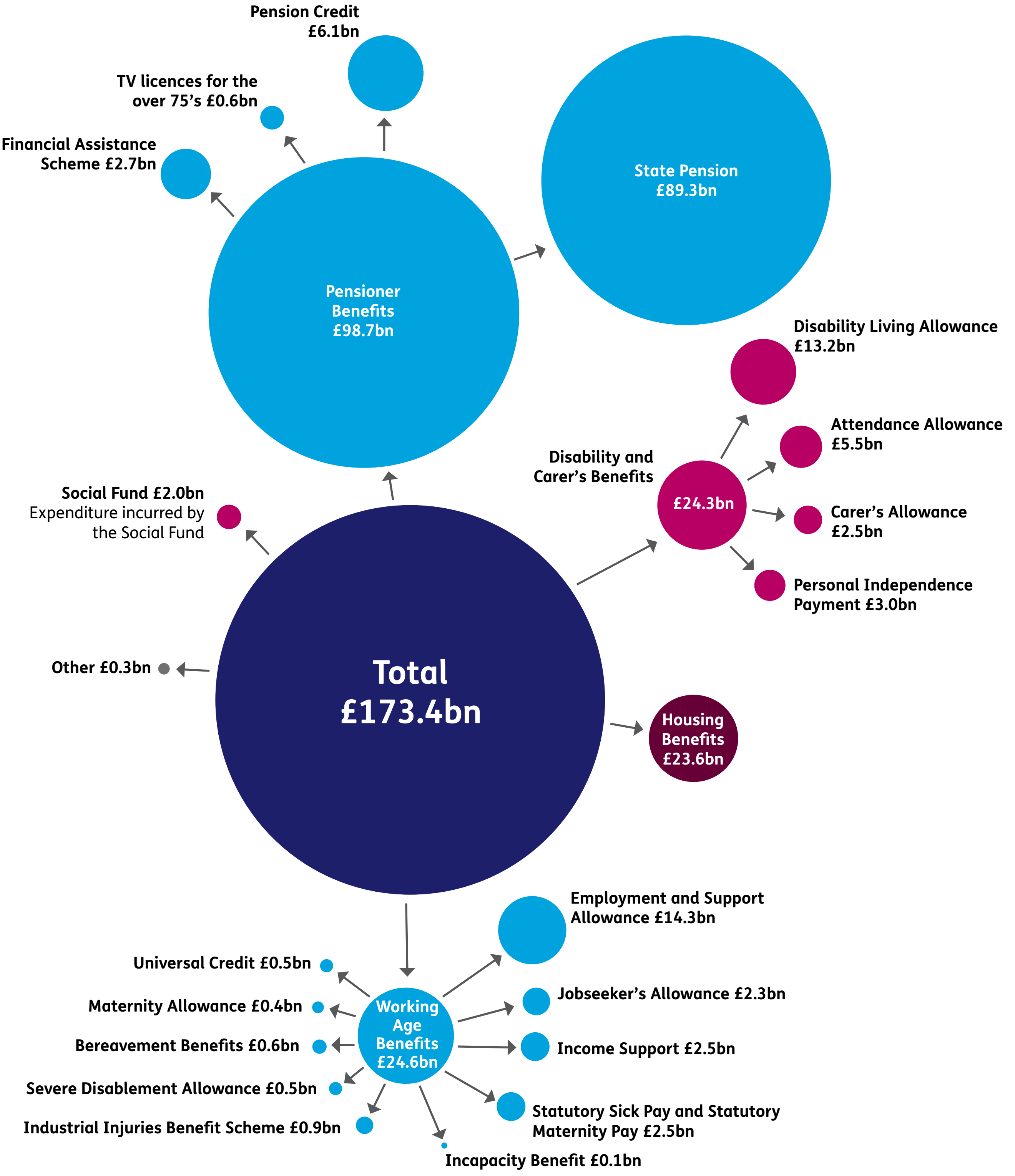
The Welfare Reform and Work Act 2016 allows us to introduce these reforms and we're now focusing on implementing them. Many only affect new claimants.

The reforms include:

- freezing working-age benefits, tax credits and Local Housing Allowance, for 4 years from 2016-17 (this doesn't include Maternity Allowance, maternity pay, paternity pay or sick pay)
- reducing rents for social housing by 1% a year for 4 years
- reducing work allowances in Universal Credit
- removing the family element in tax credits and Universal Credit, and the family premium in Housing Benefit, for new claims
- transferring liability for over-75 year olds' television licences to the BBC
- aligning the work-related activity group rate in Employment and Support Allowance with Jobseeker's Allowance for new claims
- lowering the household benefit cap to £20,000 (£23,000 in London)

In 2015-16 we spent over £173.4 billion on benefit payments to support people through many different life events including retirement, disability, being out-of-work, and bringing up children.

Our spending on State Pension and benefits



All figures are rounded to the nearest £100,000.

For further details please see Statement of Parliamentary Supply.

The State Pension at nearly £90 billion is the largest benefit by far and accounted for more than half of our benefit spending. Overall, more than two-thirds of our benefit spending goes to pensioners. Equalising the State Pension age meant that the number of people receiving a State Pension was down slightly from the year before, at around 12.9 million; but the 'triple lock' uprating policy gave an above-inflation increase in 2015-16, so spending rose in real terms.

Another £45 billion went to people of all ages on low incomes, to protect them from poverty and improve their life chances. Spending fell slightly in real terms compared with 2014-15, with the effect of lower unemployment being mostly offset by higher spending on people with disabilities and health conditions.

In addition to income-related spending, we paid over £25 billion in support for disabled people and their carers, an increase of around £1 billion over 2014-15 as the number of child and working-age cases rose.

More detailed information on benefit expenditure outturn and forecasts is available in our benefit expenditure tables on www.gov.uk.

We're supporting disabled people to live independently

We're replacing Disability Living Allowance (DLA) with Personal Independence Payment (PIP) for claimants aged between 16 and 64. PIP is a more modern benefit which assesses disabilities objectively and equally and focuses support on those who need it the most. To protect the value of PIP, it has been exempted from the benefit cap and the benefit uprating freeze for the life of this Parliament.

PIP processing times have fallen substantially and have now reached a more stable position. We're continuing to work closely with our healthcare professionals. PIP statistics published in March 2016 show, in January 2016:

- it took 13 weeks to process the average PIP new claim under the normal rules from the point of registration to a decision being made – a reduction from 42 weeks a year earlier
- it took 9 weeks to process the average PIP new claim under the normal rules from the point of referral to the health professional to a decision being made – a reduction from 35 weeks a year earlier
- PIP award rates remained at around 47% for new claims, 74% for DLA reassessments and 99% for terminally ill claims

From April 2016 we introduced a change to the DLA to PIP reassessment rules for those people who report they are now terminally ill. This means if they are entitled to more benefit their claim will be fast tracked so they get the additional benefit sooner.

In November 2015 we published our second response to the independent review of PIP published in December 2014. It sets out the actions we've taken and will continue to take to deliver positive changes to support claimants through the assessment process. Our response also considers the medium and long-term recommendations around focusing on the digital service and making better use of collecting further evidence to support individual claims.

We’re improving the life chances of children and adults

We’re closing down all the old cases under the Child Support Agency that will not close naturally. So far, we’ve selected over 500,000 cases, and by December 2015 we had ended the maintenance liability on 295,100 cases of which 39,500 (13%) subsequently applied to the Child Maintenance Service.

We continue to notify parents before their Child Support Agency case closes and encourage them to seek support from Child Maintenance Options to find the most effective arrangement for their children. In the 9 months to end of December 2015 it is estimated that 26,700 effective family-based arrangements were made or changed after contact with Child Maintenance Options, benefitting around 40,300 children.

Where it is not possible or appropriate for parents to make a family-based arrangement, the Child Maintenance Service is there to help them. Statistics published in April 2016 show that, at February 2016, 215,400 children benefitted from child maintenance through the Child Maintenance Service – with 88% of maintenance due being paid. Around 70% of parents are now using our Direct Pay service which means parents have successfully organised maintenance payments between themselves. Also, for the first time, we’re updating maintenance liabilities every year, often through a fully automated process, to ensure maintenance rates continue to reflect parents’ income rates.

We’re working with devolved administrations to transfer new welfare powers

This government has an ambition to build a stable constitution that is fair to all the nations of the UK by strengthening and improving devolution. We’re supporting this by working with the devolved administrations and English cities on welfare and work issues.

We’re making plans to devolve a range of welfare powers to the Scottish Parliament. These cover a number of disability and carer’s benefits, housing elements of Universal Credit, the regulated Social Fund and help with finding work. The powers are outlined in the Scotland Bill which received Royal Assent on 23 March 2016.

Over the last few months we’ve worked across government on the information sharing and capability build that needs to take place. Underpinning this work are two Memorandums of Understanding (MOUs) agreed between our department and the Scottish Government: one focuses on joint ways of working and the other establishes the principles that govern information sharing. We’re reviewing the MOUs regularly to ensure they are fit for purpose.

The Wales Bill was introduced in February 2016. It aims to create a more stable, clearer and sustainable Welsh devolution settlement but welfare and employment remains with the UK Parliament.

The Northern Ireland (Welfare Reform) Bill received Royal Assent on 25 November 2015 and allows the UK Government to legislate on Northern Ireland welfare reform until the end of 2016. Northern Ireland officials are now drafting 30 sets of Regulations which reflect Northern Ireland law and are similar to those in the Welfare Reform Act 2012. This is an extraordinary approach to legislation designed to ensure Northern Ireland again enjoys the same level of social security provision as the rest of the UK.

We're negotiating devolution city deals on an individual basis between local areas and central government. So far we have agreed 10 deals relating to our department which are mainly around providing local support for people with health issues to prepare for, find and secure employment. We are considering further opportunities for localisation.

4. Strategic objective: Delivering outstanding services to our customers and claimants

Every working day we conduct thousands of work-related interviews in over 700 jobcentres, process thousands of benefit and pension claims and answer thousands of telephone calls. At every point of contact with our customers and claimants, we aim to deliver the best possible service. Getting things right first time helps us to keep costs down and provide better value for money to our taxpayers.

We're looking across all areas of our business to ensure they support the delivery of outstanding customer service and we're listening to customer and claimant feedback to improve our service even further.

We're aiming to be the most efficient service delivery organisation in the public sector by embedding a culture of driving service standards up and costs down. Our priorities are doing things once and right, ensuring we get things right every time and maximising digital opportunities where it is cost effective to do so.

Reducing fraud and error and recovering debt is a key priority for us. We understand where fraud and error is occurring and we're taking steps to reduce it. And when overpayments result from claimant fraud and error we're actively pursuing the repayment of the overpaid benefit or pension too.

What we said we would do and how we're measuring progress

In our Single Departmental Plan we set out our aim to deliver outstanding services to our customers and claimants every time.

We will do this by:

- delivering essential services for welfare, pensions and child maintenance
- continually seeking to improve our services

We're measuring how well we're doing through the following headline indicators:

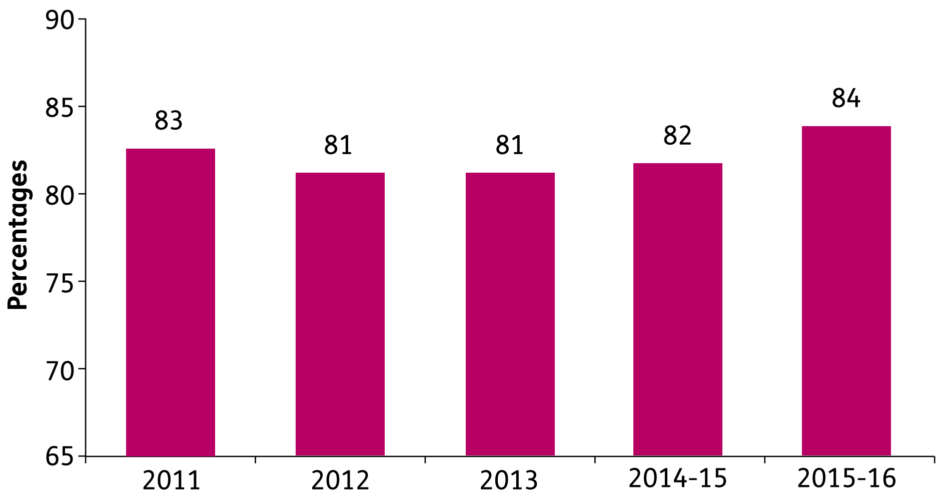
- customer and claimant satisfaction rate of DWP services
- benefits processed within agreed timescales
- net benefit overpayments as a percentage of overall benefit expenditure

How well are we doing?

Indicator 9: customer and claimant satisfaction rate of DWP services

Latest data shows we achieved an overall customer and claimant satisfaction rating of 84% in 2015-16, an improvement of 2% on last year's score.

Customer and claimant satisfaction of DWP services

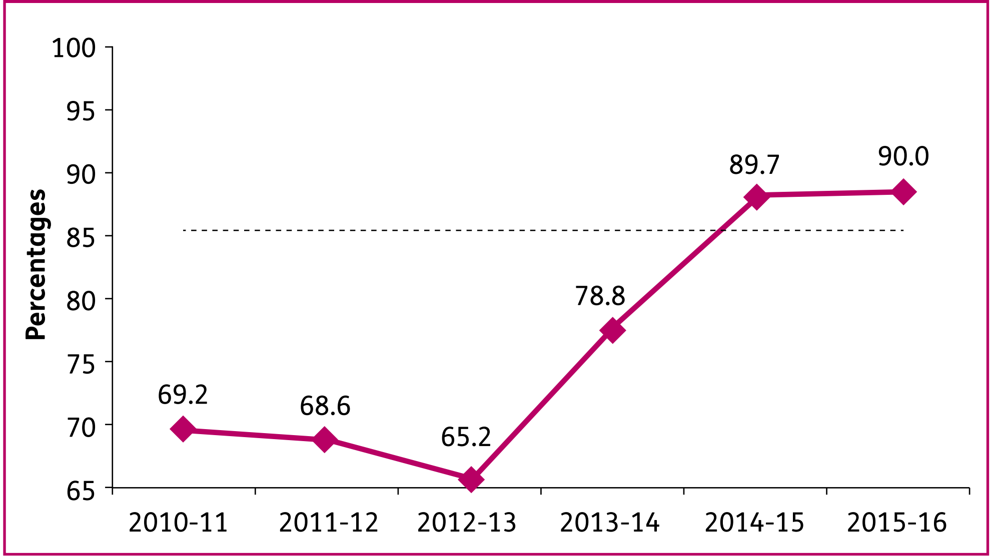


This indicator looks at Jobseeker's Allowance, Employment and Support Allowance, Income Support, Disability Living Allowance, Attendance Allowance, Carer's Allowance, State Pension, Pension Credit, Personal Independence Payment and Universal Credit claimants. It measures the percentage of claimants who are either fairly or very satisfied with the service they received. As methodology and sample has changed over the years only the scores between 2014-15 and 2015-16 are directly comparable. The 2% difference between these scores is statistically significant. Source: Claimant Service and Experience Survey conducted by a third-party research organisation and analysed by DWP (2011, 2012, 2013, 2014-15, 2015-16).

Indicator 10: benefits processed within planned timescales

In 2015-16 the percentage of key out-of-work benefits processed within planned timescales was 90%. This is an improvement on previous years. More information on this indicator can be found in the DWP technical annexes on www.gov.uk.

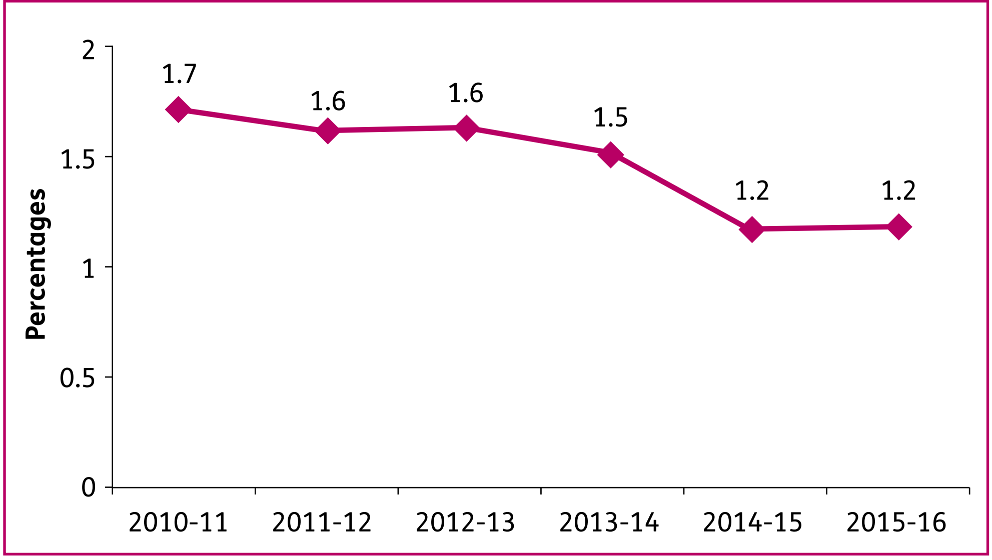
Benefits processed within planned timescales



Indicator 11: net benefit overpayments as a percentage of overall benefit expenditure

In 2015-16 the estimated level of net overpayments arising from fraud and error, after offsetting estimated overpaid benefit recovered, was 1.2%[10]. This is an improvement from 1.7% in 2010-11. Data before 2014-15 is unaudited.

Net benefit overpayments as a percentage of overall benefit expenditure



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[10] This method deducts money recovered this year (regardless of when the overpayment was from) from the money estimated to have been overpaid this year. Money recovered this year comprises in-year figures for directly administered benefits plus estimated figures for Housing Benefit. Further information can be found on www.gov.uk by searching for Fraud and Error in the Benefit System 2015-16.

This indicator measures the estimated value of overpayments as a percentage of benefit expenditure after overpaid benefit recovered has been offset. Only estimated overpaid benefit recoveries are offset. Departmental recoveries of Social Fund loans and compensation recoveries are not included in the offsetting. In-year recoveries may not relate to when the overpayment was generated. The fraud and error estimates are based on a sample of cases and so are subject to sampling error. Final estimates are published annually on www.gov.uk. A reduction denotes improvement for this indicator. More detailed information on this indicator can be found in the DWP technical annexes on www.gov.uk.

This indicator does not measure: estimates of gross overpayments as a percentage of benefit expenditure included in note 22 of the financial statements and published on www.gov.uk; or; the level of fraud and error in tax credits.

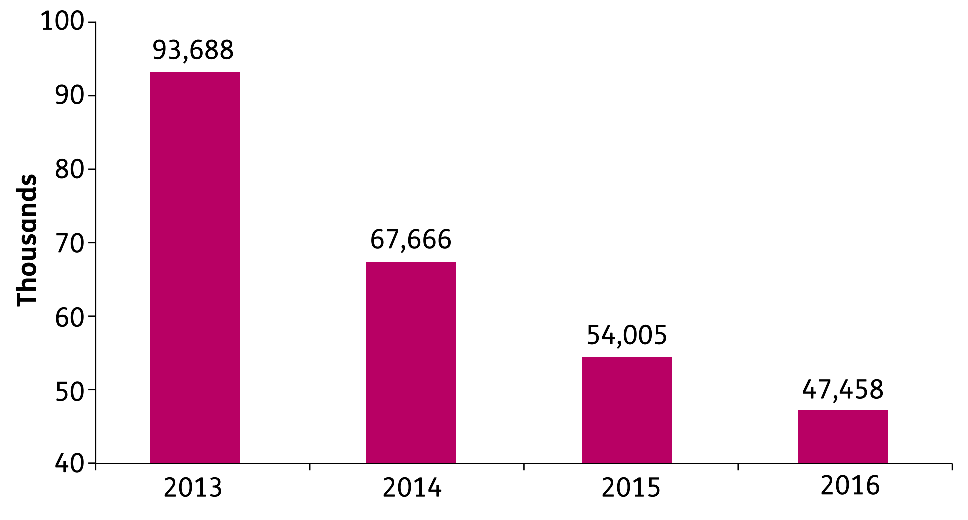
What we're doing

We're streamlining our business processes, simplifying our communications and improving the speed and accuracy of benefit processing

During 2015-16 we continued to focus on our claimants, aiming to do everything once and right. We also began reviewing all our claimant communications to improve clarity and understanding.

By maintaining our focus on getting things right first time, we've continued to reduce the number of complaints that we receive. In 2015-16 we received 47,458 complaints. That's 6,547 fewer than in the previous year.

Number of DWP complaints received between 1 April and 31 March



We value feedback from our claimants and learn from this wherever possible. This year, we made several improvements as a direct result of claimant feedback. These include:

- our Child Maintenance Group working to address perceptions of bias which has reduced the gap between male/female and receiving/paying parent satisfaction by half
- updating our decision letters to give full details of the mandatory reconsideration option prior to appeal
- our pensions staff updating their overpayment notification letter
- our debt management staff undertaking a review of their recovery from estate process resulting in reduced case handling times, improved wording of letters and more direct contact with executors to address queries

We have a well-established complaints process, and we publish details of how to complain online and in leaflets. We ensure that complainants know how to escalate their complaints if they are still unhappy after we've tried to put matters right for them.

Following the Cabinet Office review of complaint handling in the public sector, we agreed to trial online complaints. We launched a digital complaints portal in March 2015 on www.gov.uk for Jobseeker's Allowance. It has received an average of 180 complaints or enquiries each week. Given this initial success, we expanded the portal in January 2016 to cover Universal Credit and we're considering adding other benefits this year. We're now using Google Analytics to provide data and to understand customer preferences to make it easier to use the portal.

Our customers can ask the Independent Case Examiner to investigate their complaint if they are unhappy with our response or a response from one of our providers. The Parliamentary Ombudsman acknowledged this service in November 2015 when it said that 'both DWP and HMRC stand out as organisations which have effective second tier complaint systems in place'.

In 2015-16, the Independent Case Examiner dealt with 715 complaints. Of these:

- 58 were withdrawn by the complainant
- 138 had an agreement brokered by the Independent Case Examiner between the relevant parties
- 390 were upheld, fully or partially, by the Independent Case Examiner
- 129 were not upheld

Complaints considered by the Independent Case Examiner	2013-14	2014-15	2015-16
	1,117	1,042	715

If the complainant is unhappy with the Independent Case Examiner's decision, they can ask the Parliamentary and Health Service Ombudsman (PHSO) to investigate their complaint. Since 2013, PHSO have been accepting for investigation any complaint that passes their gateway criteria. Prior to this, PHSO took on complaints that they felt merited investigation. This change led to an increase in the number of complaints being accepted for investigation but it has also had a beneficial impact on the number of complaints that are upheld:

Complaints investigated by the Parliamentary Ombudsman	**2012-13**	**2013-14**	**2014-15**
Number of complaints	16	83	201
Percentage of complaints upheld	81%	22%	22%

Only 22% of our complaints were upheld in 2013-14 and 2014-15. This compares well with the Ombudsman's average upheld rate across all departments of 33%.

Complaints to the Parliamentary Ombudsman in 2014-15

Departmental business	**Complaints accepted for investigation**	**Complaints resolved through intervention**	**Complaints reported on**	**Complaints fully or partially upheld**	**Complaints not upheld**	**Recommendations complied with (some complaints have more than one recommendation)**	**Recommendations not complied with**
Jobcentre Plus	53	0	18	10	8	24	0
Capita	1	1	0	0	0	0	0
Child Maintenance Group	12	0	16	10	6	19	0
Independent Case Examiner	145	2	155	18	137	23	0
Pension, Disability and Carers Service	8	3	7	5	2	13	0
Debt Management Unit	0	0	0	0	0	0	0
Independent Living Fund	0	0	0	0	0	0	0
DWP (corporate)	11	1	2	2	0	4	0
Health & Safety Executive	5	0	3	0	3	0	0
Total	**235**	**7**	**201**	**45**	**156**	**83**	**0**

We make special payments to people (or their representatives) who have incurred additional costs, losses or other effects due to our maladministration. In 2015-16 we authorised 6,671 ex-gratia payments totalling £1.3 million.

These payments exclude financial redress paid for loss of statutory entitlement (LOSE) and advance payments of child maintenance. The total cost of LOSE and advance payments in 2015-16 was £784,000. This money is excluded as it is not an extra cost arising from maladministration and it would have either been paid anyway or recovered from another person.

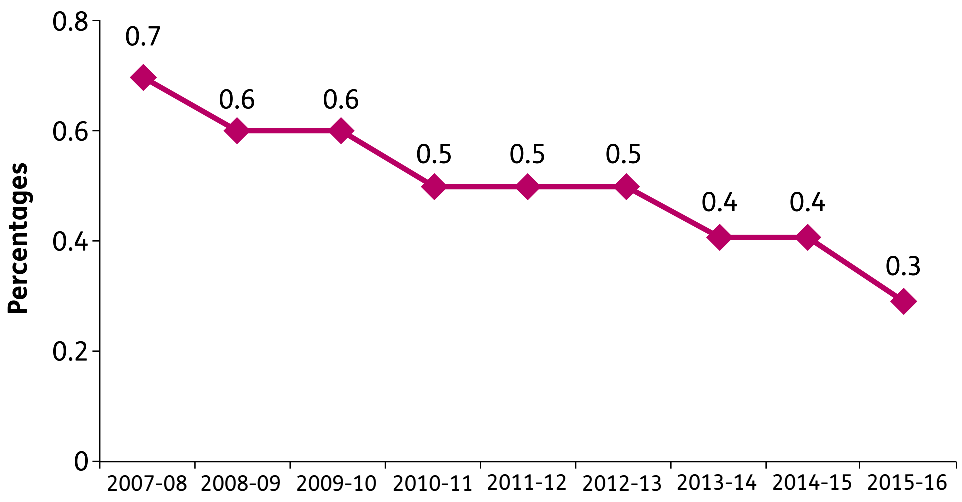
These figures also exclude any special exercises to address cases where current legislation does not allow payments which were intended by Parliament or ministers.

Processing benefits more quickly and accurately has improved our services and contributed to the reduction in complaints. In 2015-16 we processed 90% of key out-of-work benefits within specified timescales.

And we've built on the progress we made in 2014-15 to process more claims accurately. Official error overpayments continue to decline and are now 0.3% of total benefit expenditure – that equates to around £0.6 billion (more information can be found on fraud and error later in this chapter).

Official error underpayments were 0.4% of expenditure in 2015-16, which equates to around £0.7 billion. This is a slight increase from 2010-11, when the rate was 0.3%.

Percentage of benefit expenditure overpaid due to official error



Source: DWP Fraud and Error Statistics May 2016.

Note: the figure for 2015-16 is a preliminary estimate. The final figure will be available in November 2016. These figures do not take into account underpayments as a result of official error. Underpayments as a result of official error are published on www.gov.uk. The above figures are based on our estimates and are subject to a degree of statistical uncertainty. They are prepared to within a stated range of accuracy, described as confidence intervals. We've prepared our estimates to a 95% confidence level.

We're ensuring our digital technology and data services are easy to use, stable and secure

We're implementing a multi-year data, information, technology and security plan. This includes:

- building digital enablers and systems to automate new business processes
- upgrading our hardware and software to deliver more secure and stable services
- investing in new tools and data science capabilities to use our rich sources of data to gain greater insight and to help improve service delivery
- creating intelligence led security capabilities to raise security in line with the government's ten cyber security principles

In 2015-16 we delivered 7,995 IT changes. These included many changes to the digital technology platforms for major programmes such as Personal Independence Payment and new State Pension. We also continued to deliver the Universal Credit digital service.

As a result, we've achieved an 80% improvement in operational IT services during 8 months of the year, reducing downtime by 42% compared to last year.

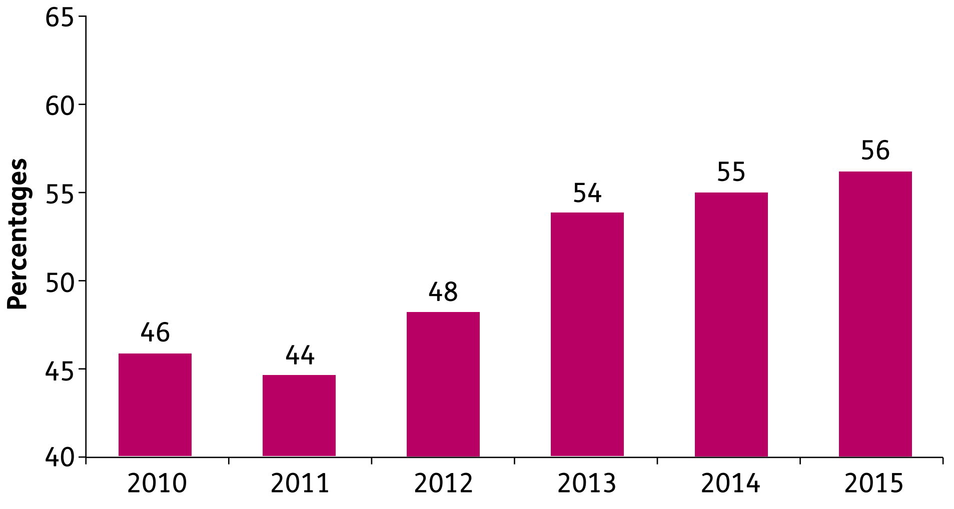
We're improving our customer facing services too. We're continuing to develop our full digital service for Universal Credit. Our digital services for Personal Independence Payment and 'Check your State Pension' were developed with HM Revenue and Customs and are in the private beta[11] stage. We have other digital services that are in the public[12] or private beta stage. These include an online debt repayment system, a pension tracing service and an online Access to Work service.

We're building an engaged and committed workforce

Our performance is underpinned by our employee engagement approach which is designed to ensure that our people are committed to our goals and values, are motivated to contribute to successful outcomes, and are able, at the same time, to enhance their own sense of well-being.

Our staff engagement score has increased for the fourth year in a row. It now stands at 56%, making us second of the 5 largest government departments. All the key areas of engagement have increased this year and we are proud of our result, achieved in tough economic conditions with a vast amount of change underway.

Our staff engagement score



Across the 5 largest departments, we had the highest response rate with 73% of our people completing the survey. This is 13 percentage points higher than last year and equates to around 6,500 additional responses.

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[11] Private beta is the first stage of beta. Numbers are limited in order to start small and get feedback faster before rolling it out to a wider audience. Beta is the stage of development where the service is tested by real users. Feedback is gathered and acted on to ensure that the service continues to meet user needs and works in the public domain before it goes into live status.

[12] Public beta is the latter stage. It's made open to everyone and hosted on www.gov.uk. Users are made aware that it is not the end product and may change based on their feedback.

Fraud and error overpayments at the lowest rate recorded and we have recovered record levels of debt

In a complex welfare system providing financial support to millions of UK citizens, it is inevitable that some people will deliberately seek to defraud the system or some people will inadvertently receive more than they are entitled to due to errors.

Since the welfare system is funded by taxpayers, it is of paramount importance that we seek to make accurate payments to claimants who are entitled to them.

We're working hard to reduce fraud and error and this remains a top priority for us:

- While the methodology for measuring fraud and error within the benefit system has been developed and changed over the past 20 years and is therefore not directly comparable, our best estimate of fraud and error **gross losses** (before recoveries) 20 years ago was 3.2%, this data is unaudited. By 2010-11 gross loss estimates had fallen to 2.1% and 5 years later, the provisional estimate of gross losses in 2015-16 has been maintained at a record low of 1.8%.
- We're also putting more effort into recovering overpayments. Benefit **recoveries** in 2010-11 were £0.7 billion (that's 0.5% of welfare spending in that year). Five years later, recoveries in 2015-16 have risen to an estimated £980 million (0.6% of welfare spending).
- As a result, **net losses** (overpayments after recoveries made) have fallen from 1.7% in 2010-11 to an estimated 1.2% in 2015-16. Data before 2014-15 is unaudited.

Complexity in the benefit system affects the level of overpayments and this is evident from some of the figures behind these headlines:

- We estimate that the £89.3 billion we spent on the State Pension includes a 0.1% gross loss. The State Pension is a contributions-based benefit, with relatively simple conditions (outside the State Second Pension which was abolished in April 2016) and as a result the risk of fraud and error is low.
- Excluding State Pension, the remaining £82.6 billion spent on benefits has a 3.6% gross loss. Within this the £37.8 billion we spent on means-tested benefits for claimants of working-age[13] includes a 4.6% gross loss (includes Universal Credit for the first time). Our analysis shows this is largely due to fraud and error materialising after an initially valid new claim. The key areas of fraud and error are around the failure to declare at the right time either earnings or partners in the household. Overpayments in Housing Benefit also include incorrect rental liabilities.

Reflecting these facts, our strategy is focused on 4 elements:

1. Types of fraud and error which cause the greatest losses

We're focussing on the types of fraud and error which cause the greatest losses across all benefits. Provisional losses by type for 2015-16 are shown in the table below, and show clearly the high level of loss due to earnings and employment issues.

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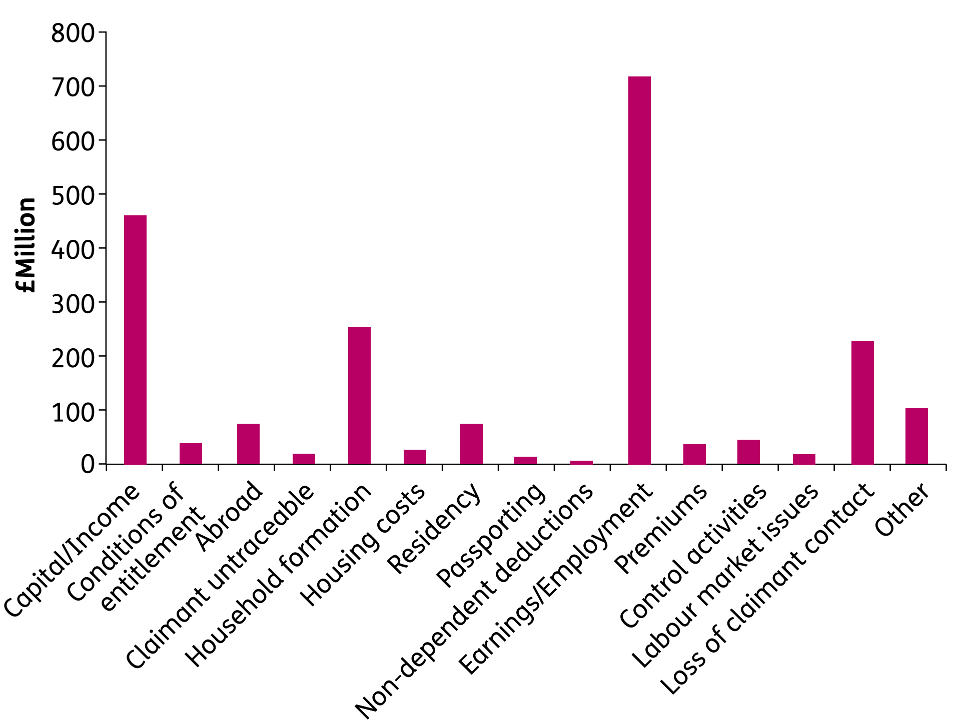
[13] This includes Universal Credit. It also includes Jobseeker's Allowance, Employment and Support Allowance, Income Support,and working-age Housing Benefit as they will be replaced by Universal Credit over time.



2015-16 gross fraud and error in continuously measured benefits by category

This table also shows the relative importance of capital (including income) and household formation (household composition and living together). We've taken action to address these principal areas of loss through better designed benefits and better use of data. This is helping us to spot potential overpayments earlier and to understand better where to target our interventions. Some examples of action taken include:

- using HM Revenue and Customs' (HMRC) Real Time Information system (RTI) to collect **earnings** data from people on Pay-As-You-Earn (PAYE). This means that people claiming Universal Credit receive the correct payments without having to regularly declare their earnings. Our 'Wider Use of RTI' project is building a service to use RTI data for our income-related legacy benefits (including Housing Benefit) in advance of their migration to Universal Credit and on benefits that will not migrate to Universal Credit.

- trialling with the banking sector new ways of identifying where claimants have more **capital/income** than they have told us about. This will help reduce the number of claimants who receive benefits to which they are not entitled. In addition, we have started matching annual self-employed tax returns against benefit claims.

- exploring innovative ways to build a more sophisticated picture of claimants' circumstances to tackle fraud and error in **household formation**. We're working on data trials with Land Registry, Valuations Office, the National Fraud Initiative and the Metropolitan Police. Bringing data together in this way will help identify inconsistent household formation information. We're also working with HMRC and Cabinet Office to review the definition of living together.

2. Fraud and error in individual benefits

We've developed individual benefit strategies to tackle fraud and error and we're using these to inform the design of benefits that are being reformed.

- **Universal Credit** (measured for the first time in 2015-16) provides a single scheme of means-tested support for working-age households who are in or out-of-work. It allows us to track more closely, through the use of RTI, a claimant's income as they move in and out of employment. The Universal Credit service allows claimants to report changes online. It also uses sophisticated security and counter fraud measures. We estimate that Universal Credit, when fully rolled out, will reduce government expenditure by £1 billion a year through reduced fraud, error and overpayments.
- Tackling fraud and error in **Housing Benefit** is key to our overall strategy. Housing Benefit will eventually cease for working-age claimants as their claims migrate across to Universal Credit which includes a single household payment. This will reduce the opportunities for fraud and error. However, whilst Universal Credit is rolling-out we've introduced a range of initiatives which are helping to reduce fraud and error. These include:
    - matching Housing Benefit claimants against RTI to identify undeclared or under-declared earnings and private pensions.
    - introducing the Fraud and Error Reduction Incentive Scheme (FERIS) as a payment by results incentive scheme offering a financial reward to local authorities that find claimant fraud or error in Housing Benefit.
    - bringing together our investigation staff with investigators from local authorities and HMRC to deliver a single fraud investigations service across the full range of welfare benefits.
- Focussing on the largest areas of loss in **Pension Credit**, namely income from earnings, employment and occupational and personal pensions. We're also increasing awareness of claimant responsibility to report changes promptly through targeted campaigns.

We're working to demonstrate that fraud and error levels are at the lowest feasible level to support an unqualified audit opinion. Our individual benefit strategies are underpinned by models which show that we understand the causes of fraud and error.

3. Recovering overpayments

We're investing more resource in recovering overpayments. Last year, working together with local authorities, we estimate we recovered around £980 million in benefit overpayments. We have a range of activities in place to increase the amount of debt we recover and these include:

- legislating in Universal Credit to enable the recovery of all overpayments, including those caused by official error
- increasingly using information from Credit Reference Agencies to help inform negotiations on recovery
- using Direct Earnings Attachments to take deductions directly from an individual's wages where we've negotiated a voluntary payment plan. These resulted in £18 million of benefit overpayments being recovered in 2014-15 and £64 million in 2015-16

We understand the challenges and opportunities around our current stock of debt and what we will inherit from HMRC as Tax Credit cases migrate to Universal Credit. In 2015-16 we recovered over £1.3 billion[14] of debt for the fifth consecutive year. Enhanced IT capability in Universal Credit and a new debt IT platform will further improve our performance over the coming years.

4. Deterring fraud

We continue to prosecute and penalise fraudsters and publicise our successes to deter others:

- Last year, we referred 5,550 benefit claimants to the Crown Prosecution Service (or Procurator Fiscal in Scotland) with 5,117 successful prosecutions. In addition, 6,038 claimants accepted an Administrative Penalty as an alternative to being prosecuted.
- 82,000 civil penalties were issued for non-fraud related cases where the claimant was thought to be culpable for the making of the overpayment.

We're confident that this work will reduce fraud and error and, therefore, reduce our future net losses. The government has agreed a future joint target with HM Revenue and Customs for net losses due to fraud and error overpayments to be no more than 1.6% of total welfare spending by 2017-18. This challenging target consists of overpayments in tax credits, the monetary value of fraud and error overpayments of DWP benefits less the value of DWP benefits overpayments recovered.

In 2017-18 we will set a new target, reflecting a world which will be increasingly dominated by Universal Credit, as new claims to legacy benefits and tax credits come to an end.

We're working to reduce underpayments

We understand the importance of paying the right money to each of our claimants and continue to tackle the causes of underpayments, as part of our wider approach to ensure claimants are paid the amount to which they are entitled. Our fraud and error measures are designed to ensure payments are correct and as such impact both over and underpayments alike.

Universal Credit makes it easier for claimants to understand their entitlement and obligations. Errors are, therefore, less likely to arise from claimants not understanding how different types of benefit interact. And errors that arise from claimants only telling one part of government about changes of circumstance will be minimised.

Claimant error is the biggest cause of underpayments (approximately two thirds, equating to £1 billion). We're developing a number of measures to strengthen claimant responsibility. These include clear signposting on how to report changes and our commitment to promptly update claims with changes.

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[14] This figure includes benefit overpayments, Social Fund loans and compensation recovery.

Claimants have a responsibility to report their circumstances correctly. Where underpayments are identified, as a result of official error, we pay arrears in full at the earliest opportunity. Underpayments resulting from the claimant's failure to notify us of a change of circumstance may be paid but is dependent on the circumstances.

We make information on benefit entitlement available in many locations, including doctors' surgeries and jobcentres. Additionally, we make information available on the www.gov.uk website and general benefits advice is available from the Jobcentre Plus information line on 0800 055 6688.

5. Delivering efficiently: Transforming the way we deliver our services to reduce costs and increase efficiency

We're helping the government to achieve its long-term economic plan by committing to reduce our operating costs even further during this Parliament. We are looking across all areas of our business, including our arm's length bodies, to identify further efficiencies. We will make savings by transforming our services and becoming more efficient.

We're transforming our service through the use of digital services and we're planning to extend our operating hours to better reflect the needs of our customers and claimants.

We're reducing costs through more flexible commercial contracting that better targets the needs of our claimants and our department. And, wherever possible, we're working collaboratively across government to secure economies of scale too.

We're maintaining a sharp focus on fraud and error and recovering record levels of debt.

We're creating a smaller, better trained workforce by building our capability in key areas such as commercial and digital and investing in leadership capability. Our new Employee Deal will ensure our workforce becomes more flexible and ready to meet the changing needs of our business.

We're also supporting cross-government initiatives such as sustainable development and better regulation to reduce our costs even further, with the latter also helping to reduce the costs to businesses across the UK.

What we said we would do and how we're measuring our progress

In our Single Departmental Plan we set out our ambition to reduce our operating costs (departmental expenditure limit (DEL)) by 14% in real terms over the course of this Parliament.

We will:

- ensure value for money for the taxpayer
- improve the efficiency and effectiveness of our services
- work collaboratively across government
- embed sustainable development
- cut 'red tape' for businesses

We're measuring how well we're doing by monitoring our productivity and how much we spend on our operating costs.

How well are we doing?

Running costs

Since 2009-10 we've reduced our annual running costs by around £2.6 billion.

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	£million	£million	£million	£million	£million	£million	£million
DEL Spend	9,060	9,152	7,624	7,497	7,615	7,152	6,476

Source: Core Table 1 DWP Annual Report and Accounts.

Productivity

We've continued to improve outcomes for our claimants and the efficiency of our operations. We've far reaching plans in place to address major elements of our fixed cost base over this Parliament. These include:

- a series of planned measures over this Parliament to reduce estates costs by a third and to reduce technology costs
- reducing our front-line operational staffing costs while supporting a rise in the overall UK employment rate to a new record of 74.2%
- our jobcentre staff increasingly focusing their efforts on the hardest to help and most vulnerable claimants, to provide a service tailored to individual needs
- increasing efficiency within our operational back office functions while at the same time continuing to improve our customer service. For example:
  - 90% of key out-of-work benefits were processed within planned timescales in 2015-16, up from 69.2% within the same timescales in 2010-11
  - complaints about how long we take to process claims have halved over the last 2 years
  - inbound phone calls are down by a third since 2012 in part due to our investment in online services

What we're doing

Some of the work we are doing in this section is set out under Strategic objective 4.

We're building a smaller and more skilled workforce

We've a strong framework in place for improving our professional capability. We continued to build our leadership capability through our flagship leadership programme 'Changing Futures'. Between its launch in June 2015 and March 2016, over 200 of our leaders were trained to facilitate this programme and around 9,500 employees attended an event.

In 2015-16 we continued to deliver a comprehensive programme to build people capability based on the priorities of digital, commercial, project delivery, customer service and leadership expertise.

Our learning and development programme for 2015-16 included over a thousand more learning interventions than a year earlier – that's a 63% increase and reflects our ambition to increase our professional expertise.

Commercial capability is being developed through external recruitment and industry-led contract management training and delivered to key commercial staff. We're also delivering comprehensive commercial training to all our senior civil servants.

We've also:

- delivered DWP Digital Academy learning to over 2,300 people
- delivered our leadership development programme 'Changing Futures' to around 9,500 employees
- enrolled all our new directors managing major programmes in the Major Projects Leadership Academy to join the graduates already in place on our biggest programmes

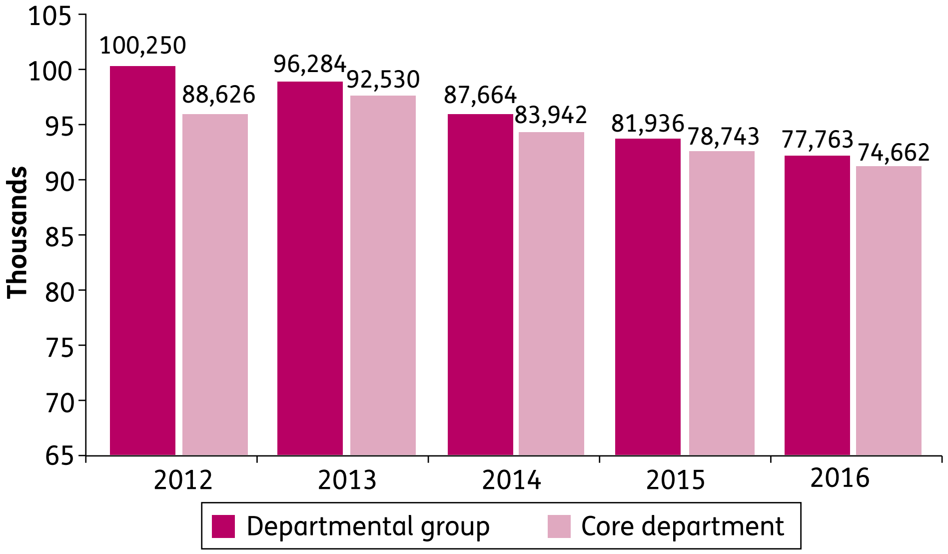
Our People Survey 2015 results on learning showed a 6% increase from 2014. In addition the average learning days per employee for 2015-16 stood at over 8 days which exceeds the cross-government target of 5 days each year.

In 2016-17 we aim to build upon these successes by:

- delivering our Capability Improvement Plan 2016-17 which includes new activities to build capability towards our DWP vision for 2020
- working closely with Civil Service Learning to ensure their offer meets our capability requirements
- working with stakeholders to expand our apprenticeship offer for new and existing staff

As we become a more efficient organisation, our staffing numbers have reduced to reflect this. As at 31 March 2016 we had 77,763 whole-time equivalent staff in our departmental group (our core department and our arm's length bodies that fall within our accounting boundary). That's a reduction of 22,487 since 31 March 2012.

Departmental group and core department staffing (whole-time equivalents) as at 31 March



Note: Departmental group includes our arm's length bodies within our accounting boundary).

At the end of March 2016 we had 74,662 whole-time equivalent staff in our core department. This represents a reduction of 4,081 whole-time equivalents (5.2%) over the last 12 months. We now have just over 3,000 whole-time equivalent staff on temporary or fixed term contracts. During 2015-16 1,715 new recruits joined to help us manage our service delivery. We will need more staff to help us complete the welfare reforms in 2016-17 and a further business case to recruit up to 6,500 recruits has been approved. In line with current ministerial steers, apprenticeships make up a significant part of all our external recruitment activity.

We're reducing our estate and increasing the number of jobcentres co-located with our partners

We regularly review our estates requirement and exit sites when we can. The contract covering many of our buildings runs out in April 2018. This gives us a great opportunity to revise our requirements, maximise opportunities and negotiate better deals. In the meantime we're working to establish our future staffing and estates requirements.

During 2015-16 we planned and delivered 13 co-located jobcentres bringing the total of completed co-locations to 39. These will support us in delivering our core services in the most suitable locations and in a way that enhances the service we provide to our customers and claimants.

We’re establishing more flexible, cost-effective contracts with IT suppliers

In line with the government’s IT strategy, we’ve split up some of our largest IT contracts. The shorter contracts have given us increased contractual flexibility and transparency and are easier to transition in and out of, while also achieving significant savings. We’ve also in-sourced some services where it makes better business sense to build our own in-house capability, gain strategic control and remove reliance on external providers. In 2015-16 we saved over £78.1 million (cash savings) on technology contracts.

We’re targeting and reducing spend on contracted employment programmes

As unemployment has fallen, we no longer need to invest in employment programmes on such a large scale as the Work Programme. We’re aiming to prevent long-term unemployment so we will focus on upfront Jobcentre Plus support, beginning with greater support when claimants first leave work through our Fit for Work service and Universal Credit. This supports the more personalised support we’ve already introduced through the claimant commitment and the work coach delivery model, where every claimant remains with the same work coach regardless of their circumstances.

Contracted provision will continue to play a crucial role in offering support at the right time to people who have the greatest difficulty accessing the labour market. In the Spending Review 2015, the Chancellor announced that we will launch a new Work and Health Programme to replace the Work Programme, which will focus our contracted employment support on claimants with health conditions and disabilities and claimants who have been unemployed for at least 2 years. In order to capitalise on local knowledge and expertise and offer better, more integrated support, we’ve made a number of commitments in areas with devolution deals to influence the design of the Work and Health Programme. This programme will start in 2017 in England and Wales following the end of referrals to the Work Programme and Work Choice. This type of employment support is devolved to the Scottish Parliament through the Scotland Act 2016.

We will provide appropriate support through a strengthened Jobcentre Plus offer for people who have been out-of work for up to 2 years. This will include a new 6 month intensive support regime for people who have been on benefits for 18 months. Support for claimants with health conditions and disabilities will be complemented by an expansion of the Access to Work service.

We will retain a range of additional support for targeted claimant groups. This includes:

- work experience for young people who have little or no work related skills to help them acquire essential workplace skills
- the Youth Obligation which, from April 2017, will support young people aged 18 to 21 years to become effective jobseekers
- the New Enterprise Allowance for those claimants who wish to become self-employed
- mandatory work activity which gives support to a small number of Jobseeker’s Allowance claimants who would benefit from a short period of activity

In order to bolster the support available through Jobcentre Plus and contracted provision, we're also enhancing our Universal Support offer as Universal Credit continues to roll out. Universal Support provides claimants with tailored, local support as they move across to Universal Credit.

We're supporting other cross-government programmes

Sustainable development

We support the UK Strategy for Sustainable Development and the government's commitment to embed sustainable development in everything we do.

Our sustainability report for 2015-16, which can be found on www.gov.uk, includes more detail but here is a summary:

Initiative	Activity in 2015-16 includes:
Mainstreaming sustainability	• assessing and managing the social and environmental impact when developing new policies • building sustainability training into our staff induction process • developing and maintaining a network of over 900 environmental champions across our sites
Sustainable procurement	• procuring more sustainable and efficient products by improving our understanding of the supplier chain • contributing towards the government's target of 33% of government expenditure with providers going to small and medium-sized employers (SMEs) – our final figure for spend with SMEs was 16.18% in 2014-15. The figure for 2015-16 will become available in late July 2016.
Climate change adaptation	• using evaluation tools which contain questions about climate change • undertaking flood risk assessments as a tool in business continuity planning
Rural proofing	• being flexible enough to meet the needs of rural communities and businesses through a range of initiatives including this case study: Withernsea and Holderness Outreach • we appointed Jobcentre Plus work coaches to support claimants who live in the rural Holderness area of the East Riding of Yorkshire • the coaches collaborate and partner with a range of organisations and local employers with the common objective of improving employment outcomes for claimants who face complex and intractable barriers, because of where they live
Biodiversity	Increasing biodiversity activity on our estate through projects such as: • installing bird boxes and feeders and creating a woodland walk at our site in Newton Abbott • cultivating a vibrant wild flower area at Flowers Hill in Bristol • planting wild flowers and creating hedgehog pathways and bee nesting areas at our site in Heywood
Life chances of disadvantaged people	Our department is committed to improving the life chances of the most disadvantaged people in our society so we're: • driving emerging policy across government to deliver wider economic and social impacts from our spend with major suppliers • arranging a strategic supplier meeting to promote the life chances agenda during 2016-17

Greening government commitments

We're supporting the government's ambition to become the greenest government ever. Here is a summary of our performance against the cross-government greening government commitments:

Summary of performance: Greening Government Commitments

	2009-10 baseline	2014-15 performance	2015-16 performance	2016[15] Target performance
Reduce greenhouse gas emissions by 25% from a 2009-10 baseline from the whole estate and business-related transport (TCO2e)				
Total greenhouse gas emissions	202,341[16]	132,352[17]	122,901[18]	Met
Reduce domestic business travel flights by 20% by 2015 from a 2009-10 baseline:				
Number of domestic flights	21,931	9,042	8,867	Met
Reduce the amount of waste we generate by 25% from a 2009-10 baseline (T)				
Total volume of waste produced (tonnes)	16,626	10,612	8,916[19]	Met
Volume of waste recycled (tonnes)	10,522	6,680	5,718	Met
Reduce the amount of paper used:				
A4 (reams)	2,061,685	890,570	777,360	Met
A3 (reams)	8,606	3,610	3,595	Met
Cost of cut paper	N/A	£ 1,691,958	£1,349,882	Met
Reduce water consumption from a 2009-10 baseline, and report on office water use against best practice benchmarks				
Total water consumption (m3)	810,701	595,194	591,650	Met

Water use performance against best practise benchmarks[20]:

	2009-10 baseline	2014-15 performance	2015-16 performance[21]
Best practise (<4m3/FTE)	107	66	123
Good practise (4-6m3/FTE)	500	267	218
Poor practise (>6m3/FTE)	156	372	354

Our waste management costs are included in our overall facilities management fee. It is currently not possible to separate out the costs for waste management.

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[15] The targets for 2016 were stated as a simple requirement to either maintain or improve from 2014-15.

[16] The baseline figure is adjusted due to new conversion factors. It was originally 204,621.

[17] The figure has been corrected with actual fugitive emissions data. It was originally published as 130,959.

[18] This contains estimated fugitive emissions data as annual data is not available.

[19] This does not contain ICT (or e-waste) waste as it was not recorded in the baseline.

[20] The figures show the number of offices achieving best practise, good practise and poor practise benchmarks where we are able to measure their performance.

[21] Water Benchmarks are based upon rounded data.

We're also supporting the wider community through a number of other initiatives which support sustainable development:

Troubled Families Programme

During 2015-16 we continued to support the Troubled Families Programme led by the Department for Communities and Local Government by providing a network of 307 work coaches, or Troubled Families employment advisers, in 150 local authorities. As of May 2015, 112,000 families had been turned around, 12,000 of which had achieved sustained employment with a further 9,000 moving closer to the labour market.

Armed forces

We were awarded the highest possible accolade for a government department for our support for the armed forces community in the workplace and beyond. We were given a silver award in the Ministry of Defence's Employer Recognition Scheme 2015.

We set up a network of armed forces champions to assist veterans and service families and this allows early access to support programmes. We supported armed forces recruitment which includes encouraging our people to join the reserves. We also introduced the Armed Forces Employability Pathway programme for our claimants who are interested in joining the armed forces.

Latest figures for January 2016 showed 55 DWP employees were actively serving as reservists in the armed forces.

Fundraising for charity

Our staff participated in many fundraising events during 2015-16. Here are some examples of what they have been doing:

- Staff in St Helens benefit service centre walked almost 2,000 miles to raise over £1,200 for the Charity for Civil Service Volunteers
- Staff working in our jobcentres in Bedfordshire and Hertfordshire raised a staggering £10,281 for 37 different charities through a range of activities including cake baking, marathon running and quizzes
- Staff in Bridgend contact centre raised almost £550 for the local lifeboat, Bridgend Carers and Text Santa through their Christmas Fayre
- Staff in the Carer's Allowance Unit in Preston helped man phone lines for Children in Need resulting in over £62,000 being donated or pledged via these lines

Community 10k

We actively encourage our staff to participate in the Community 10k programme. This year DWP staff volunteered over 50,000 days to good causes. Here is an example of what they've been up to this year:

- Staff in Bristol benefit centre helped out at monthly memory cafes by setting up venues, making refreshments, and chatting with people living with dementia and their carers

Apprenticeships

We are supporting the government's commitment to provide 3 million more apprenticeships during this Parliament. Our apprenticeships aim to diversify our department by bringing in new skills and are spread across project delivery, business administration, digital and technology, commercial and finance.

One of our apprentices said "apprenticeships are a good way of learning while getting valuable first-hand experience in the real world. And they offer qualifications which help to extend your knowledge in a specific area".

In 2015-16 there were 751 new apprenticeship starts in our department. This is more than double the intake in the previous year. In 2016-17 we are planning to offer around 2,000 new apprenticeships.

Better Regulation

We're supporting the government's ambition to achieve a Business Impact Target (BIT) that will save businesses a further £10 billion from regulatory provisions introduced during this Parliament. Since the introduction of the Small Business, Enterprise and Employment Act 2015, the government has a statutory duty to annually publish and report on its progress towards achieving the BIT. The Enterprise Act 2016 extended this reporting requirement to non-legislative activities of regulators from May 2017. The first report was published on 24 June 2016.

Our department, together with its regulators, the Health and Safety Executive (HSE) and The Pensions Regulator, has identified a number of options to support the delivery of this target.

Legislative measures coming into force between 8 May 2015 and 26 May 2016 will be set out in the report. The report will show our department's contribution to be an estimated saving for business of around £5.7 million a year at the end of May 2016.

We're also committed to the government's Cutting Red Tape (CRT) reviews. Three recently completed reviews did not have any actions or recommendations for the HSE. The HSE continues to participate in a number of reviews including reviews on agriculture and house building.

We're continuing to monitor our regulatory provisions closely, working to ensure any burdensome measures are compensated for through the new one-in, three-out rule[22] for this Parliament.

Sir Robert Devereux KCB
Permanent Secretary

30 June 2016

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[22] This rule prevents government policymakers from creating new regulations that increase costs on business and voluntary organisations. Where policymakers do need to introduce a new regulation and there is a cost to business to comply with it, departments have to remove or modify existing regulation(s) to the value of £3 of savings for every pound of cost imposed.

Accountability report

Our corporate governance

The Secretary of State for Work and Pensions, appointed by the Prime Minister, had overall responsibility for the departmental group. This group consisted of the core department and 11 arm's length bodies[1]. The core department included our public services and our corporate centre.

Our arm's length bodies (as shown in the table below) consisted of non-departmental public bodies and public corporations that vary in purpose and nature. They provided a number of functions including regulation and pensions and nuclear industries, protection and safeguards for the public, as well as the provision of information and guidance. They operated independently but have been held accountable to the department.

Classification	Pension bodies	Other bodies
Public corporations	• Pension Protection Fund • National Employment Savings Trust Corporation	• Office for Nuclear Regulation
Executive non-departmental public bodies	• The Pensions Regulator • The Pensions Advisory Service	• Disabled People's Employment Corporation (formerly Remploy Ltd) • Health and Safety Executive • Independent Living Fund[1]
Tribunal or advisory non-departmental public bodies	• Pensions Ombudsman • Pension Protection Fund Ombudsman	• Industrial Injuries Advisory Council • Social Security Advisory Committee

Most of these arm's length bodies came within our accounting boundary and have been consolidated into the accounts of the departmental group. The exceptions to this were the Office for Nuclear Regulation, Pension Protection Fund and National Employment Savings Trust (which is also an executive non-departmental government body).

The Secretary of State was supported by ministers, non-executive members, the Permanent Secretary, and executive directors general, who collectively formed our senior governance forums. These were headed by the departmental board, its supporting committees, the executive team and its supporting governance.

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[1] ILF closed on 30 June 2015. From 1 July 2015 responsibility for supporting ILF users passed to local authorities in England, the Welsh Independent Living Grant and ILF Scotland.

What the board does

The board's purpose was to form our collective strategic and operational leadership, bringing together the ministerial and executive leaders with senior non-executives from outside government. It was focused on getting ministerial policies translated into results – giving advice and support on the implications of policy proposals and maintaining oversight of our performance and long term strategy. The board met 4 times this year.

The board had five areas of responsibility

- setting standards and values and monitoring performance against our plans
- setting the department's vision and ensuring all our activities contribute to our strategies
- scrutinising our financial and human resource allocations and our change portfolio
- ensuring we plan for and have the capability to deliver current and future needs
- setting our risk appetite and ensuring the controls we have in place work

The departmental board had three sub-committees: the Departmental Audit and Risk Assurance Committee, the Nominations Committee, and the Technology Advisory Committee. The board delegated work to the committees so smaller groups of board members could examine issues in more detail. The Departmental Audit and Risk Assurance Committee and the Nominations Committee then presented their findings to the board for discussion and conclusion. The Technology Advisory Committee will report through the Technology executive team after each meeting and provide an annual report summarising its conclusions from work completed during the year.

The **Departmental Audit and Risk Assurance Committee** provided an independent view of the appropriateness, adequacy and value for money of our governance, risk management, control and associated assurance processes. The committee received and reviewed regular updates on our significant control issues.

The **Nominations Committee** provided advice to the board in relation to identifying and developing leadership and high potential, and scrutinising our incentive structure and succession planning arrangements.

The **Technology Advisory Committee** met formally for the first time in May 2016, agreeing responsibilities and scope. Chaired by the technology director general, it will advise on the adequacy and future direction of our technology strategy and our approach to accelerate delivery of digital technology, provide feedback on our multi-year technology plan, and make recommendations to ensure we remain secure.

Our executive team

As at 5 April 2016, our executive team consisted of the Permanent Secretary and 8 directors general, including the 3 who sit on the departmental board alongside him. Their collective role was to:

- maintain a clear vision for how we can best deliver policy from the board
- agree our business plan, including financial allocations and manage performance, holding people to account
- define critical roles and to appoint capable people
- identify risks to delivery, and agree responsibility and resource to mitigate them
- improve capability, especially in key areas

Their individual roles are:

Sir Robert Devereux KCB	Permanent Secretary, Principal Accounting Officer and departmental board member Responsible for overall departmental expenditure and management
Jon Fundrey	Acting Director General, Finance, and departmental board member Responsible for providing financial and commercial services, corporate planning and performance management, risk management and governance
Andrew Rhodes	Director General, Operations, and departmental board member Responsible for leading day-to-day delivery of our public services
Mayank Prakash	Director General, Technology, and departmental board member Responsible for providing security, information management, and technology services
Neil Couling CBE	Director General, Universal Credit Responsible for the Universal Credit programme
Debbie Alder	Director General, Human Resources Responsible for providing human resources services and business continuity
Jeremy Moore	Director General, Strategy, Policy and Analysis Responsible for giving ministers a joined-up view of their policies, developing proposals for change and managing our spending on welfare
Kevin Cunnington	Director General, Digital Transformation Responsible for developing and overseeing our business and digital transformation strategies
Claire Johnston	Director General, Legal Services and our senior legal adviser (DWP's legal services are provided by the Government Legal Department) Responsible for providing legal services

The executive team was supported by 2 sub-committees:

- The Investment Committee, which oversaw our change portfolio, focusing on our ability to deliver strategic outcomes through realistic assessments of deliverability, capacity, capability and interdependencies.
- The Risk Advisory Board, which supported the executive team to fulfill its risk management responsibilities, including the need for an effective process, and a single joined up view of risk.

Departmental board

4 board meetings available in 2015-16

The Right Honourable Stephen Crabb MP

Secretary of State for Work and Pensions

Attended 0 board meetings

Appointed 19/3/16

The Right Honourable Priti Patel MP

Minister of State for Employment

Attended 3 board meetings

Appointed 12/5/15

Baroness Altmann CBE

Minister of State for Pensions (Lords)

Attended 2 board meetings

Appointed 12/5/15

Shailesh Vara MP

Parliamentary Under Secretary of State for Pensions (Commons)

Attended 2 board meetings

Appointed 9/7/15

Justin Tomlinson MP

Minister for Disabled People

Attended 4 board meetings

Appointed 12/5/15

Lord Freud

Minister of State for Welfare Reform (Lords)

Attended 4 board meetings

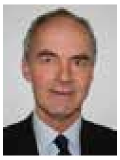
Appointed 12/5/15

Dame Clara Furse DBE

Lead Non-executive member

Attended 4 board meetings

Appointed 1/7/11



Lieutenant General (Retd) Andrew Graham, CB CBE

Non-executive member
DARAC Chair

Attended 4 board meetings

Appointed 12/3/15

David Lister

Non-executive member

Also Technology Advisory Committee

Attended 2 board meetings

Appointed 1/7/11

Dr Doug Gurr*

Non-executive member

Attended 1 board meeting

Appointed 1/1/16

Sir Robert Devereux KCB

Permanent Secretary

Attended 4 board meetings

Appointed 1/1/11

Andrew Rhodes

Director General, Operations

Attended 0 board meetings

Appointed 28/3/16

Jon Fundrey

Acting Director General, Finance

Attended 0 board meetings

Appointed 1/4/16

Mayank Prakash

Director General, Technology

Attended 4 board meetings

Appointed 17/11/14

Executive team

Jeremy Moore

Director General, Strategy Policy and Analysis

Appointed 27/1/14

Debbie Alder

Director General, Human Resources

Appointed 1/1/14

Kevin Cunnington

Director General, Digital Transformation

Appointed 14/10/13

Neil Couling CBE

Director General, Universal Credit

Appointed 1/10/14

Claire Johnston

Director General, Legal Services

Appointed 12/1/15

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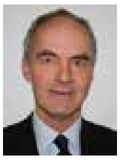
* Dr Doug Gurr resigned from his departmental board position on 27 April 2016 owing to a change in his business commitments.

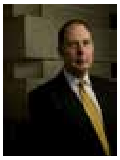
Departmental board sub committees

Departmental Audit and Risk Assurance Committee

5 committee meetings available in 2015-16



Lieutenant General (Retd) Andrew Graham, CB CBE
Non-executive member – Chair
Attended 5 meetings
Appointed 1/4/13



Martin Hagen
Non-executive member
Attended 5 meetings
Appointed 1/4/14

Lynne Turner
Non-executive member
Attended 5 meetings
Appointed 1/4/13

Vacancy
Non-Executive Member

Nominations Committee

2 committee meetings available in 2015-16

Sir Robert Devereux KCB
Permanent Secretary – Chair
Attended 2 meetings

Dame Clara Furse DBE
Non-executive member
Attended 2 meetings

David Lister
Non-executive member
Attended 2 meetings

Debbie Alder
Director General, Human Resources
Attended 2 meetings

Technology Advisory Committee

Mayank Prakash
Director General, Technology – Chair

Annette Sharkey
DWP COO – Technology Group
Appointed 1/6/15

David Lister
Non-executive member

Jim Arnott
Non-executive member
Appointed 15/12/15

Robin Johnson
Non-executive member
Appointed 1/1/16

Ashley Machin
Non-executive member
Appointed 15/12/15

Board and committee changes

Function	Name	Change
Ministerial	Rt Hon Iain Duncan Smith MP (Secretary of State) (attended 4 meetings of the departmental board)	Left the department on 18 March 2016
	Mark Harper MP (Minister of State for Disabled People)	Left the department on 14 May 2015
	Rt Hon Esther McVey MP (Minister of State for Employment)	Left the department on 11 May 2015
	Steve Webb MP (Minister of State for Pensions)	Left the department on 8 May 2015
Non-executive	Willy Roe, Non-executive member of the departmental board	Left the department on 30 May 2015
Executive	Kevin Cunnington, Director General, Business Transformation	Appointed to a permanent role on 14 October 2015
	Neil Couling, Director General, Universal Credit	Appointed to a permanent role on 7 March 2016
	Mike Driver, Director General, Finance[2] (attended 4 meetings of the departmental board)	Left the department on 31 March 2016
	Noel Shanahan, Director General, Operations (attended 3 meetings of the departmental board)	Left the department on 31 March 2016.

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[2] Jon Fundrey is currently acting director general, finance. Peter Schofield takes up the role in July 2016.

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), I have been directed by HM Treasury to prepare consolidated resource accounts for the Department for Work and Pensions, for each financial year. These detail the resources acquired, held, used or disposed of during the year by the departmental group. This group consists of the department itself and our sponsored arm's length bodies, as listed in 'Our corporate governance' on page 72. The arm's length bodies are designated by order made under the GRAA by Statutory Instrument 2015 number 2062.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the departmental group. This should include the departmental group's net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts I am, as Permanent Secretary and Accounting Officer, required to comply with the requirements of the Government Financial Reporting Manual (FReM). In particular, I must:

- 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 we have 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 our arm's length bodies
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going-concern basis

HM Treasury has appointed me as the Accounting Officer of the Department for Work and Pensions. I have also appointed the chief executives of our sponsored and other arm's length bodies as accounting officers of those bodies. I am responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that we make to our sponsored bodies are applied for the purposes intended.

I must also make sure such expenditure, and the other income and expenditure of the sponsored bodies, is 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 are set out in 'Managing Public Money', published by HM Treasury. These include responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, and responsibility for keeping proper records and for safeguarding the assets of the department or arm's length body for which the accounting officer is responsible.

Governance Statement

HM Treasury requires the inclusion in the Annual Report and Accounts of a Governance Statement. The statement should:

- describe the system of control which, as Principal Accounting Officer, I have put in place within the department
- record the assurances which I have received from my executive colleagues and from internal audit on the operation of that system of control
- record my view of the effectiveness of the system of control, and detail those control issues which I judge to be significant

The system of control

We are governed by a system of three complementary responsibilities:

- the Secretary of State's overall responsibility for the department
- my responsibility, both to the Secretary of State and directly to Parliament, as the Principal Accounting Officer for my department's expenditure and management
- the departmental board's collective responsibility for advising us on strategic and operational issues, and for scrutinising and challenging our policies and performance

Our governance framework is described in 'Our corporate governance'.

The system of control comprises the role and responsibilities of the departmental board and its committees, my role as the Principal Accounting Officer, and by delegation, my executive team and our arm's length bodies. It includes the control framework we have created, which is supported by internal and external assurance.

There were no ministerial directions in 2015-16.

Departmental board

The Secretary of State chairs the board which comprises his ministerial team, our non-executive directors, me and three members of my executive team (the directors general for operations, finance and technology). The board met four times in 2015-16.

The responsibilities and attendance of the board are described in 'Our corporate governance'.

In 2015-16 the board focused on:

- reviewing our key change programmes and significant risks, including cyber threats and preparedness for a breach should it occur
- the scale of our spend and delivery requirements, and the various challenges to achieving the transformation required in this Parliament

The board's effectiveness evaluation found that it continues to operate well. It also found that our non-executive directors have used their expertise to support and challenge delivery. For example:

- Dame Clara Furse, our lead Non-executive member reviewed and provided input to inform the drafting of our Single Departmental Plan
- Andrew Graham continues to meet with the Universal Credit Senior Responsible Owner to support programme development and delivery
- David Lister continues to help develop our digital and technology capability and has supported the recruitment of non-executive members to the Technology Advisory Committee

The 'Lead Non-executive director's report' contains more detail of the board's work.

As required under the 'comply or explain' approach, the board is satisfied that we have complied with the principles in 'Corporate Governance in Central Government Departments: Code of Good Practice', the only exception being whilst we recruited a fourth non-executive member to our departmental board (see 'Our corporate governance'). We undertake proactive succession planning for the board and its sub-committees, and our structured induction programme supports the board's effectiveness.

Financial and performance data is extracted from corporate accounting and operational systems. This means it is subject to regular, planned, internal quality assurance checks (for e.g. reconciling balances), independent audits and proportionate external assurance. Individual departmental board (and sub-committee) members sponsor discussion papers for each item brought to the meeting. This helps to ensure they are of a similar quality and support focused discussion on key issues. No concerns have been raised about the quality of information received by the board or its sub-committees in 2015-16.

The board has three sub-committees so that smaller groups of board members can examine issues in closer detail alongside other executives and non-executive directors. The committees then present their findings to the board for discussion and conclusion. The sub-committees are:

- The **Departmental Audit and Risk Assurance Committee** gives me an independent view of the adequacy, effectiveness and value for money of our governance, risk, control and associated assurance processes. The committee met five times during 2015-16. During the year the committee probed security, devolution, people and estates, and digital transformation risks. It received regular updates on the Universal Credit programme and tested the risks around the delivery of the Personal Independence Payment programme. They were also assured on progress to improve our commercial capability and capacity, and looked into our stewardship of our arm's length bodies. This year's effectiveness review of the committee focused on its role, scope and support. It once again found the committee to be effective and well supported.
- The **Nominations Committee** advises on identifying and developing leadership and high potential. They also scrutinise our incentive structure and succession planning. The committee met twice in 2015-16 and considered the challenges around SCS talent management and the outcomes required to deliver our People and Locations Programme, along with in depth discussions on delegated pay arrangements.

- The **Technology Advisory Committee** will advise on the adequacy and future direction of our technology strategy and our approach to accelerate delivery of digital technology, provide feedback on our multi-year technology plan, and make recommendations to ensure we remain secure. Recruitment to the committee has been completed and the committee met formally for the first time on 24 May 2016. The committee will also present their findings to the Technology Group executive team.

Senior management remuneration is disclosed in the remuneration and staff report. We also keep a register of our non-executive directors' and ministerial board members' interests. This contains details of company directorships and other significant interests held by those members. None of our ministers, senior managers, or non-executive directors held directorships which conflicted with their management responsibilities in 2015-16.

Copies of the register are available on request. A list of ministerial board members interests can be viewed online (www.gov.uk).

Executive team

As Permanent Secretary, I am responsible for the executive management of the core department. As the Accounting Officer, I am responsible for maintaining a sound system of internal control that helps us achieve our policies, aims and objectives, while safeguarding public funds and our assets, for which I am personally responsible. The full responsibilities of accounting officers are listed in 'Managing Public Money'.

I am supported by a team of directors general and, together with a legal representative (employed and paid by the Government Legal Service) we collectively form the executive team. Our individual accountabilities for 2015-16 are described in 'Our corporate governance'.

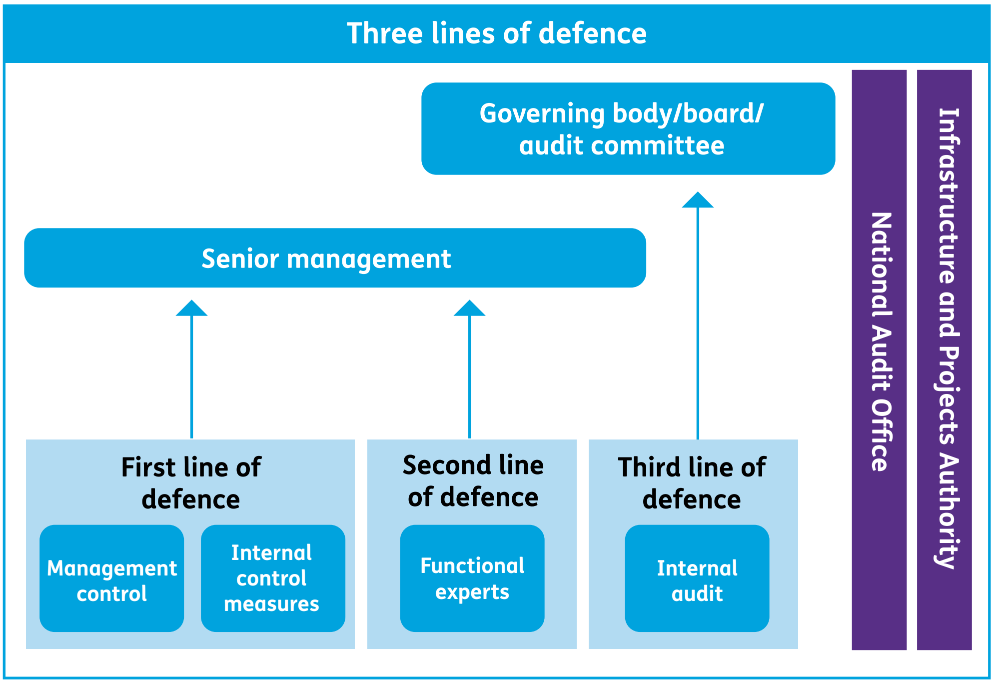
The executive team agrees the framework of responsibilities, plans and resources that will deliver our agenda. We also make sure our culture supports that agenda, and are responsible for challenging and approving investment plans. We ensure we remain on track to deliver our published objectives through a monthly performance and risk discussion that analyses indicator outcomes and agrees actions to take.

A major part of our work is managing risk. We have agreed a risk management framework (compatible with the international risk management standard ISO31000) and hold a weekly discussion of individual members' highest priority risks and concerns. Our discussion identifies where additional controls are needed and agrees actions to take, such as on capability and capacity. We monitor and manage the department's risk profile through monthly in-depth discussions of our most significant risks, including when appropriate risks to our Change Portfolio, as well as continually reviewing our risk management processes to ensure they remain proportionate and useful.

Executive team members have delegated financial and risk management authority appropriate to their responsibilities, business and personal objectives. They also escalate risks where they affect other businesses, or where a collective decision is needed on a risk that affects the responsibilities or objectives of others.

Risk management

Last year I described how we had clarified and strengthened the way we manage risks, ensured compliance and enabled assurance in line with the 'three lines of defence' model. We have extended this approach in 2015-16.



I established a Risk Advisory Board in October 2015. Chaired by the finance director general and with representatives from across the department, it ensures he has a wider perspective on risk management, supporting recommendations and decision-making at executive team meetings. Risk reports now enable the executive team to consider the forward profile of each risk in support of decisions on control activities.

Our corporate risk management team is now a centre of expertise, and 2nd line of defence function. This year the team have conducted health checks on five of our most critical change programmes, feeding the outcomes into strategic risk updates and finding in each case that the level of risk management maturity reflected the programme's overall level of maturity. They continued to help our staff to understand and manage risks more effectively, delivering training to more than 4,250 staff.

A horizon scanning exercise in July helped to improve our management of external risks to the department. We considered new, or changing, medium to long term risks (including risks related to banking infrastructure and terrorism), and this informed our strategic thinking, planning and target setting. Our discussions ensure that contingency arrangements and mitigations are in place.

Change Portfolio management

Following a review of Change Portfolio management, the executive team established a new sub-committee in June 2015 to have oversight of our investment portfolio. The Investment Committee, chaired by the finance director general, approves new change programmes and projects to our portfolio, confirms project governance arrangements and approves delivery tolerances for our Change Portfolio senior responsible owners to manage within. It helps us to focus on our ability to deliver strategic outcomes through realistic assessment of affordability, deliverability, capacity, capability and interdependencies. A Business Design Authority, chaired by the business transformation director general, ensures that all change is aligned with our strategic vision and target business design. It also oversees and prioritises our portfolio of digital projects.

Each of our programme boards has a defined role and responsibility. Each programme board member has defined accountabilities with appropriate authority from their director general to manage their relationship with the project, provide assurance about compliance with standards and departmental strategies, and take decisions.

The Risk Advisory Board reviewed all programmes on our portfolio, agreeing a suite of measures to support programmes, projects and the Investment Committee, including the setting of risk tolerances and a more detailed view and map of dependencies. I have continued with regular stocktakes for those of our programmes on the government's Major Projects Portfolio. These involve me, my finance and business transformation directors general and the senior responsible owner of each programme. They provide further assurance that each programme is supported by realistic and achievable plans, and that these plans use resources reasonably and sustainably within agreed limits. They also ensure that each senior responsible owner understands the issues, risks and dependencies associated with delivering their programme. The accountabilities of senior responsible owners are formally delegated through appointment letters issued jointly by me and the chief executive of the Infrastructure and Projects Authority (available through www.gov.uk).

We continue to work closely with the Infrastructure and Projects Authority and HM Treasury to provide independent assurance of major projects and programmes. There were 10 external reviews of 8 of our projects in 2015-16. Their delivery confidence ratings reflect the complexity and significant interdependencies across the portfolio delivering both ministerial policy changes and transformational change, the latter underpinned by an increasing digital portfolio. In addition, internal gateway reviews generate recommendations to prompt further improvements to project delivery.

Security management

Departmental security is managed by the chief security officer, now at director level, who chairs the Departmental Security Oversight Board, and is represented on the executive team by the senior information risk owner (SIRO). The SIRO is accountable for our information risk management. He is supported by the chief security officer, by other leaders in the Technology Group (responsible for secure design and implementing solutions), and by a network of business SIROs and support teams. Each business SIRO is accountable in their part of the business for identifying and understanding information assets and championing good security behaviours. Programme senior responsible owners and business service owners are responsible for understanding their information risks and for ensuring they are appropriately treated. We are strengthening these accountabilities through more formalised statements of responsibility, and have identified the role of technology system owner to take responsibility for specific technical mitigations.

A single team (formed last year) oversees and advises on security and continuity planning, capability building, incident response and both protective and defensive measures for the department (our information, people, and premises). The team continues to focus on:

- improving governance including clarity of roles and accountabilities, and ensuring we have the means and technical capabilities to measure and report against security controls, incidents and compliance
- identifying our most valuable assets, and ensuring all our critical national infrastructure systems and the assets they hold and transmit are protected
- identifying threats and vulnerabilities and concentrating on assessing and managing risks, integrating the approach across our business and with delivery partners
- reviewing and putting in place core policies, processes and procedures, and ensuring that all users and stakeholders understand their responsibilities in helping to secure our assets
- controlling access to sensitive information, and ensuring strong physical security is maintained across the estate
- developing and maturing our incident management, through high level and operational scenario exercises and building technical response capabilities and ensuring integration between security and business continuity regimes
- enhancing skills and functional capabilities, thereby building a more mature organisational security culture

All of these activities have progressed, through a combination of funded projects, clarification of accountabilities, development of a new target operating model and establishment of a new security education and awareness programme.

In 2015-16 no personal data incidents were formally reported to the Information Commissioner’s Office.

We continuously monitor and assess our information risks to address weaknesses and create new capabilities. We continue to upgrade our technology infrastructure, and this will further reduce the risks from electronic storage, though it will require prudent management and continuous monitoring as transformation accelerates.

Service provider management

Along with other parts of government we currently use government joint ventures (Shared Services Connected Ltd and MyCSP), who deliver accounting and employee services, staff pension administration, and invoice processing for us. These commercial arrangements are managed strategically by the Cabinet Office and departmentally through the relevant governance. The arrangements with SSCL have this year been supplemented at an operational level with a board advising on the implementation of the new single operating platform.

Analytical models management

An improved quality assurance framework, covering our business-critical analytical models, was agreed in 2014. It has been tested and deployed. Lead analysts are now accountable for the quality of the models in their area, and we have provided further best practice guidance and training to all staff developing models.

A policy costings and forecast scrutiny committee, with members from our finance and strategy, policy and analysis groups, scrutinised fiscal costings and forecasts at each of the three fiscal events, improving their quality, and providing feedback and learning to producers.

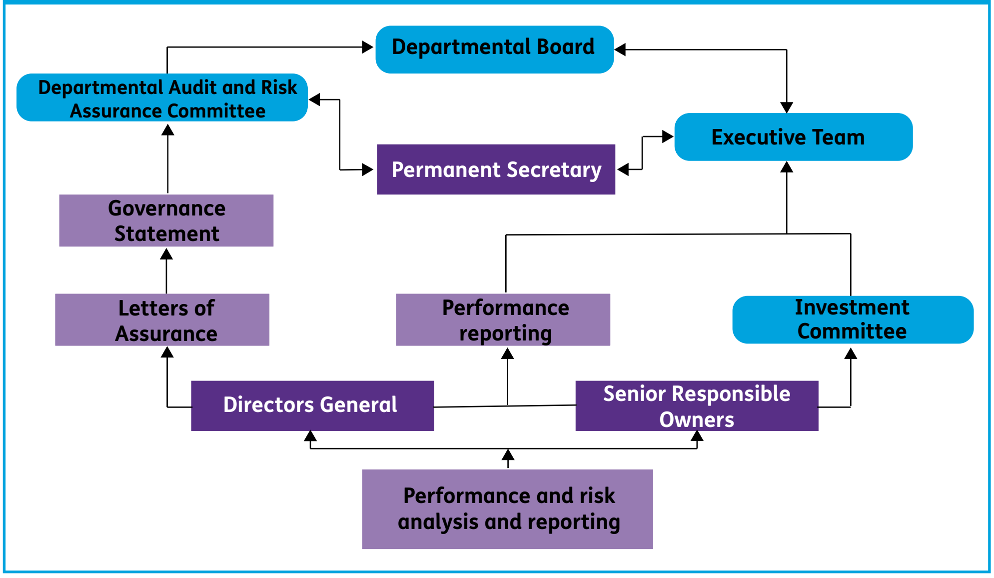
We have maintained our list of business-critical analytical models and we are conducting an in-depth audit to ensure appropriate quality assurance for each model's level of risk and impact. This has already been completed for the Finance Group's models. New business critical models have been subjected to internal scrutiny independent of the producing teams. The Analytical Quality Assurance (Aqua) Book was published in March 2015 (www.gov.uk) to provide guidance on producing quality analysis for government. This guidance is being progressively embedded.

Assurance about the operation of the system of control

Letters of assurance from executives

At the end of the financial year, each director general provides me with a letter of assurance reporting on the effectiveness of the controls that support their business activities and delivery of policies.

Our performance and risk assurance



Cumulatively I am satisfied that these letters show that my directors general have an effective grasp of the governance and internal control structures within the businesses they lead and that I can rely on them to manage risks within their business. They have identified a number of issues this year that I am satisfied they are effectively managing within their teams. These include (but are not restricted to):

- leading the development of the Life Chances Strategy: challenges include securing relevant funding and managing cross-departmental overlaps in policy
- a project to manage our transition to a new banking contract with Royal Bank of Scotland, following the Government Banking Service renewal of cross-government contracts for Money Transmission Services, which is being led by my finance director general

Assurances covering arm's length bodies

The strategy, policy and analysis director general provides similar assurances over governance and control arrangements in our 11 arm's length bodies which deliver outcomes on our behalf. Each arm's length body has a steward and lead contact, while a central team has responsibility for oversight and cross-cutting themes. The departmental board (both directly and through the Departmental Audit and Risk Assurance Committee) have discussed and agreed a series of arm's length body transformation reviews. They also receive a regular update covering the delivery, financial performance and risk management of our arm's length bodies.

Last year, we undertook a review looking at finance and commercial change processes, performance reporting, and functional leadership. The review concluded that there are satisfactory governance controls in place, but made a number of suggestions to strengthen arrangements further and improve our corporate approach to arm's length body sponsorship. These have now been implemented. We are proposing an annual assurance assessment to provide assurance that we have a good overview of each body, and allow us to review our tailored stewardship arrangements. Our stewardship of arm's length bodies is also subject to internal audit scrutiny. A recent review found our stewardship framework was largely adhered to but made some recommendations to further enhance control arrangements.

Our arm's length bodies are independent entities, responsible for ensuring that their risks are dealt with appropriately. Our risk management approach is written into the framework documents that govern our relationship with most bodies. Whilst it would not be appropriate for us to direct independent bodies to undertake specific risk management activity, we do monitor their financial and operational performance on an on-going basis through regular dialogue with our stewardship team. This includes:

- quarterly accountability reviews attended by the chief executive, finance director and other senior officers
- officials attending their audit committee meetings
- sharing risk management expertise – for example on cyber security

In addition the Automatic Enrolment Programme is part delivered by the National Employment Savings Trust and The Pensions Regulator, both of whom escalate risks as appropriate from their risk registers that may require the attention of the programme.

Assurance from internal audit

Now part of an independent cross-government agency, the DWP group chief internal auditor provides independent assurance to me and the departmental board (via the Departmental Audit and Risk Assurance Committee). This includes audit and advisory engagements, which help us improve our risk management, control and governance. We make sure that as far as possible our internal and external assurance providers work closely and minimise duplication of work.

In the opinion of the DWP group chief internal auditor, the governance, risk management and control arrangements throughout the year have provided a 'moderate assurance', defined as 'some improvements are required to enhance the adequacy and effectiveness of the framework'. This opinion is based on the consolidated findings and recommendations from reviews in 2015-16, and the cumulative audit knowledge and experience of the department and its operations.

Reviews have shown that improvements are being made to address the limitations identified to provide an effective control framework and to manage the continuing challenges and risks we face. It was clear positive actions continue to remediate and strengthen information security. However, further work is required to fully implement and embed these changes, alongside the modernisation of the information technology infrastructure and the enhancement of technical capabilities.

Whistleblowing

We have taken a positive approach to whistle-blowing by raising the awareness of whistleblowing policies and procedures with all employees. During 2015 I highlighted updates to our whistleblowing and crisis of conscience policy internally and our homepage contained a link to the internal investigations webpage throughout the summer. These activities have seen a corresponding increase in the number of staff who raised a concern in 2015-16. This has resulted in the effective and timeous investigation of 24 whistleblower complaints, only 4 with a case to answer and 20 with no case.

Accountability System Statement

My Accountability System Statement (available from www.gov.uk) currently explains how we meet our responsibilities for funding streams provided to local authorities and other local bodies outside our direct control, where they are not governed directly by contractual arrangements. It records that there is a generally robust framework for each of the funding streams. It is due for revision in the autumn reflecting on cross-government recommendations from the National Audit Office[3] and steers from HM Treasury.

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[3] 'Accountability to parliament for taxpayers money' published 24 February 2016.

My assessment of the system of control and significant control issues

From the developments recorded above in the system of control, and the assurances I have received, I consider that the Department has improved the controls it operates, and I share the Internal Audit view that the controls provide ‘moderate assurance’.

Within the overall system of control, there are six control issues which I regard as significant. Each of these, and the action we are taking, is described below.

Key	
⊗	The level of concern has increased over the last six months
⊕	The level of concern has decreased over the last six months
⊜	The level of concern has stayed the same over the last six months

For each one a trend indicator shows the direction of travel, as illustrated in the box above.

First though, one control issue declared last year is no longer significant. This is the longstanding issue with the accuracy of child maintenance assessments (and recorded arrears) under both the 1993 and 2003 schemes. This issue has resulted in the qualification of the Child Maintenance Client Funds Account, over many years. We are managing this through the replacement of both schemes with the 2012 Child Maintenance Scheme. This scheme, supported by a separate account, can be fully reconciled daily. Automation of decision making has increased from 18% of decisions in 2014-15 to 48% in 2015-16 and our sustained performance improvement will hopefully support removal of the regularity qualification on the 2012 scheme (due to the level of assessment accuracy – now at around 97-98%), by 2016-17. This will be achieved through improving accuracy where there is a manual intervention, along with an increasing proportion of decisions by automated calculations.

Case closure on the 1993 and 2003 schemes will provide an opportunity for correcting some recent errors and writing off some arrears on cases on those schemes – from over 500,000 cases selected for closure so far, by December 2015 we had ended the liability on over 295,000. However, this will not eliminate or wholly correct the overall arrears balance which has been qualified by the Comptroller and Auditor General on grounds of historic inaccuracy.

Finance

Monetary value of fraud and error

This continuing control issue is to protect the annual spend on benefits and pensions (around £173 billion in 2015-16) against fraud and error. Preliminary estimates show that the level of overpayments due to fraud and error in 2015-16 remained at the all-time low of 1.8% of benefit expenditure (£3.1 billion). Working together with local authorities we estimate we have recovered £980 million of overpayments in 2015-16, resulting in an estimated net loss of 1.2% (£2.1 billion). Underpayments have increased from 0.9% to 1.0% (£1.8 billion). The Comptroller and Auditor General has qualified his opinion on our accounts on regularity (as he has since 1988-89) due to the material level of fraud and error in benefit expenditure.

Factors affecting trend

We have a clear view of what we need to do to reduce fraud and error in each benefit and Universal Credit (measured for the first time this year) is expected to deliver significant fraud and error savings relative to the benefits it replaces. However, as we absorb the Tax Credits caseload, the landscape will change, and we are projecting a flatter profile over the next five years. Recovering debt remains a key activity and we are progressively taking responsibility for significant Tax Credit debt, to more than double our existing £3.4 billion debt stock.

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TREND

Summary of activity

We have a long-term fraud, error and debt strategy, but have now also set out our strategy for reducing fraud and error for each benefit, having assessed the likely return on each of our initiatives. We have specifically focused on Housing Benefit and Pension Credit, which account for over 50% of the money lost.

We have used analysis to focus not only on those benefits which give rise to the most fraud and error, but also on the underlying causes. We have now put measures in place that build on existing initiatives and respond to recommendations from both the National Audit Office and the Public Accounts Committee. A cross-cutting activity plan now covers a broad range of benefits and includes strategies which address fraud and error from ‘living together’, earnings and capital.

Earnings have traditionally accounted for nearly one third of the money lost to fraud and error. We have focused attention on putting measures in place to identify changes in a customer’s income. Significantly, we have used the Real Time Information initiative (where we have access to employment earnings details) to conduct regular data matching exercises in order to identify customers who have not declared (or have under-declared) income from earnings or pension payments.

‘Living together’ fraud and error is projected to increase as Tax Credit customers move to Universal Credit. We have commissioned various initiatives, including data sharing with third parties, better analytics, additional gateway checks and assessment of policy options in order to establish clear priorities and maintain momentum.

The government has agreed a future joint target with HM Revenue and Customs for net losses due to fraud and error overpayments to be no more than 1.6% of total welfare spending by 2017-18. This challenging target consists of overpayments in tax credits, the monetary value of fraud and error overpayments of DWP benefits less the value of DWP benefits overpayments recovered.

Reliance on contractors who deliver key welfare reform services

In 2015-16 we spent more than £3 billion on contracted services supporting our day to day operations. The main control challenges are:

- managing markets when we are sometimes the only buyer of services; and
- managing healthcare assessment provider performance, in particular to sustain quality assessments for Personal Independence Payment (PIP), especially the programme to reassess working age claimants of Disability Living Allowance (DLA).

Factors affecting trend

The positive trend reflects the fact that we have recently agreed a new performance contract with our lead healthcare provider, and that we have also strengthened and continue to improve our contract management capability through both recruitment and commercial training.

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TREND

Summary of activity

Our commercial category management model led to the identification of four priority commercial areas – technology, employment programmes, health services assessment contracts, and property, all now overseen by new SCS commercial leads.

Senior contract owners, who have received in-depth commercial training and are part of a networking forum, are in place for all our top 25 contracts.

Commercial capability is overseen by a capability board, chaired by the HR director general. It provides challenge and assurance of plans and outcomes in the priority areas identified in our capability plan. We are increasing the number of senior roles to provide leadership, experience and knowledge. Recruitment of external commercial professionals from the private sector will bring best practice knowledge and experience to central government departments.

Recognising our long-term concerns over our health services contracts in particular, we are ensuring we are fully aware of what the market can offer. We have undertaken extensive supplier visits over the last six months to possible future providers to develop market capacity and increase competition.

For PIP we have undertaken and completed contract reviews with both of our providers resulting in better performance measures for quality and other service levels. We have also included terms which give even greater financial transparency to the suppliers' contract finances. We continue to review the contracts with our assessment providers to ensure they keep pace with our requirements. We also continue to engage with the health services market to assess the balance of supply and demand and our options to manage this.

For PIP, working with our contractors, we have reduced the average end to end clearance time to 13 weeks (from a high of 42 weeks in 2014). We have begun the full rollout of PIP for those on DLA, using a test and learn approach. Extension of the timetable for the programme has further de-risked its delivery.

The Centre for Health and Disability Assessments (CHDA) took over the Employment and Support Allowance assessment process in March 2015. The Office for Budgetary Responsibility recognises that the performance of CHDA is on track to bring down the assessment backlog, with the number of people awaiting an assessment falling by more than 54% since February 2014.

Information and Technology

Keeping our systems and data safe

Since we hold a huge amount of sensitive personal data, we face – like similar organisations – a challenge to secure this data, and our information systems, from a range of threat factors, with malicious or criminal intent, and accidental breach. Motivations include theft of information, obtaining financial benefit, or a desire to disrupt our services and / or impact our reputation.

Factors affecting trend

Although this is an area of significant focus and is supported by a dedicated team, our greater level of concern reflects the increasing frequency of attacks on government departments and on the big data systems of high profile companies (e.g. Talk Talk). It also reflects the challenge to reinforce good information security practices and build new technical capabilities at a time of rapid transformation to digital services and when organisational change can divert resources or attention from good information security in all parts of the business.

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TREND

Summary of activity

The major changes to our security over this period have seen movement away from multiple activities, to a co-ordinated risk based programme working across the Department, and directly supporting our digital transformation and 2020 vision. The outcome of the programme is to protect the information we hold, the trust of those who give us it, and the public purse, and to ensure we are ready for a possible breach.

The following 5 areas highlight the key focus change areas on information and cyber security:

- For the first time moving control for all aspects of our information security from service providers to an in-house central security function along with an assurance that we have captured all accountabilities and responsibilities.
- Greater focus on application, digital and online transactional security, to promote confidence in our online services, and to support our digital roadmap with risk based security.
- Initiation of a portfolio of security projects to support breach readiness, and embed security into the cultural fabric of the organisation. These projects all focus on the protection of our information assets and the safety of our people. 147 projects were risk assessed during the year and we completed 34 IT health checks including for all of our most critical systems, with a full programme of remediation well underway.
- Review and publication of simpler and more modern core policies, with continued development of supporting standards, as the basis for a more comprehensive compliance regime.
- Campaign for up-skilling and attracting new talent in support of the security strategic road map, alongside creation of an organisation-wide security education and awareness programme.

The activities and output from these areas, reinforced by a sharper focus on physical security, provide us with layered security protection. This leaves no one area as a single point of failure.

We have completed a full external review of our security organisation and its capability needs. We are implementing a new enterprise security risk management strategy, linked to stronger governance and the continued drive to ensure clear accountabilities for information risk management throughout the organisation. We will be deploying suitable supporting software, allied to the organisational governance refinements coming into place. A full range of targeted IT security health checks has already been undertaken in relation to our critical national infrastructure systems, and others in the Top 30 most critical systems. The resulting programme of remediation is well underway. A programme of critical projects was begun in 2015-16 to enhance our technical capabilities, including protective monitoring.

We have conducted cyber-incident and information breach exercises at senior levels, to start to build understanding and awareness at the most senior levels on what is needed to respond in such circumstances. This exercise programme is growing. We are well connected to external government agencies providing threat and incident information and also closely involved in cross-government cyber exercises and planning, to enhance understanding, capability and co-operation.

Transforming our IT infrastructure and capability to meet welfare reform and future digital needs while maintaining our existing systems

IT transformation requires the careful management of IT systems, our relationship with our IT providers, the upgrading or changing of much of our IT infrastructure, and the improvement in our IT capabilities.

Factors affecting trend

We have made significant progress in transforming our IT infrastructure. We have been recruiting additional qualified professionals, but we need to continue this and create an effective function.

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TREND

Summary of activity

We have made an unprecedented 42% reduction in the number of employee hours lost as a result of outages and degradation of our top IT services. We have achieved this by fixing many longstanding issues, solving other problems before they become significant, and monitoring services to provide early warnings. We prioritise activity through a new target operating model.

We are building our digital future at pace while we continue to manage the critical interface between old and new IT until our older systems are phased out or replaced. We are managing risks as we transition to new 24/7 digital services, to new hosting arrangements, and as we deliver technology to underpin welfare reform. For example the Universal Credit live service is now rolled out across the country to single unemployed claimants, and some families depending on where they live. We have put in place a portfolio view of our activities, with more responsive early change governance, and a streamlined approach to commercial contract management.

We are building a blend of talent from across government as well as from the external market while growing our own skills. We are well into a demanding recruitment programme to improve our digital, data and technology capability. This is, though, the most demanding element of our capability build (reported otherwise under the final control issue below), and our plans are ambitious. We also need to create the right culture across existing and new colleagues. Our Digital Academy is an important enabler to building internal digital awareness and capability. We are doing this at three levels – caseworkers, business coaches/ digital champions and senior leaders, with the Digital Academy developing supporting products and tools. Using this fusion of approaches we are changing our skill base to enable us to effectively meet our significant 2020 requirements.

Change

Delivering large, complex welfare reform programmes

Large, complex, welfare reforms present a series of challenges to ensure they are safely controlled.

Factors affecting trend

The positive trend here reflects our significant progress with the largest and most complex change programmes, since they began in the previous Parliament, and the successful launch of the new State Pension. Our control environment also continues to improve.

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TREND

Summary of activity

Supported by an enhanced, more focused approach to change governance (providing greater clarity and visibility of individual and board accountabilities) we have delivered:

- national rollout of Universal Credit to single unemployed claimants, and some families depending on where they live. From May 2016, the full service is being delivered in phases initially at 5 jobcentres per month, with plans to scale up to 50 jobcentres a month in 2017
- a controlled start to reassessing existing Disability Living Allowance cases commencing in July 2015 with the full programme (by postcode area) starting on schedule in October and a signed contract for contractor performance volumes on Personal Independence Payment
- over 6 million workers saving for a workplace pension as a result of Automatic Enrolment by over 100,000 employers
- new claims to new State Pension starting on time from January 2016, with payments beginning in April 2016
- closure of liability of nearly 300,000 of the 500,000 old Child Support Agency cases we have so far selected

Our achievements this year continue to be supported by effective change governance. Directors general now have greater control and oversight of projects, from feasibility to delivery, including delegated budgets to fund projects during the early part of their lifecycle. Senior responsible owners have formal letters stating their accountabilities and responsibilities, and the personal accountabilities of programme members have been codified.

This year we have also established a new Investment Committee to agree and monitor business cases.

People

Professional capability and the way we are working to deliver the DWP 2020 vision

This issue reflects the need to transform our professional skills, experience, and flexibility of our workforce, to achieve our DWP 2020 vision.

Factors affecting trend

The positive trend here reflects our continued programme to build professional capability, a new employee deal, and further improvements in leadership.

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TREND

Summary of activity

We gave ourselves a demanding target to meet our 2020 vision and have made significant progress in all of the review's capability areas.

- We are improving **capability** across all our professions. For example, all priority commercial category management areas now have a Senior Civil Servant (SCS) as a commercial lead, with comprehensive commercial training also being delivered to all SCS colleagues. Commercial capability is being further developed through external recruitment and industry-led contract management training to key commercial staff. Our professions are continually increasing in maturity and consistency, and we now have capability standards at four levels (awareness, working, practitioner and expert). These standards will for the first time form part of every employee's professional development discussion over the course of 2016/17.
- Our new **employee deal** will support new ways of working, and patterns of working hours, to support welfare reform and our 2020 business model, together with the implementation of limited pay flexibility agreed with HM Treasury in the 2015 Spending Review.
- On **leadership**, we have continued to build our leadership capability through our flagship leadership programme Changing Futures, delivering it to over 9,500 staff. Our engagement score has increased year on year since 2011 from 44% to 56%.

Sir Robert Devereux KCB
Accounting Officer

30 June 2016

Lead Non-executive report

Dame Clara Furse DBE
Lead Non-executive

The department has continued to roll out its expansive programme of welfare reform, including Universal Credit and the delivery of pension reforms through Automatic Enrolment and the landmark new State Pension. We have also been a key partner in the cross government campaign to introduce the National Living Wage, working alongside Number 10, HMRC and the Department for Business, Innovation and Skills.

This year has seen the membership of the departmental board change significantly, most notably following the General Election, with the appointment of four new Ministers – Rt. Hon Priti Patel MP (Minister of State for Employment), Shailesh Vara MP (Parliamentary Under Secretary of State for Work & Pensions), Baroness Altmann CBE (Minister of State for Pensions) and Justin Tomlinson MP (Parliamentary Under Secretary of State for Disabled People). The board has continued to operate effectively, with non-executive members using their expertise and external insight to support and challenge the team in the delivery of the department's extensive reform agenda.

This year the department produced its first Single Departmental Plan, which I was delighted to endorse alongside my fellow Board members, having worked alongside the team in developing its content and measures of success.

My non-executive colleagues and I have continued to support and challenge the department and expand the areas in which we are working. David Lister continues to help the department develop its digital and technology capability, particularly this year with the introduction of the new Technology Advisory Committee. He also supported the recruitment of four non-executives to the newly formed committee, working with the Technology Director General in setting out the terms of reference and being a member of the committee himself. Additionally, David sits on the cross government Talent Advisory Group which Sir Ian Cheshire – the government's Lead Non-executive – champions.

Andrew Graham has continued in his role as Departmental Audit and Risk Assurance Committee Chair throughout 2015-16, leading some excellent preliminary work in reviewing the role and effectiveness of the departments arm's length bodies. Similarly, he has played an active role in the recruitment of non-executives to both the Audit Committee and the Technology Advisory Committee.

I worked closely with the Permanent Secretary and Secretary of State in overseeing the selection process for departmental board non-executive candidates.

In terms of the recruitment and induction of key senior personnel, the collective input and independent assessment of applicants by my non-executive colleagues has enriched the selection process and has helped the department to appoint a high calibre of successful candidates.

During its quarterly meetings this year, the departmental board reviewed the performance of key programmes, including the delivery of Universal Credit, 2012 Child Maintenance Scheme and People and Locations. The board spent time discussing the department's technology strategy, including the challenges relating to cyber security. We have also just conducted our annual board effectiveness review, which I led on behalf of the Secretary of State in his capacity as board chair.

The review concluded that board member’s skills were being utilised effectively, and the composition of the board encourages healthy debate and facilitates high quality decision making. The review also highlights areas for improvement and suggests actions to address these. I will shortly be presenting a more detailed summary to the board to agree how we will take this forward.

I am very much looking forward to working with the new Secretary of State and board members in the year ahead. My non-executive colleagues and I will continue to provide support and challenge to ensure the department and its ministers can deliver their agenda effectively and resourcefully.

Dame Clara Furse DBE
Lead Non-executive

Remuneration and staff report

(This information is audited by the Comptroller and Auditor General)

Remuneration policy

The pay of most senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body, details are available on www.gov.uk. This body also advises the Prime Minister on peers' allowances; the pay, pensions and allowances of MPs; and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

Salaries are solely for the period in the year when an individual served as a member of our executive team. Salaries include:

- gross salary
- overtime
- reserved rights to London weighting or London allowances
- recruitment and retention allowances
- private office allowances
- any other allowances and contracted expenses to the extent that they are subject to UK taxation

Appointment of directors

Civil service appointments are made in accordance with the Civil Service Commissioner's Recruitment Principles. These principles require appointments to be made on merit and on the basis of fair and open competition. However, there may be exceptions to this principle.

Unless stated otherwise, all appointments 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.

Remuneration and pension entitlements for ministers and executive directors

Minister's pay

(This information is audited by the Comptroller and Auditor General)

	2015-16				2014-15			
Ministers	**Salary £**	**Full year equivalent £**	**Pension benefits to nearest £1,000[4]**	**Total to nearest £1,000[5]**	**Salary £**	**Full year equivalent £**	**Pension benefits to nearest £1,000**	**Total to nearest £1,000**
Rt Hon Stephen Crabb MP from 19 March 2016	-	67,505	-	68,000	-	-	-	-
Rt Hon Iain Duncan Smith MP from 12 May 2010 to 18 March 2016	65,146	67,505	39,000	104,000	67,505	67,505	22,000	89,000
Lord Freud[6] from 14 May 2010	-	-	-	-	-	-	-	-
Steve Webb MP from 13 May 2010 to 8 May 2015	3,321	31,680	1,000	4,000	31,680	31,680	8,000	39,000
Rt Hon Esther McVey MP from 5 Sept 2012 to 11 May 2015	3,577	31,680	1,000	5,000	31,680	31,680	11,000	43,000
Mark Harper MP from 15 Jul 2014 to 14 May 2015	5,280	31,680	18,000	23,000	22,568	31,680	8,000	30,000
Rt Hon Priti Patel MP from 12 May 2015	26,900	31,680	8,000	35,000	-	-	-	-
Baroness Altmann CBE from 12 May 2015	69,984	78,891	18,000	88,000	-	-	-	-
Justin Tomlinson MP from 12 May 2015	19,849	22,375	5,000	25,000	-	-	-	-

Stephen Crabb MP was appointed Secretary of State on 19 March 2016. Details of his salary and pension benefits for 2015-16 are disclosed by his former department, The Welsh Office.

Shailesh Vara MP was appointed Parliamentary Under Secretary of State for DWP on 9 July 2015. Shailesh is also a Parliamentary Under Secretary of State at the Ministry of Justice. His remuneration is disclosed in the Ministry of Justice Annual Report and Accounts.

Government departments bear only the cost of the additional ministerial salary. Salaries for services as MPs (£74,000 from 8 May 2015) and other allowances are borne centrally.

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[4] To calculate the value of pension benefits accrued during the year, we first take the real increase in pension and multiply it by 20. Then we subtract 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.

[5] Totals may not sum due to rounding on pension and totals columns.

[6] Lord Freud did not receive any salary. He was appointed Minister of State on 12 May 2015 (formerly Parliamentary Under Secretary of State 14 May 2010 to 11 May 2015).

Executive directors' pay

(This information is audited by the Comptroller and Auditor General)

	2015-16				2014-15			
Executive Directors	**Salary £000**	**Bonus payments £000**	**Pension benefits £000**	**Total £000**	**Salary £000**	**Bonus payments £000**	**Pension benefits £000**	**Total £000**
Sir Robert Devereux KCB from 1 January 2011	180-185	15-20	-	200-205	180-185	-	-	180-185
Mike Driver from 3 September 2012 to 31 March 2016	140-145	-	31	170-175	140-145	15-20	132	285-290
Noel Shanahan from 8 October 2012 to 31 March 2016	200-205	15-20	51	270-275	190-195	15-20	45	250-255
Andrew Rhodes from 28 March 2016	0-5 (FYE 130-135)	-	(7)	-	-	-	-	-
Mayank Prakash from 17 November 2014	195-200	-	-	195-200	70-75 (FYE 195-200)	-	27	100-105
Neil Couling CBE from 1 October 2014	120-125	15-20	163	300-305	55-60 (FYE 110-115)	-	58	110-115
Debbie Alder from 1 January 2014	125-130	-	49	170-175	125-130	-	47	170-175
Jeremy Moore from 27 January 2014	125-130	15-20	87	230-235	115-120	-	130	245-250
Kevin Cunnington From 14 October 2013	150-155	-	58	205-210	150-155	-	56	205-210

Claire Johnston (appointed 12 January 2015) is Director General Legal Services and our senior legal adviser. Our legal services are provided by the Government Legal Department and as a result her remuneration is disclosed in the annual report and accounts of the Government Legal Department. No executives received a benefit in kind.

Salary

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

Bonuses

Bonuses are non-consolidated variable performance-related payments awarded to our highest performing civil servants at the end of the year. Bonus payments are normally paid in July for performance in the preceding financial year, therefore payments made in 2015-16 relate to performance between 1 April 2014 and 31 March 2015.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument. Elements of the remuneration package which are non-cash are classified as benefits in kind.

Conflict of interest

None of our ministers or executive directors held directorships which conflicted with their management responsibilities during 2015-16.

Non-executive directors' fees

Non-executive directors	Board	Fees 2015-16 to the nearest £1,000	Fees 2014-15 to the nearest £1,000
Dame Clara Furse DBE	Departmental Board	Honorarium of 20,000 waived	Honorarium of 20,000 waived
David Lister	Departmental Board	15,000	4,000
Lynne Turner	DARAC	15,000	15,000
Martin Hagen	DARAC	15,000	15,000
Willy Roe to 30 May 2015	Departmental Board	4,000	17,000
Lt Gen (retd) Andrew Graham CB CBE	Departmental Board and DARAC	20,000	16,000[7]
Sir Robert Walmsley	Universal Credit Programme Board	15,000	15,000
Jim Arnott from 15 December 2015	Technology Advisory Committee	4,000	-
Ashley Machin from 15 December 2015	Technology Advisory Committee	4,000	-
Robin Johnson from 1 January 2016	Technology Advisory Committee	4,000	-
Dr Doug Gurr from 1 January 2016	Departmental Board	4,000	-
Total		**100,000**	**82,000**

Willy Roe's fees include £1,100 of benefit in kind (2014-15: £1,300) in relation to taxable expenses where the department has paid the tax directly to HMRC.

In addition to their fees Martin Hagen and Andrew Graham have received benefit in kind in relation to taxable expenses where the department has paid the tax directly to HMRC. Martin Hagen £800 (2014-15: £900) Andrew Graham £100 (2014-15: £200). All amounts are rounded to the nearest £100.

Fair pay disclosure

(This information is audited by the Comptroller and Auditor General)

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.

The pay band of our highest-paid director during 2015-16 was £215,000 to £220,000. This was 9.49 times the median pay of the workforce, which was £22,928.

We've restated the 2014-15 disclosure following further clarification of the guidance.

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[7] 2014-15 restated as we did not disclose Andrew Graham's DARAC membership fees.

The ratio shows a small increase from 2014-15, this can be attributed to an increase in the pay of our highest paid director.

	Pay band of highest paid executive director	Median total pay	Ratio
2015-16	£215,000-£220,000	£22,928	1:9.49
2014-15 restated	£205,000-£210,000	£22,889	1:9.07

In 2014-15 and 2015-16 no employee was paid more than the highest-paid director. Pay bands ranged from £15,500-£16,000 (2014-15: £15,000-£15,500) to £215,000 to £220,000 (2014-15: £205,000-£210,000).

Total pay 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.

Ministers' and executive directors' pensions

(This information is audited by the Comptroller and Auditor General)

Ministers	Total accrued pension at age 65 as at 31 March 2016 £000	Real increase in pension at age 65 £000	Cash equivalent transfer value at 31 March 2016 £000	Cash equivalent transfer value at 31 March 2015 £000	Real increase in cash equivalent transfer value £000
Rt Hon Stephen Crabb MP	-	-	-	-	-
Rt Hon Iain Duncan Smith MP	10-15	0-2.5	270	224	34
Lord Freud	-	-	-	-	-
Steve Webb MP	0-5	0-2.5	40	39	-
Rt Hon Esther McVey MP	0-5	0-2.5	26	25	1
Mark Harper MP	0-5	0-2.5	52	41	10
Rt Hon Priti Patel MP	0-5	0-2.5	11	5	3
Baroness Altmann CBE	0-5	0-2.5	8	-	12
Justin Tomlinson MP	0-5	0-2.5	2	-	1

Stephen Crabb MP was appointed Secretary of State on 19 March 2016. Details of his pension are disclosed by his former department, The Welsh Office.

Where a minister left our department part way through the year the cash equivalent transfer value column refers to the date of leaving.

Executive directors	Accrued pension at pension age as at 31 March 2016 £000	Real increase in pension and related lump sum at pension age £000	Cash equivalent transfer value at 31 March 2016 £000	Cash equivalent transfer value at 31 March 2015 £000	Real increase in cash equivalent transfer value £000
Sir Robert Devereux KCB (Opted out of PCSPS)*	80-85 plus 240-245 lump sum	0-2.5 plus 2.5-5 lump sum	1,856	1,727	22
Mike Driver	60-65 plus 190-195 lump sum	0-2.5 plus 5-7.5 lump sum	1,310	1,185	26
Noel Shanahan	25-30	2.5-5	507	419	45
Andrew Rhodes	15-20	-	228	232	(4)[8]
Mayank Prakash **	-	-	-	-	-
Neil Couling CBE	45-50 plus 135-140 lump sum	7.5-10 plus 22.5-25 lump sum	879	681	135
Debbie Alder	15-20	2.5-5	204	155	21
Jeremy Moore	55-60 plus 165-170 lump sum	2.5-5 plus 12.5-15 lump sum	1,305	1,137	88
Kevin Cunnington	5-10	2.5-5	131	79	31

Where an executive director left our department part way through the year the cash equivalent transfer value column refers to the value at the date of leaving.

*Sir Robert Devereux opted out of PCSPS from 31 March 2012. He has voluntarily agreed the disclosure of his preserved pension figures, for which the latest estimates are shown above. The real increase columns reflect the cost of living increases (adjusted for inflation) applied each year until his pension comes into payment.

** Mayank Prakash has opted into a partnership pension scheme, his 2015-16 employer contributions were £31,700 (rounded to the nearest £100).

Ministerial pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF).

The scheme is made under statute and the rules are set out in the 'Ministers' etc. Pension Scheme 2015' available on www.parliament.uk.

Ministers who are Members of Parliament (MP) may also accrue an MP's pension under the PCPF (we haven't included details in this report). A new MP's pension scheme was introduced from May 2015, although members who were aged 55 or older on 1 April 2013 have transitional protection to remain in the previous final salary pension scheme.

Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 ministerial pension schemes.

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[8] The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016. Taking account of inflation, the CETV funded by the employer has decreased in real terms.

Executive directors’ pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member’s State Pension age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash equivalent transfer value (CETV) – ministers and executive directors

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. It can be made when a 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 the individual has accrued from their total service. For ministers that's all their time as a minister, not just their current employment. For executive directors, that's all the time they've been a member of that pension scheme, not just the time they were in a senior role.

CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. They 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 the value of the CETV

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

Average staff numbers and composition

The average number of whole-time equivalent people employed during the year is shown in the table below.

					2015-16	2014-15
					Number	Number
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Number of staff	76,542	2,652	6	3	79,203	83,971
Staff engaged on capital projects	21	-	-	-	21	-
Total	**76,563**	**2,652**	**6**	**3**	**79,224**	**83,971**
Of which:						
Core department	73,338	2,618	6	3	75,965	80,699
Arm's length bodies	3,225	34	-	-	3,259	3,272

The figure for staff engaged on capital projects relates to those staff working on projects, where their costs have been capitalised into the value of the systems being developed.

Senior civil servants

Our executive directors are all senior civil servants. In total there were 221 individual senior civil servants, totalling 218.62 whole-time equivalents, as at 31 March 2016. This is 8 more than last year.

Senior civil servant headcount by payband		March 2012	March 2013	March 2014	March 2015	March 2016
Permanent Secretary	£142,000-£200,000	1	1	1	1	1
SCS3	£105,000-£208,100	6	5	7	7	8
SCS2	£86,000-£162,500	47	54	45	47	49
SCS1	£63,000-£128,900	162	165	167	158	163
Total		**216**	**225**	**220**	**213**	**221**

Staff expenditure

(This information is audited by the Comptroller and Auditor General)

	2015-16		2014-15	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Administration staff costs	328,368	378,349	401,167	455,320
Programme staff costs	2,187,819	2,321,699	2,189,929	2,316,241
Total staff costs	**2,516,187**	**2,700,048**	**2,591,096**	**2,771,561**

Staff expenditure comprises:

	Permanently employed staff	Others	Ministers	Special Advisers	2015-16 Total	2014-15 Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,094,163	64,358	212	251	2,158,984	2,266,342
Employers' National Insurance	130,808	199	19	27	131,053	136,708
Superannuation and pension costs	401,937	8,074	-	-	410,011	368,511
Total	**2,626,908**	**72,631**	**231**	**278**	**2,700,048**	**2,771,561**
Less recoveries in respect of outward secondments	(2,157)	-	-	-	(2,157)	(2,448)
Less other recoveries of staff costs	(3,559)	-	-	-	(3,559)	(3,191)
Total net costs	**2,621,192**	**72,631**	**231**	**278**	**2,694,332**	**2,765,922**

	Charged to administration budgets	Charged to programme budgets	Charged to capital budgets	Total
	£000	£000	£000	£000
Core Department	328,368	2,187,819	894,265	3,410,452
ALBs	49,981	133,880	-	183,861
Total	**378,349**	**2,321,699**	**894,265**	**3,594,313**

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as 'alpha' are unfunded multi-employer defined benefit schemes. However, it's not possible to identify our share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2012. Details can be found in the Cabinet Office account: Civil Superannuation (www.civilservicepensionscheme.org.uk).

For 2015-16, we paid employer contributions of £406.8 million to the PCSPS (2014-15: £367.2 million). These were at one of four rates in the range 20.0% to 24.5% of pensionable pay. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions of £42.2 million (2014-15: £38.8 million) were payable to the Civil Superannuation Vote at 31 March 2016 and are included in trade payables and other current liabilities (see note 19).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In total we paid employers contributions of £1.5 million (2014-15: £1.3 million) to three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earnings from 1 October 2015. We also match employee contributions up to 3% of pensionable pay.

We also paid £0.1 million (2014-15: £0.1 million), which is 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of employees.

Contributions due to the partnership pension providers at the reporting period date were £0.1 million. There were no prepaid contributions at that date.

In 2015-16, 115 people (2014-15: 128 people) retired early on ill-health grounds. The total additional accrued pension liabilities in the year were £0.197 million (2014-15: £0.229 million).

Reporting of Civil Service and other compensation schemes – exit packages

(This information is audited by the Comptroller and Auditor General)

Table 1: 2015-16

	Core Department			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	5	337	**342**	15	347	**362**
£10,001-£25,000	1	1,199	**1,200**	40	1,209	**1,249**
£25,001-£50,000	-	1,482	**1,482**	8	1,487	**1,495**
£50,001-£100,000	-	305	**305**	7	310	**317**
£100,001-£150,000	-	20	**20**	1	20	**21**
£150,001-£200,000	-	-	**-**	1	-	**1**
Total number of exit packages	**6**	**3,343**	**3,349**	**72**	**3,373**	**3,445**
Total cost £000	**45**	**95,861**	**95,906**	**1,886**	**96,666**	**98,552**

Table 2: 2014-15

	Core Department			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	122	333	**455**	127	339	**466**
£10,001-£25,000	-	1,747	**1,747**	27	1,762	**1,789**
£25,001-£50,000	-	2,114	**2,114**	1	2,118	**2,119**
£50,001-£100,000	1	572	**573**	1	578	**579**
£100,001-£150,000	-	9	**9**	-	9	**9**
£150,001-£200,000	-	6	**6**	-	6	**6**
Total number of exit packages	**123**	**4,781**	**4,904**	**156**	**4,812**	**4,968**
Total cost £000	**596**	**144,133**	**144,729**	**1,085**	**144,999**	**146,084**

We've paid redundancy and other departure costs in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. We account for exit costs in full when the early retirement programme becomes binding but actual dates of departure may fall in the following reporting period. Where we've agreed early retirements we, not the Civil Service Pension Scheme, meet the additional costs. 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. We make all voluntary exit costs in lump sum payments. Payments for schemes before this date were made as both lump sum and annual compensation payments. The liability for these annual payments is included in other provisions in note 21.

Independent Living Fund (ILF) compulsory redundancy

Compulsory redundancy terms were applied to ILF employees when the fund closed on 30 June 2015. More information about the ILF can be found in their Annual Report and Accounts which are available on www.gov.uk.

Reporting the tax arrangements of public sector appointees

All government departments and their arm's length bodies which employ appointees off-payroll for more than 6 months have to report to Treasury about the financial arrangement to make sure it is transparent and that the appointee in question is paying the right amount of tax and national insurance.

We have reviewed the way we employ appointees to ensure our processes are robust. We have the right to request assurances, and do so, from the appointees. We can terminate the individual's contract if these assurances are not provided. The tables below outline the off-payroll arrangements for 2015-16.

Table 1: All existing off-payroll engagements, as at 31 March 2016, that were paid more than £220 per day and that lasted longer than 6 months

	Core Department	Arm's length bodies	Departmental Group
Number of existing engagements as at 31 March 2016	272	6	278
Length of existing engagement:			
Less than a year at time of reporting	169	6	175
Between 1 and 2 years at time of reporting	95	0	95
Between 2 and 3 years at time of reporting	8	0	8

All existing off-payroll engagements, outlined above, have been subject to risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

Table 2: All off-payroll engagements that were new or reached a length of 6 months between 1 April 2015 and 31 March 2016, where they were paid more than £220 per day

	Core Department	Arm's length bodies	Departmental Group
New engagements, or those that reached 6 months in duration	**308**	**17**	**325**
Right to request assurance about income tax and National Insurance contributions	308[9]	13[10]	321
Requests for assurance made	296	17	313
Assurance has been received	281	16	297
Assurance has not been received	15[11]	1[12]	16
Engagement terminated as a result of assurance not being received	Nil	Nil	Nil

Table 3: Board members and senior officials with significant financial responsibility between 1 April 2015 and 31 March 2016

Number of individuals who are board members and/or senior officials with significant financial responsibility	Core Department	Arm's length bodies	Departmental Group
on-payroll	65	16	81
off-payroll	Nil	Nil	Nil

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[9] 11 of the 308 contractors were assessed as very low risk during our risk based assessment; therefore we have not sought further assurance.

[10] 4 engagements did not have a contractual clause in their contracts giving us the right to request assurance about income tax and National Insurance obligations but we sought it anyway.

[11] 15 contractors have now left the department and did not respond to the IR35 assurance request.

[12] This individual's contract ended at 6 months so we didn't pursue further assurance.

Consultancy and temporary staff

We occasionally use professional service providers to help with specialist work – including consultancy and contingent labour where it is necessary and prudent to do so. This year we spent £10.9 million on consultancy compared with £10.7 million last year. This was to help us with specific work activities, mainly IT and digital until we could recruit staff on a permanent basis.

Consultancy (£m)	**2013-14**	**2014-15**	**2015-16**
Core department	11.7	10.5	10.6
Arm's length bodies	1.5	0.2	0.30
Departmental group	13.2	10.7	10.9
Temporary staff (£m)			
Core department	21.7	38.7	69.6
Arm's length bodies	3.5	2.9	3.0
Departmental group	25.2	41.6	72.6

Departmental group whole-time equivalent staffing as at 31 March	**March 2014**	**March 2015**	**March 2016**
Core department	85	226	510
Arm's length bodies	37	38	38
Departmental group	122	264	548

Diversity and equality

We are committed to ensuring that our workforce represents the diversity of the people we serve. We treat all our staff fairly and with respect regardless of their individual circumstances.

Staff diversity by gender (core department)		**March 2014**	**March 2015**	**March 2016**
Workforce	Women %	68.9	68.9	68.4
Senior civil servants	Women %	37.7	36.6	38.9
Ministers	Women %	20.0	20.0	40.0
Non-executive members	Women %	25.0	28.6	33.3
Executive team	Women %	12.5	22.5	22.2

We continue to play an active role in developing talent through the Civil Service High Potential Scheme (CSHPS). In 2015 we made 154 nominations for the CSHPS of which 84 (55%) were female. 27 of our 154 nominations were successful and of these 15 were female.

In total we currently have 28 participants on the Future Leaders Scheme. 18 of these are female which is helping us to grow our talent for, and support diversity at, the deputy director level.

Our 2014 cohort on the Senior Leaders Scheme was all male. From the nominations in 2015, 5 were successful, of which 2 were female. We are still working with civil service and departmental support networks, such as the director general champions, to understand the reasons behind this with a view to redressing the imbalance in future years.

We currently do not have any participants on the High Potential Development Scheme – but anticipate participation this coming year.

Loaning staff is another way in which we develop our top talent by broadening their careers through the acquisition of valuable skills and knowledge. We currently have 19 senior civil servants loaned out to other departments or organisations, 11 of which are female.

We embrace equality and diversity in our services and our day-to-day interaction with claimants and partners, as well as our staff.

Our equality policy

Area of focus	**Activity**
Improving the day-to-day experience of our disabled employees	We are bound by employment legislation, the Civil Service Commission's Recruitment Principles and the Civil Service Management Code for all selection activity. We make reasonable adjustments for job applicants and we implement the Guaranteed Interview Scheme. Other activities include: • delivering a centralised and consistent service for complex workplace adjustments via management of the Civil Service Workplace Adjustment Service Team • on-going promotion of the 'Workplace Adjustment Passport' to support conversations on the impacts of disability, adjustments required and to enable colleagues to get the right support when they move job roles • introduction of a 'Wellbeing at Work Action Plan' to promote a proactive approach to dealing with mental health conditions within the workplace • continued commitment to the Time to Change and Public Health Responsibility pledges on mental health
Raising aspirations and developing diverse talent in conjunction with the Civil Service Talent action plan	We have encouraged our employees to participate in the cross-government Positive Action Pathway development programme for women, ethnic minorities, LGBT and disabled employees. We continue to have some of the highest participant levels of any department. (In 2015-16 all applicants who successfully passed the assessment stages were awarded a place on the programme)
Continuing to embed the Equality Act	We continue to look critically at our major change programmes to ensure our services are accessible for everyone. We publish our Public Sector Equality Duty information and our Equality Information reports on our website on www.gov.uk

Employee health and safety and attendance management

We remain committed to protecting the health, safety and wellbeing of our employees, customers and visitors across our organisation. This year we demonstrated this through a wide range of activities and services. Our achievements were recognised by the Royal Society for the Prevention of Accidents who awarded us Gold for the seventh consecutive year for our safety management systems and the Astor Trophy for Occupational Health.

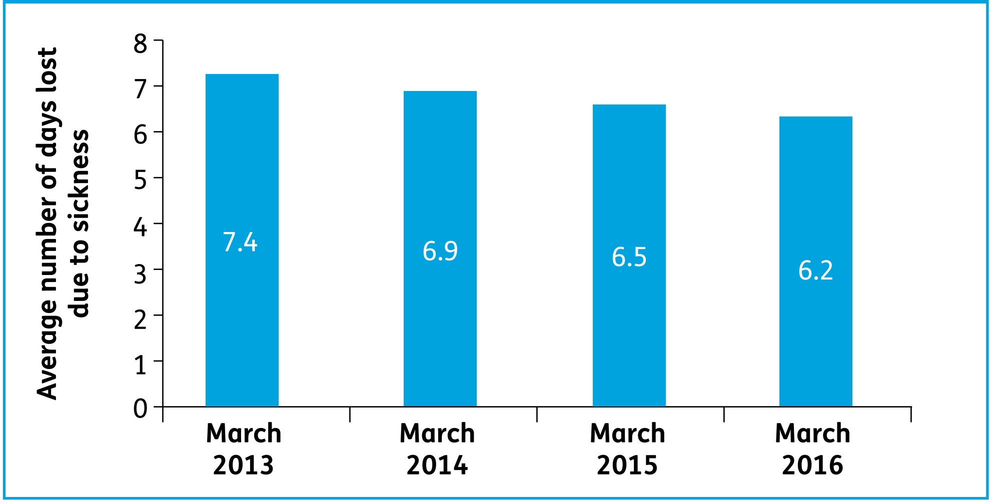
We managed our employee health and safety risks through proportionate policies and procedures. Each year we publish the 'DWP Health, Safety and Wellbeing Annual Report', which contains details of our health and safety performance.

We recognise the costs associated with high levels of employee absence including the impact on productivity and customer service. Our attendance management policies are designed to help our people to achieve satisfactory attendance and performance.

We are committed to continuous improvements in attendance management procedures to support our wider health and wellbeing strategy and helping employees maintain good health.

Our approach to managing sickness absence is work-focused. We aim to minimise absences while supporting those who are absent and assist their return to work as soon as possible. We also aim to treat all staff fairly and consistently.

Average number of days lost due to sickness



Our continued focus on our attendance management has reduced the **average number of days lost due to sickness**. This has fallen from 7.4 days in March 2013 to 6.2 days in March 2016. Our average number of days lost due to sickness is significantly below the civil service average and we are consistently one of the best performing large departments.

Parliamentary accountability and audit report

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FReM) requires us to prepare a Statement of Parliamentary Supply (SOPS) and supporting notes, to show resource outturn against the Supply Estimate presented to Parliament for each budgetary control limit. The SOPS and related notes are subject to audit.

Statement of Parliamentary Supply

Summary of resource and capital outturn 2015-16

								2015-16	2014-15
		Estimate			Outturn				
	SOPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Outturn Total
		£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit									
- Resource	1.1	5,948,460	559,312	6,507,772	5,920,330	555,690	6,476,020	28,130	7,151,968
- Capital	1.2	181,554	45,257	226,811	148,334	35,467	183,801	33,220	249,218
Annually Managed Expenditure									
- Resource	1.1	76,996,145	97,891,986	174,888,131	76,155,324	97,244,759	173,400,083	840,821	167,638,773
- Capital	1.2	-	(100,000)	(100,000)	-	(148,105)	(148,105)	-	(124,364)
Total budget		**83,126,159**	**98,396,555**	**181,522,714**	**82,223,988**	**97,687,811**	**179,911,799**	**902,171**	**174,915,595**
Non-budget									
- Resource	1.1	2,420,135	-	2,420,135	2,011,446	-	2,011,446	408,689	2,059,428
Total		**85,546,294**	**98,396,555**	**183,942,849**	**84,235,434**	**97,687,811**	**181,923,245**	**1,310,860**	**176,975,023**
Total resource budget		82,944,605	98,451,298	181,395,903	82,075,654	97,800,449	179,876,103	868,951	174,790,741
Total resource non-budget		2,420,135	-	2,420,135	2,011,446	-	2,011,446	408,689	2,059,428
Total capital		181,554	(54,743)	126,811	148,334	(112,638)	35,696	33,220	124,854
Total		**85,546,294**	**98,396,555**	**183,942,849**	**84,235,434**	**97,687,811**	**181,923,245**	**1,310,860**	**176,975,023**

	SOPS Note	2015-16	2015-16		2014-15
		Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
		£000	£000	£000	£000
Net cash requirement 2015-16	3	83,465,361	81,194,728	2,270,633	82,149,880

	2015-16 Estimate	2015-16 Outturn	2014-15 Outturn
	£000	£000	£000
Administration costs 2015-16	**1,058,498**	**837,363**	**893,684**

Explanations of variances between Estimate and Outturn are given on page 122.

SOPS 1. Analysis of net outturn

SOPS 1.1 Analysis of net resource outturn by section

										2015-16	2014-15
							Outturn			Estimate	Outturn
	Administration			Programme				Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net	Total				
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit											
Voted:											
A Operational Delivery	40,746	(48)	40,698	1,790,900	(16,804)	1,774,096	1,814,794	1,803,967	(10,827)	-	1,859,010
Child Maintenance Group	-	-	-	-	-	-	-	-	-	-	331,868
B Health and Safety Executive (net)	84,248	-	84,248	54,682	-	54,682	138,930	140,920	1,990	6,046	139,347
C European Social Fund	-	-	-	366,461	(348,178)	18,283	18,283	23,629	5,346	5,346	131
D Executive Arm's Length Bodies (net)	28,205	-	28,205	124,118	-	124,118	152,323	137,546	(14,777)	346	348,266
E Employment Programmes	-	-	-	772,264	(12,964)	759,300	759,300	770,225	10,925	10,925	950,195
F Support for Local Authorities	-	-	-	328,503	-	328,503	328,503	324,253	(4,250)	-	536,376
G Other Programmes	-	-	-	40,372	(59,887)	(19,515)	(19,515)	(26,477)	(6,962)	-	255,547
H Other Benefits	-	-	-	157,452	(767)	156,685	156,685	163,700	7,015	53	-
I Departmental operating costs	742,811	(58,599)	684,212	1,981,082	(94,267)	1,886,815	2,571,027	2,610,697	39,670	5,414	2,150,405
	896,010	**(58,647)**	**837,363**	**5,615,834**	**(532,867)**	**5,082,967**	**5,920,330**	**5,948,460**	**28,130**	**28,130**	**6,571,145**
Non-voted:											
J National Insurance Fund	-	-	-	525,639	-	525,639	525,639	525,639	-	-	547,403
K Expenditure incurred by the Social Fund	-	-	-	30,051	-	30,051	30,051	33,673	3,622	3,622	33,420
	-	**-**	**-**	**555,690**	**-**	**555,690**	**555,690**	**559,312**	**3,622**	**3,622**	**580,823**

										2015-16	2014-15
							Outturn			Estimate	Outturn
			Administration			Programme		Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net	Total				
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Annually Managed Expenditure											
Voted:											
L Severe Disablement Allowance – Inside Welfare Cap	-	-	-	469,594	-	469,594	469,594	456,826	(12,768)	-	735,167
M Industrial Injuries Benefit Scheme – Inside Welfare Cap	-	-	-	892,012	-	892,012	892,012	903,890	11,878	11,878	907,808
N Universal Credit – Inside Welfare Cap	-	-	-	33,767	-	33,767	33,767	40,225	6,458	6,458	56,151
O Employment and Support Allowance – Inside Welfare Cap	-	-	-	9,814,907	(24)	9,814,883	9,814,883	9,900,196	85,313	85,313	8,726,465
P Income Support – Inside Welfare Cap	-	-	-	2,550,038	(10,927)	2,539,111	2,539,111	2,615,990	76,879	40,323	2,893,478
Q Pension Credit – Inside Welfare Cap	-	-	-	6,078,707	-	6,078,707	6,078,707	6,102,327	23,620	23,620	6,576,079
R Financial Assistance Scheme – Inside Welfare Cap	-	-	-	2,674,833	-	2,674,833	2,674,833	2,801,911	127,078	127,078	688,416
S Attendance Allowance – Inside Welfare Cap	-	-	-	5,489,544	-	5,489,544	5,489,544	5,529,796	40,252	40,252	5,421,774
T Personal Independence Payment – Inside Welfare Cap	-	-	-	3,011,632	-	3,011,632	3,011,632	3,004,721	(6,911)	-	1,570,631
U Disability Living Allowance – Inside Welfare Cap	-	-	-	13,233,012	-	13,233,012	13,233,012	13,239,818	6,806	6,806	13,798,262
V Carer's Allowance – Inside Welfare Cap	-	-	-	2,545,443	-	2,545,443	2,545,443	2,530,885	(14,558)	-	2,319,211
W Housing Benefit – Inside Welfare Cap	-	-	-	21,792,554	-	21,792,554	21,792,554	22,294,346	501,792	481,736	17,897,961
Rent Rebates	-	-	-	-	-	-	-	-	-	-	5,843,842

									2015-16		**2014-15**
						Outturn				**Estimate**	**Outturn**
		Administration				Programme		Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net	Total				
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
X Statutory Maternity Pay – Inside Welfare Cap	-	-	-	2,532,000	-	2,532,000	2,532,000	2,532,000	-	-	2,390,969
Y Non-Contributory Christmas Bonus – Inside Welfare Cap	-	-	-	35,652	-	35,652	35,652	33,333	(2,319)	-	33,083
Z Jobseeker's Allowance – Outside Welfare Cap	-	-	-	2,005,099	(1,482)	2,003,617	2,003,617	2,009,633	6,016	-	2,695,830
AA – Universal Credit –Outside Welfare Cap	-	-	-	457,030	-	457,030	457,030	488,810	31,780	759	-
AB TV Licences for the over 75s – Outside Welfare Cap	-	-	-	621,750	-	621,750	621,750	625,613	3,863	3,863	611,939
AC Housing Benefit – Outside Welfare Cap	-	-	-	1,807,604	-	1,807,604	1,807,604	1,787,548	(20,056)	-	-
AD Other benefits – Outside Welfare Cap	-	-	-	97,857	-	97,857	97,857	107,200	9,343	9,343	106,728
AE Other Expenditure – Outside Welfare Cap	-	-	-	28,431	-	28,431	28,431	(8,606)	(37,037)	-	(13,359)
AF Other Expenditure EALBs (net) – Outside Welfare Cap	-	-	-	(3,709)	-	(3,709)	(3,709)	(317)	3,392	3,392	(902)
	-	**-**	**-**	**76,167,757**	**(12,433)**	**76,155,324**	**76,155,324**	**76,996,145**	**840,821**	**840,821**	**73,259,533**
Non-voted:											
AG Incapacity Benefit – Inside Welfare Cap	-	-	-	61,927	-	61,927	61,927	64,813	2,886	2,506	244,529
AH Employment and Support Allowance – Inside Welfare Cap	-	-	-	4,456,672	-	4,456,672	4,456,672	4,456,292	(380)	-	4,100,919
AI Expenditure incurred by the Social Fund – Inside Welfare Cap	-	-	-	2,003,872	-	2,003,872	2,003,872	2,473,680	469,808	469,808	2,125,049
AJ Maternity Allowance – Inside Welfare Cap	-	-	-	440,942	-	440,942	440,942	441,876	934	934	416,557

										2015-16	2014-15
							Outturn			Estimate	Outturn
			Administration			Programme		Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net	Total				
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
AK Bereavement Benefits –Inside Welfare Cap	-	-	-	568,921	-	568,921	568,921	572,231	3,310	3,310	570,666
AL Other Contributory Benefits -Inside Welfare Cap	-	-	-	127,569	-	127,569	127,569	128,495	926	926	-
AM Jobseeker's Allowance – Outside Welfare Cap	-	-	-	309,899	(9)	309,890	309,890	342,519	32,629	32,629	369,210
AN State Pension – Outside Welfare Cap	-	-	-	89,274,967	(1)	89,274,966	89,274,966	89,412,080	137,114	137,114	86,552,310
	-	-	-	**97,244,769**	**(10)**	**97,244,759**	**97,244,759**	**97,891,986**	**647,227**	**647,227**	**94,379,240**
Total Budget	**896,010**	**(58,647)**	**837,363**	**179,584,050**	**(545,310)**	**179,038,740**	**179,876,103**	**181,395,903**	**1,519,800**	**1,519,800**	**174,790,741**
Non-budget resource											
Voted:											
AO Cash paid in to the Social Fund	-	-	-	2,011,446	-	2,011,446	2,011,446	2,420,135	408,689	408,689	2,059,428
	-	**-**	**-**	**2,011,446**	**-**	**2,011,446**	**2,011,446**	**2,420,135**	**408,689**	**408,689**	**2,059,428**
Total resource	**896,010**	**(58,647)**	**837,363**	**181,595,496**	**(545,310)**	**181,050,186**	**181,887,549**	**183,816,038**	**1,928,489**	**1,928,489**	**176,850,169**

SOPS 1.2 Analysis of net capital outturn by section

						2015-16	2014-15
			Outturn			Estimate	Outturn
	Gross	Income	Net	Net	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Net
	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit							
Voted:							
A Operational delivery	3,539	-	3,539	3,876	337	337	11,506
B Health and Safety Executive (net)	5,100	-	5,100	5,030	(70)	-	4,194
D Executive arm's length bodies (net)	1,165	-	1,165	1,525	360	360	2,697
E Employment programmes	76	(2,959)	(2,883)	(3,959)	(1,076)	-	(4,091)
G Other programmes	72,500	(5,900)	66,600	68,376	1,776	1,776	93,830
I Departmental operating costs	89,115	(14,302)	74,813	106,706	31,893	30,747	96,917
Total	**171,495**	**(23,161)**	**148,334**	**181,554**	**33,220**	**33,220**	**205,053**
Non-Voted:							
K Expenditure incurred by the Social Fund	39,842	-	39,842	45,257	5,415	5,415	44,165
Excess capital receipts	-	(4,375)	(4,375)	-	4,375	4,375	-
Total	**39,842**	**(4,375)**	**35,467**	**45,257**	**9,790**	**9,790**	**44,165**
Spending in Annually Managed Expenditure							
Non-Voted:							
AI Expenditure incurred by the Social Fund	(148,105)	-	(148,105)	(100,000)	48,105	48,105	(124,364)
	(148,105)	**-**	**(148,105)**	**(100,000)**	**48,105**	**48,105**	**(124,364)**
Total	**63,232**	**(27,536)**	**35,696**	**126,811**	**91,115**	**91,115**	**124,854**

SOPS 2. Reconciliation of outturn to net operating expenditure

			2015-16	2014-15
			Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply		**SOPS Note**	**£000**	**£000**
	Budget	1.1	179,876,103	174,790,741
	Non-Budget	1.1	2,011,446	2,059,428
	Total resource		**181,887,549**	**176,850,169**
Add:	Capital Grants		1,282	(1,453)
	PFI Adjustment		33,585	27,424
			181,922,416	**176,876,140**
Less:	Income payable to the consolidated fund	4	(8,732)	(12,083)
	Cash paid to the Social Fund Voted Non-budget		(2,011,446)	(2,059,428)
Net operating costs in Consolidated Statement of Comprehensive Net Expenditure			**179,902,238**	**174,804,629**

SOPS 3. Reconciliation of net resource outturn to net cash requirement

		Estimate	Outturn	2015-16 Net total outturn compared with Estimate: saving/ (excess)
	SOPS Note	**£000**	**£000**	**£000**
Net resource outturn	1.1	183,816,038	181,887,549	1,928,489
Capital				
Adjustment for capital outturn	1.2	126,811	35,696	91,115
Accrual adjustments				
Non-cash items		(3,254,276)	(3,106,774)	(147,502)
Changes in working capital other than cash		1,000,000	(184,522)	1,184,522
Utilisation of provisions		201,933	270,056	(68,123)
Adjustments for arm’s length bodies				
Voted resource and capital		(284,704)	(293,809)	9,105
Cash grant in aid		256,114	274,343	(18,229)
Adjustment of non-voted budget		(98,396,555)	(97,687,811)	(708,744)
Net cash requirement of core department		**83,465,361**	**81,194,728**	**2,270,633**

SOPS 4. Income and excess funds payable to the consolidated fund

In addition to income we retain, we received the following income which is payable to the consolidated fund (cash receipts being shown in italics):

		Outturn 2015-16		**Outturn 2014-15**
	Income	***Receipts***	**Income**	***Receipts***
	£000	***£000***	**£000**	***£000***
Income outside the ambit of the estimate	8,732	*15,566*	12,083	*4,155*
Excess cash surrenderable to the consolidated fund	150,000	*150,000*	150,000	*150,000*
Excess capital receipts	4,375	*4,375*	-	-
Total income payable to the consolidated fund	**163,107**	***169,941***	**162,083**	***154,155***

Consolidated fund income shown above does not include any amounts we collect from the Financial Assistance Scheme while acting as agent of the consolidated fund rather than as principal. Full details of income collected as agent for the consolidated fund are in our trust statement, pages 209 to 225.

Variances

At the start of each year we estimate our costs for each budget type and we monitor these throughout the year. The size and complexity of our budget, along with economic, environmental and social changes, means there will inevitably be some variances from our Estimates. Significant variances are:

	Limit	Outturn	Variance (Over)/ Under Estimate	Explanation of variance
Estimate Line	**£000**	**£000**	**£000**	
Voted Expenditure DEL				
Executive arm's length bodies – Resource	137,546	152,323	(14,777)	Additional pensions liability cost for Disabled People's Employment Corporation
Departmental Operating Costs – Capital	106,706	74,813	31,893	Spending plans undergo constant revision and capital spending has been lower than anticipated at Supplementary Estimate.
Voted Expenditure AME				
Other Expenditure	(8,606)	28,431	(37,037)	The main reason relates to European Social Fund where exchange rate expense has been higher than anticipated at Supplementary Estimate due to a weakening of Sterling against the Euro. Also revised discount rates have been applied to the cost of capital on EU programme advances held by DWP.
Non Voted Expenditure AME				
Expenditure incurred by the Social Fund – Resource	2,473,680	2,003,872	469,808	The main reason is due to the mild winter which has resulted in minimal expenditure on Cold Weather payments.
Expenditure incurred by the Social Fund – Capital	(100,000)	(148,105)	48,105	Recoveries higher than anticipated.
Voted Expenditure Non-budget				
Cash paid in to the Social Fund – Resource	2,420,135	2,011,446	408,689	Winter 2015-16 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 therefore reduced the cash requirement to be paid into the Fund.

Core Tables

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

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn £ million	Outturn £ million	Outturn £ million	Outturn £ million	Outturn £ million	Plans £ million	Plans £ million	Plans £ million	Plans £ million
Resource DEL[1]									
Section A: Operational Delivery	2,487	2,865	2,866	2,191	1,815	1,737	1,854	1,750	1,575
Section B: Health and Safety Executive (net)	175	162	155	139	139	132	117	109	106
Child Maintenance and Enforcement Commission (net)	484	155	-	-	-	-	-	-	-
Section C: European Social Fund	15	122	(3)	-	18	-	-	-	-
Section D: Executive Arm's Length Bodies (net)	375	366	354	348	152	93	67	67	67
Section E: Employment Programmes	876	802	1,037	950	759	581	609	577	523
Financial Assistance Scheme	73	109	153	-	-	-	-	-	-
Section F: Support for Local Authorities	546	529	644	536	329	305	320	303	275
Section G: Other Programmes	183	89	62	50	(20)	(22)	(24)	(22)	(20)
Section H: Other Benefits	90	90	212	206	157	170	178	168	152
Section I: Departmental operating costs	1,453	1,461	1,485	2,150	2,571	2,843	2,910	2,735	2,518
Section J: National Insurance Fund	821	706	611	547	526	392	410	389	352
Section K: Expenditure incurred by the Social Fund	46	39	37	33	30	34	35	35	35
Total Resource DEL	**7,624**	**7,497**	**7,615**	**7,152**	**6,476**	**6,265**	**6,475**	**6,111**	**5,583**
Of which:									
Staff costs	3,188	3,066	2,999	2,776	2,712	2,631	2,754	2,589	2,377
Purchase of goods and services	2,111	2,088	2,259	2,441	2,271	2,146	2,210	2,105	1,918
Income from sales of goods and services	(284)	(154)	(233)	(201)	(206)	(204)	(210)	(208)	(204)
Current grants to local government (net)	581	621	908	724	485	476	498	472	428
Current grants to persons and non-profit bodies (net)	594	536	555	392	250	192	191	182	169
Current grants abroad (net)	(248)	(187)	(139)	(282)	(348)	(250)	(350)	(400)	(400)
Subsidies to private sector companies	29	95	108	97	96	103	108	102	93

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn £ million	Outturn £ million	Outturn £ million	Outturn £ million	Outturn £ million	Plans £ million	Plans £ million	Plans £ million	Plans £ million
Subsidies to public corporations	206	141	120	111	42	44	46	44	40
Net public service pensions[2]	-	-	-	-	-	-	-	-	-
Rentals	983	754	693	652	668	735	753	712	654
Depreciation[3]	202	249	183	176	184	195	180	165	155
Other resource	262	287	162	265	322	197	295	348	353
Resource AME[4]									
Section M: Severe Disablement Allowance – Inside Welfare Cap	881	887	860	735	470	189	120	117	115
Section N: Industrial Injuries Benefits Scheme – Inside Welfare Cap	888	905	901	908	892	892	869	856	853
Section O: Universal Credit – Inside Welfare Cap	-	-	6	56	34	707	(521)	(1,459)	(2,570)
Section P: Employment and Support Allowance – Inside Welfare Cap	2,168	4,475	6,898	8,726	9,815	9,903	10,117	10,224	10,464
Section Q: Income Support – Inside Welfare Cap	6,997	5,254	3,583	2,893	2,539	2,318	2,064	1,973	2,000
Section R: Pension Credit – Inside Welfare Cap	8,037	7,566	7,042	6,576	6,079	5,751	5,516	5,317	5,292
Section S: Financial Assistance Scheme – Inside Welfare Cap	1,171	93	284	688	2,675	416	282	275	268
Section T: Attendance Allowance – Inside Welfare Cap	5,339	5,476	5,360	5,422	5,490	5,534	5,616	5,781	6,041
Section U: Personal Independence Payment – Inside Welfare Cap	-	-	165	1,571	3,012	5,006	8,073	11,042	12,412
Section V: Disability Living Allowance – Inside Welfare Cap	12,566	13,430	13,763	13,798	13,233	11,390	8,607	6,051	5,311
Section W: Carer's Allowance – Inside Welfare Cap	1,733	1,927	2,088	2,319	2,545	2,744	2,935	3,135	3,326
Section X: Housing Benefit – Inside Welfare Cap	22,388	23,434	23,701	23,742	21,793	21,489	21,017	20,754	20,541
Section Y: Statutory Maternity Pay – Inside Welfare Cap	2,548	2,443	2,258	2,391	2,532	2,379	2,447	2,525	2,620
Section Z: Non-contributory Christmas Bonus – Inside Welfare Cap	47	50	-	33	36	32	31	30	30

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn £ million	Outturn £ million	Outturn £ million	Outturn £ million	Outturn £ million	Plans £ million	Plans £ million	Plans £ million	Plans £ million
Section AA: Jobseeker's Allowance – Outside Welfare Cap	4,173	4,507	3,812	2,696	2,004	1,517	2,377	2,492	2,541
Section AB: Universal Credit – Outside Welfare Cap	-	-	-	-	457	1,088	-	-	-
Section AC: TV Licences for the over 75s – Outside Welfare Cap	587	596	606	612	622	631	653	468	247
Section AD: Housing Benefit – Outside Welfare Cap	-	-	-	-	1,808	1,419	1,995	2,133	2,186
Section AE: Other Benefits – Outside Welfare Cap [5]	5,083	5,129	259	107	98	99	104	104	118
Section AF: Other Expenditure – Outside Welfare Cap	(34)	(142)	11	(13)	28	8	-	-	-
Section AG: Other Expenditure EALBs (net) – Outside Welfare Cap	1	(4)	(2)	(1)	(4)	1	-	-	-
Section AH: Incapacity Benefit – Inside Welfare Cap	4,939	3,276	1,187	245	62	11	(1)	(1)	(1)
Section AI: Employment and Support Allowance – Inside Welfare Cap	1,414	2,305	3,539	4,101	4,457	4,586	4,446	4,263	4,194
Section AJ: Expenditure incurred by the Social Fund – Inside Welfare Cap	2,328	2,390	2,106	2,125	2,004	2,439	2,154	2,122	2,105
Section AK: Maternity Allowance – Inside Welfare Cap	366	395	400	417	441	455	465	477	495
Section AL: Bereavement benefits – Inside Welfare Cap	594	593	582	571	569	554	565	520	494
Section AM: Other Contributory Benefits – Inside Welfare Cap	123	123	123	125	128	124	124	123	122
Section AN: Jobseeker's Allowance – Outside Welfare Cap	735	662	527	369	310	308	332	358	361
Section AO: State Pension – Outside Welfare Cap	74,095	79,735	83,015	86,428	89,275	91,581	93,955	97,120	100,189
Total Resource AME	**159,167**	**165,506**	**163,072**	**167,639**	**173,400**	**173,572**	**174,343**	**176,800**	**179,754**
Of which:									
Staff costs	-	-	-	-	-	-	-	-	-
Purchase of goods and services	-	1	-	-	-	-	-	-	-
Income from sales of goods and services	(1)	-	-	-	-	-	-	-	-

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn £ million	**Outturn £ million**	**Outturn £ million**	**Outturn £ million**	**Outturn £ million**	**Plans £ million**	**Plans £ million**	**Plans £ million**	**Plans £ million**
Current grants to local government (net)	27,213	28,308	23,702	23,740	23,600	22,908	23,012	22,886	22,727
Current grants to persons and non-profit bodies (net)	130,002	136,307	138,130	142,413	146,631	149,453	150,312	153,101	156,438
Depreciation[3]	(75)	2	5	(3)	-	45	26	28	36
Take up of provisions	1,250	204	442	796	2,631	416	281	274	267
Release of provision	(98)	(162)	(156)	(184)	(301)	(204)	(205)	(212)	(219)
Other resource	877	845	948	877	840	954	918	724	505
Total Resource Budget	**166,791**	**173,003**	**170,687**	**174,791**	**179,876**	**179,836**	**180,819**	**182,911**	**185,338**
Of which:									
Depreciation[3]	126	251	188	174	184	240	206	193	191
Capital DEL[6]									
Section A: Operational Delivery	37	18	15	12	4	3	6	2	2
Section B: Health and Safety Executive (net)	5	7	5	4	5	9	10	8	8
Child Maintenance and Enforcement Commission (net)	12	8	-	-	-	-	-	-	-
Section D: Executive Arm's Length Bodies (net)	1	1	3	3	1	1	3	1	1
Section E: Employment Programmes	3	-	6	(4)	(3)	(3)	-	-	-
Section G: Other Programmes	52	68	60	94	67	103	119	115	101
Section I: Departmental operating costs	171	273	97	97	75	149	194	82	67
Section K: Expenditure incurred by the Social Fund	47	44	47	44	40	45	46	47	48
Section L: Consolidated Fund Extra Receipts	-	-	-	-	(4)	-	-	-	-
Total Capital DEL[6]	**327**	**419**	**233**	**249**	**184**	**307**	**378**	**255**	**227**
Of which:									
Purchase of Goods and Services (R&D)	-	-	-	-	-	4	4	4	4
Capital support for local government (net)	-	-	-	-	-	-	-	-	-
Capital grants to persons & non-profit bodies (net)	1	-	-	-	1	-	-	-	-
Capital grants to private sector companies (net)	-	-	-	(2)	-	-	-	-	-
Capital grants abroad (net)	-	-	-	-	-	-	-	-	-
Capital support for public corporations	1	-	-	-	-	-	-	-	-
Purchase of assets	229	308	126	118	98	179	235	107	90

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn £ million	**Outturn £ million**	**Outturn £ million**	**Outturn £ million**	**Outturn £ million**	**Plans £ million**	**Plans £ million**	**Plans £ million**	**Plans £ million**
Income from sales of assets	(2)	(3)	(6)	(2)	(19)	(21)	(26)	(18)	(16)
Net lending to the private sector and abroad	46	45	53	40	37	42	46	47	48
Other capital	51	68	60	94	67	103	119	115	101
Unallocated funds – capital	-	-	-	-	-	-	-	-	-
Capital AME[6]									
Section N: Industrial Injuries Benefits Scheme – Inside Welfare Cap	-	-	-	-	-	-	-	-	-
Section O: Universal Credit – Inside Welfare Cap	-	-	1	-	-	-	-	-	-
Section P: Employment and Support Allowance – Inside Welfare Cap	-	-	-	-	-	-	-	-	-
Section Q: Income Support – Inside Welfare Cap	-	-	-	-	-	-	-	-	-
Section R: Pension Credit – Inside Welfare Cap	-	-	-	-	-	-	-	-	-
Section AA: Jobseeker's Allowance – Outside Welfare Cap	-	-	1	-	-	-	-	-	-
Section AJ: Expenditure incurred by the Social Fund – Inside Welfare Cap	(12)	(17)	(136)	(124)	(148)	-	-	-	-
Section AN: Jobseeker's Allowance – Outside Welfare Cap	-	-	-	-	-	-	-	-	-
Total Capital AME[6]	**(12)**	**(17)**	**(134)**	**(124)**	**(148)**	-	-	-	-
Of which:									
Net lending to the private sector and abroad	(12)	(17)	(134)	(124)	(148)	-	-	-	-
Total Capital Budget	**315**	**402**	**99**	**125**	**36**	**307**	**378**	**255**	**227**
Total departmental spending[9]	**166,980**	**173,154**	**170,598**	**174,742**	**179,728**	**179,904**	**180,991**	**182,973**	**185,373**
Of which:									
Total DEL	7,749	7,667	7,665	7,225	6,476	6,376	6,673	6,201	5,655
Total AME	159,230	165,487	162,933	167,517	173,252	173,527	174,318	176,772	179,718

Table 1 notes

1. 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).
2. 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.
3. Includes impairments.
4. AME limits are set as part of the Budget and Autumn Statement process.
5. For years 2009-10 to 2012-13 Other Benefits (Section AE), includes spend on Council Tax Benefits. From 2013-14 new arrangements were introduced for council tax localisation. This was administered by the Department for Communities and Local Government – Local Government, Scotland and Wales.
6. Expenditure on tangible and intangible fixed assets net of sales.
7. Table 1 is produced automatically from the HM Treasury System (Online System for Central Accounting and Reporting (OSCAR)) which is used by all central government departments to record their spending and plans. At 31 March 2016, OSCAR reflects the position agreed at Budget 2016. This won't match the outturn in previous years' financial statements and some spending may also appear on different lines.
8. Expenditure is stated net of income from sales of goods and services.
9. 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.
10. Since 2009-10 we have 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.
11. 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.
12. Totals may not sum due to rounding.
13. Section letters may not match the SoPS section letters due to additional line items appearing in the SoPS.

Table 2: Administration budget for the Department for Work and Pensions

									£ Millions
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
Resource DEL									
Section A: Operational Delivery	176	249	244	192	41	19	18	17	16
Section B: Health and Safety Executive (net)	111	105	107	83	84	80	70	65	64
Child Maintenance and Enforcement Commission (net)	121	44	-	-	-	-	-	-	-
Section D: Executive arm's length bodies (net)	15	16	18	19	28	15	10	10	10
Section I: Departmental operating costs	910	765	722	600	684	827	802	734	706
Total administration budget	**1,333**	**1,180**	**1,091**	**894**	**837**	**941**	**901**	**826**	**796**
Of which:									
Staff costs	652	524	479	452	387	332	327	304	299
Purchase of goods and services	440	299	423	375	399	391	377	353	344
Income from sales of goods and services	(100)	(27)	(92)	(65)	(58)	(66)	(64)	(65)	(67)
Current grants to persons and non-profit bodies (net)	-	-	-	-	-	-	-	-	-
Current grants to local government (net)	-	-	-	-	-	7	7	6	6
Net public service pensions	-	-	-	-	-	-	-	-	-
Rentals	121	138	62	55	86	160	152	143	138
Depreciation	212	232	199	55	30	116	101	86	76
Other resource	9	14	19	20	(8)	-	-	-	-

Table 2 notes

1. National Insurance Fund (NIF) administration relates to the administration costs of processing NIF benefits, directly related to volumes of activity (see note 11 table 1). From 2011-12, activities funded from the NIF are now re-classified to DEL Programme.
2. Totals may not sum due to rounding.

Parliamentary Accountability Disclosures

Losses and Special Payments[13]

(This information is audited by the Comptroller and Auditor General)

	2015-16				2014-15			
	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	Cases	Cases	£000	£000	Cases	Cases
Losses	480,514	482,494	1,327,790	1,329,798	500,026	502,258	1,608,527	1,611,130
Special Payments	7,786	7,826	10,819	10,821	4,688	4,817	10,749	10,765

(i) Losses arising from benefit overpayments, grants and subsidies

	2015-16 £000
Non-recoverable benefit overpayments	383,110
During the year we write off non-recoverable overpayments of benefit. These are where we don't have the legal right to pursue them and where we can't enforce repayment.	
Customer fraud	9,564
We write off overpayments resulting from customer fraud once we've exhausted our debt recovery processes.	
Duplicate Christmas bonus	626
We can end up paying duplicate Christmas bonuses because more than one benefit system can generate the payment.	
Housing and related benefits	563
The Secretary of State exercised his discretion on whether to recover overpaid Housing Benefit and Council Tax Benefit subsidy from local authorities. He decided to waive recovery in respect of 1 local authority.	
Social Fund	48,863
We make low-cost funeral expense payments to people who receive (or whose partners receive) a qualifying benefit or tax credit. These are recoverable from the estate of the deceased, but we write most of them off as there usually aren't enough assets in the estate. This year we wrote off 29,203 of these payments, with a total value of £40.6 million. Budgeting and crisis loans which can't be recovered are written off subject to strict criteria. This year we wrote off 54,853 of these loans, with a total value of £6.9 million. We also wrote off 10,286 irrecoverable grant overpayments amounting to £1.4 million.	

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[13] Categories of Losses and Special Payments are explained in HM Treasury's Managing Public Money annexes 4.10 and 4.13 on www.gov.uk

(ii) Cash losses

	2015-16 £000
Reimbursement of Child Maintenance overpayments Reimbursements arise when a paying parent has a change in circumstances and, even though they've told us about this change, a delay in implementing the new maintenance assessment leads to an overpayment. We don't recover these overpayments from the parent with care, but we do refund the paying parent.	7,281
Incorrect Child Maintenance payments This is where maintenance is paid to the wrong parent. It normally happens where the paying parent is associated with more than one receiving parent. We don't recover these payments but we do make the payment to the correct parent.	2,174
European Social Fund (ESF) write off The loss arose because we incorrectly advised an ESF project that an activity was eligible for funding. However the ESF Audit Authority did not agree the interpretation and deemed the claim to be ineligible and therefore not recoverable from the EU.	785
Flexible Support Fund losses Under the Flexible Support Fund, we give funds to some claimants to buy items to help them to start work. If, after a number of reminders, claimants don't provide receipts, or give us incomplete or incorrect receipts, we treat the funding as a loss.	1,432
Incorrect recovery of VAT We have been incorrectly recovering VAT on a property that a contractor has been occupying. We have estimated the maximum amount of interest and penalties that will need to be paid to HMRC as a result of the error.	3,620

(iii) Constructive losses

	2015-16 £000
Data warehouse The new Child Maintenance computer system included a data warehouse to support the closure of cases from the 1993 and 2003 Child Maintenance Schemes. It was also used to transfer data from the old computer systems. We subsequently found that some of the functionality it provided (Management Information Reporting) could be delivered more easily from other sources therefore, the work on these reporting halted. With this exception, we are otherwise using the data warehouse as we originally envisaged.	1,498
Outbound Calling & Appointment Booking system (OCAB) The OCAB was delivered in tandem with the Working Age Pension Age system to identify claimants that we needed to contact and to generate appointments. The functionality of OCAB was not used as originally planned because it was found to place restrictions on the flexibility required to meet the needs of our customers. Following further investigation we decided that OCAB provided limited benefit and stopped using it during 2013. In May 2015 we decided formally to decommission the system.	3,012

(iv) Realised exchange rate fluctuation

	2015-16 £000
European Social Fund (ESF) exchange rate loss We carry an exchange rate risk on ESF transactions due to timing differences between paying out claims in Sterling and reclaiming funding from the EC in Euros. During the year there were realised exchange rate losses arising from the ESF claims cycle of £31.3 million and exchange rate gains of £14.3 million.	17,025

(v) Loss of accountable stores

	2015-16 £000
Vehicle fleet losses Losses arising as a result of accidents, damage, injury or third party claims to fleet vehicles whilst being used by employees on official business.	331

(vi) Claims waived or abandoned

	2015-16 £000
Abandoned claim A claim for £0.3 million has been abandoned by the Health and Safety Executive. This is in respect of an outstanding debt with a company that subsequently went into liquidation. The claim was abandoned once all recovery options were exhausted.	340

(vii) Special payments

Special payments include compensation and ex-gratia payments in respect of personal injury, damage to property and those which result from the department's redress policy. For further details on what constitutes a special payment, please see the HM Treasury guidance, Managing Public Money, annex 4.13. There was one individual personal injury claim in 2015-16 in excess of the £300,000 disclosure limit. Further details are not reported as they are confidential.

(viii) Other accountability issues

Fraud

A total of 40 internal fraud investigations into salary, expenses, contract and other non-benefit losses proved fraud of £0.1 million.

We completed 20 investigations into non-contributory and Jobseeker's Allowance (contributory) benefits, proving fraud of £0.5 million.

We also completed 15 investigations of potential fraud by contracted employment providers. The total value of these cases was £0.1 million.

Serious and organised fraud

The Fraud Investigation Service investigates organised and systematic abuse of the benefits system. It concluded 30 investigations with a value of £0.5 million in 2015-16.

Remote contingent liabilities

(This information is audited by the Comptroller and Auditor General)

We've entered into agreements which offer guarantees, indemnities or letters of comfort. None of these are a contingent liability within the meaning of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) as the possibility of a transfer of economic benefit in settlement is deemed too remote. We have followed the requirements of IAS 39 (Financial Instruments) to measure them.

These items are reported as contingent liabilities for internal reporting purposes only. They refer to instances where commercial cover has been provided to a supplier before contract signature. They have arisen within the normal course of business and include, as at the 31 March 2016:

- A letter of comfort issued on 1 April 2015 to the Independent Living Fund (ILF). This guarantees that funding of £70.3 million will be made available to cover all the ILFs financial obligations incurred before 31 March 2015, as they fall due up to September 2015. This includes continuing support to claimants who were already receiving funding or had a firm offer of funding before 31 March 2015.
- A letter of comfort issued on 23 June 2015 to Disabled People's Employment Corporation (DPEC) Ltd. This guarantees all financial obligations of the company for a period of at least 12 months from the date of approval of Remploy Limited financial statements for the year ended 31 March 2015.

Sir Robert Devereux KCB
Permanent Secretary

30 June 2016

Certificate of the Comptroller and Auditor General

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 2016 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 2016. 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that are described in those reports and disclosures 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 Performance Report and the Accountability 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 of Qualified Opinion on Regularity

Note 22 to the Accounts records benefit expenditure of £172 billion in 2015-16. The Department estimates that total gross overpayments due to fraud and error in benefits expenditure in 2015-16 equate to £3.1 billion. Where fraud and error result in over or underpayment of benefits, the transactions do not confirm with the primary legislation which specifies the entitlement criteria for each benefit and the method used to calculate the amount of benefit to be paid, and the expenditure is irregular. In forming my opinion I have considered the materiality of the level of over and under payments in benefits expenditure, in line with the scope of my audit.

The Department estimates that in 2015-16, fraud and error within State Pension expenditure resulted in overpayments of £110 million (0.1 per cent of related expenditure) and underpayments of £260 million (0.3 per cent of related expenditure).

Excluding State Pension, the Department estimates that fraud and error in benefit expenditure resulted in overpayments of £3.0 billion (3.6 per cent of related expenditure) and underpayments of £1.50 billion (1.7 per cent of related expenditure). I consider this level of fraud and error to be material to my opinion on the accounts.

I have therefore qualified my opinion on the regularity of benefit expenditure other than State Pension because of:

- the estimated level of overpayments attributable to error and fraud where payments have not been made for the purposes intended by Parliament; and
- the estimated level of over and under payments in such benefit expenditure which do not conform with the relevant authorities.

Qualified opinion on regularity

In my opinion, except for the estimated level of fraud and error in certain benefit expenditure referred to in the basis for the 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 2016 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 2016 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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

Date 1 July 2016

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

Report by the Comptroller and Auditor General

Fraud and error in benefit expenditure

Introduction

1. The Department's total estimated expenditure on benefits in 2015-16 was £172.0[1] billion, of which £147.7 billion was for benefits paid directly by the Department and £24.3 billion for benefits paid on the Department's behalf by local authorities (Housing Benefit). Benefit expenditure represents 96% of the Department's 2015-16 total net operating costs of £179.9 billion, as recorded in the Department's Annual Report and Accounts.

2. Fraud and error is a significant problem in benefit expenditure; the Department faces a challenge in administering a complex benefits system in a cost effective way. Overpayments arising from fraud and error increase costs for taxpayers and reduce public resources available for other purposes. Underpayments mean households are not getting the support they are entitled to.

3. Benefit payments are susceptible to both deliberate fraud and unintended error by claimants and the Department: entitlement is based on a range of eligibility criteria; it relies on claimants' accurate and timely notification of changes of circumstances; and the complexity of benefits can cause confusion and genuine error. Some benefits, mainly those with means-tested entitlements, are more susceptible to fraud and error due to their complexity. These ones exhibiting the highest estimated rates of fraud and error, are Pension Credit, Housing Benefit and Universal Credit.

4. This report sets out the reasons and context for my qualified audit opinion: the trends, reasons behind fraud and error and actions to reduce fraud and error in benefits; and the planned migration of legacy benefits and Personal Tax Credits to Universal Credit.

Qualification of the Comptroller and Auditor General's audit opinion on the regularity of benefit expenditure

5. Under the Government Resources and Accounts Act 2000, 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 (my regularity opinion).

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[1] According to Note 22 to the accounts, the total expenditure figures quoted are the latest estimated expenditure figures available for 2015-16 at the time the Department produced the fraud and error estimates.

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 does not conform with Parliament's intention and is irregular. In respect of the 2015-16 financial statements of the Department for Work and Pensions, I have qualified my opinion on regularity due to the material level of fraud and error in benefit expenditure, other than the State Pension where the level of fraud and error is significantly lower.

7. 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.

Estimated level of fraud and error in benefit expenditure

8. In note 22 to the accounts the Department reports its preliminary estimate that overpayments due to fraud and error in 2015-16 were 1.8% of total forecast benefit expenditure[2]. This maintains the lowest recorded level reported in the 2014-15 final estimates in November 2015 of 1.8%, and shows a year on year reduction against the equivalent 2014-15 preliminary estimates of 1.9% which were reported in the Departments Incorrect Payments note last year. The Department estimates that total gross underpayments in 2015-16 increased to 1.0% of total forecast benefit expenditure (2014-15 0.9%). This equates to overpayments of £3.1 billion and underpayments of £1.8 billion (2014-15 – overpayments of £3.2 billion and underpayments of £1.4 billion).[3]

9. For State Pension expenditure, the Department estimates that the level of overpayments decreased to 0.1% of related expenditure (from 0.2% in 2014-15). Underpayments increased to 0.3% of related expenditure (from 0.2% in 2014-15). This equates to overpayments of £110 million and underpayments of £260 million (2014-15- overpayments of £130 million and underpayments of £150 million).

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[2] Fraud and error figures quoted in this report are central estimates (or 'mid-points') within a 95% confidence interval. This range reflects the uncertainty within the *Fraud and Error in the Benefits* System estimates.

[3] The 2014-15 comparatives used here, in the C&AG's certificate and disclosed by the Department in their 2015-16 accounts Note 22 *Incorrect Payments* are from the preliminary 2014-15 *Fraud and Error in the Benefits System* statistics which were the latest estimates available when the 2014-15 accounts were published. DWP published its final estimates for 2014-15 in November 2015.

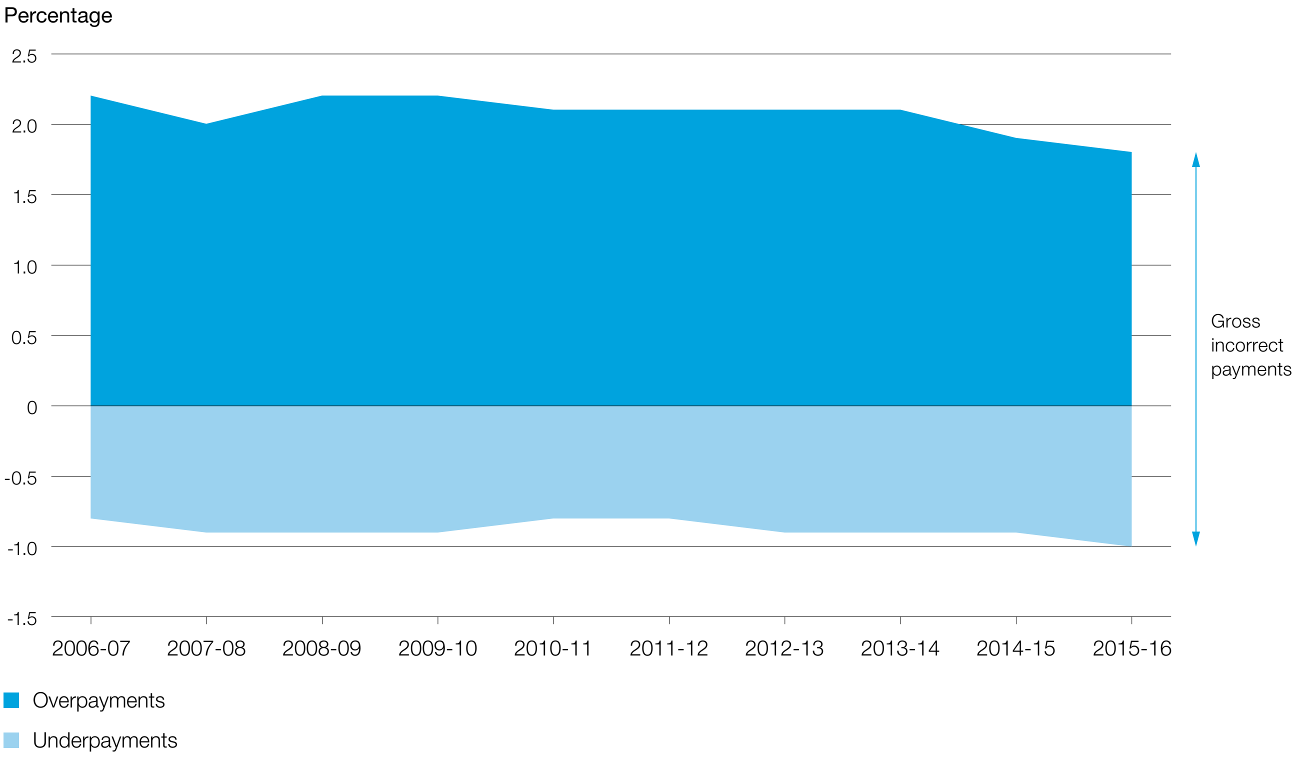
10. Excluding State Pension, the Department estimates that fraud and error in benefit expenditure resulting in overpayments decreased slightly to 3.6% of related expenditure (from 3.7% in 2014-15). Underpayments increased to 1.8% of related expenditure (from 1.6% in 2014-15). This equates to overpayments of £3.0 billion and underpayments of £1.5 billion. It is these gross values, excluding State Pension, that lead to my qualified regularity opinion.

11. The total estimated value of over and underpayments of benefit expenditure due to fraud and error as a percentage of benefit expenditure since 2006-07 are shown in **Figure 1** below. **Figure 2** shows the over and underpayment rates for all benefits excluding State Pension, with the rates for all benefits including State Pension, and the rates for State Pension, for comparison.

Figure 1

Estimated gross incorrect payments

Total overpayments and underpayments, percentage of relevant expenditure



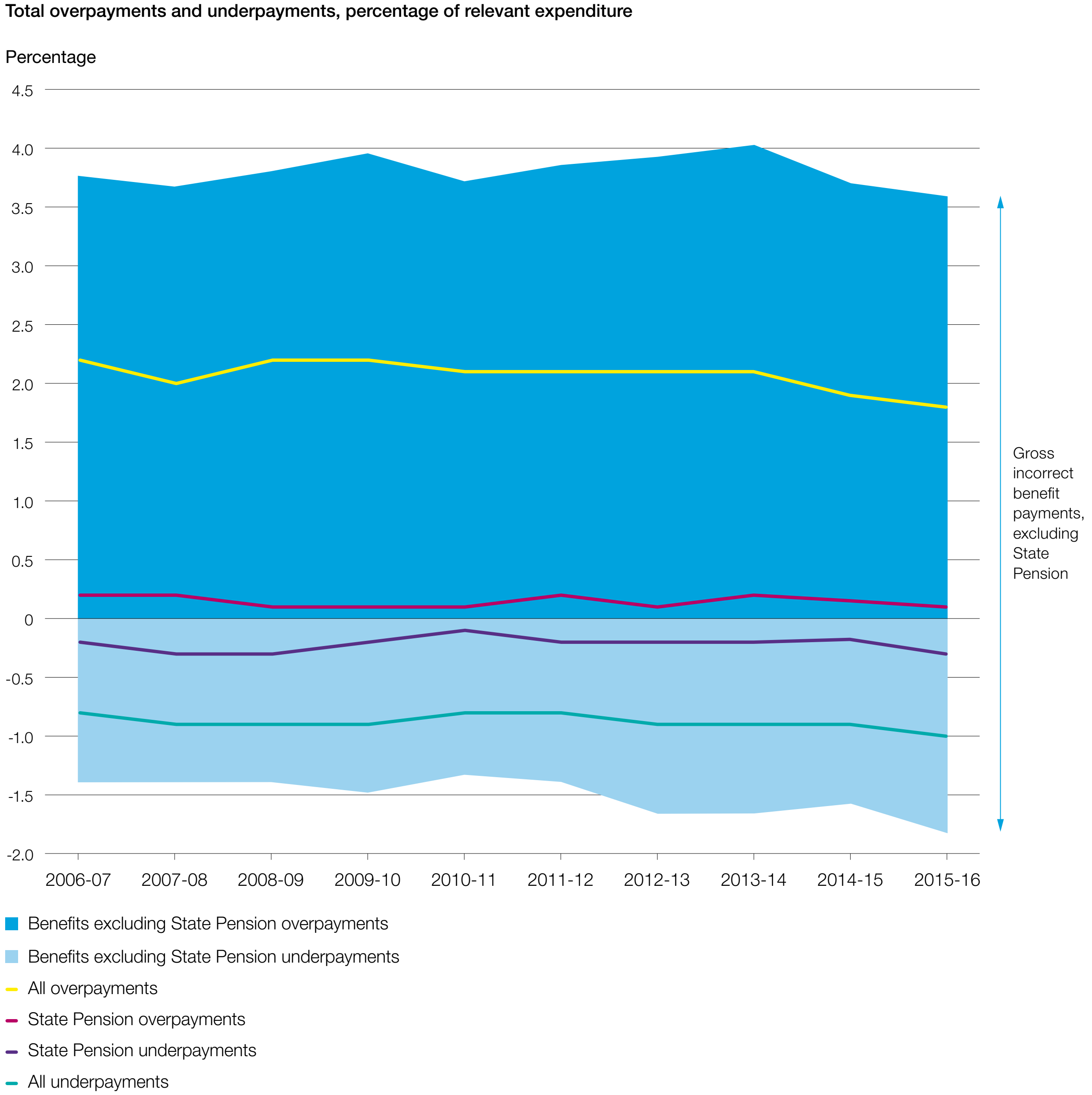
Note

1 All rates included in the above figure are from the Department for Work and Pensions, *Fraud and Error in the Benefit System Final* published statistics for each year, with the exception of the 2015-16 and 2014-15 rates which use the preliminary results as reported in Note 22 to the 2015-16 DWP Annual Report and Accounts, which were the latest available at the time of reporting.

Source: National Audit Office analysis of Department for Work and Pensions data included in *Fraud and Error in the Benefits System* estimates. Figure 1 is supported by the table in Figure 9 in Annex 1 to this report

Figure 2

Over and underpayments in benefits excluding State Pension



Note

1 All rates included in the above figure are from the Department for Work and Pensions, *Fraud and Error in the Benefit System Final* published statistics for each year, with the exception of the 2015-16 and 2014-15 rates which use the preliminary results as reported in Note 22 to the 2015-16 DWP Annual Report and Accounts, which were the latest available at the time of reporting.

Source: National Audit Office analysis of Department for Work and Pensions data included in *Fraud and Error in the Benefits System* estimates. Figure 2 is supported by the table in Figure 10 in Annex 1 to this report

12. Whilst there is a small ongoing reduction in the percentage overpayment, the Department recognises that it is not statistically significant, and does not reflect a step change in overpayments arising from increased activity to address fraud and error. Underpayments are at the highest level to date, although the increase from the previous year is also not statistically significant.

Fraud and error measurement

13. The Department analyses over and underpayments into three categories, which it defines as follows:
    - **Official error**, which arises when a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Department, a local authority or HM Revenue and Customs;
    - **Claimant error**, which occurs when claimants make inadvertent mistakes with no fraudulent intent; and
    - **Fraud**, which 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.

14. The Department has reported the estimated over and underpayments against each category in Note 22 to the accounts. Caution should be exercised when examining the estimates for trends, due to the measurement uncertainties explained in Note 22. 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 £13.3 billion of expenditure in 2015-16, has not been measured for fraud and error since 2004-05. The absence of up-to-date information on error rates in such a large benefit stream creates a risk that the Department is making decisions based on out-of-date measurements. Furthermore, some lower value benefits have never undergone a measurement exercise. The levels of fraud and error in these benefits are calculated through proxy rates from other measured benefits, either continuously measured or historically measured as set out at **Figure 3** below.

15. The Department has reported against a new "net loss indicator" in its Annual Report, and also announced a new "net loss target" of 1.6% by 2017-18. The Department intends for these measures to demonstrate the loss to the public purse from overpayments not recovered. Both of these measures look at estimated overpayments made in year, less actual and estimated benefit recoveries in year, regardless of the age of the overpayment recovered. Estimated money recovered in 2015-16 of £980 million comprises in-year figures for DWP directly administered benefits (£350 million) plus estimated figures for Housing Benefit administered by local authorities (£630 million). Underpayments are not considered. The Department has reported unaudited data on its "net loss indicator" going back to 2010-11.

16. Net loss is a relevant indicator of the ultimate loss to the public purse from overpayments of benefits. However it is not a substitute for the gross value of over and underpayments as the prime indicator that benefit payments are made at a rate specified in the legislation in accordance with Parliament's intentions and are regular. There are also practical difficulties in developing a net loss indicator. At present, recoveries in year do not necessarily relate to overpayments in year, and so a simple net loss figure does not indicate the accuracy of benefit payments made in year. For example the gross overpayment of Income Support in 2015-16 was estimated to be £100 million, but delays in recovering overpayments mean that the estimated recoveries were £120 million[4]. I will review and report on the Department's progress in developing its net loss measure in future years, alongside my commentary on over and underpayments, and regularity.

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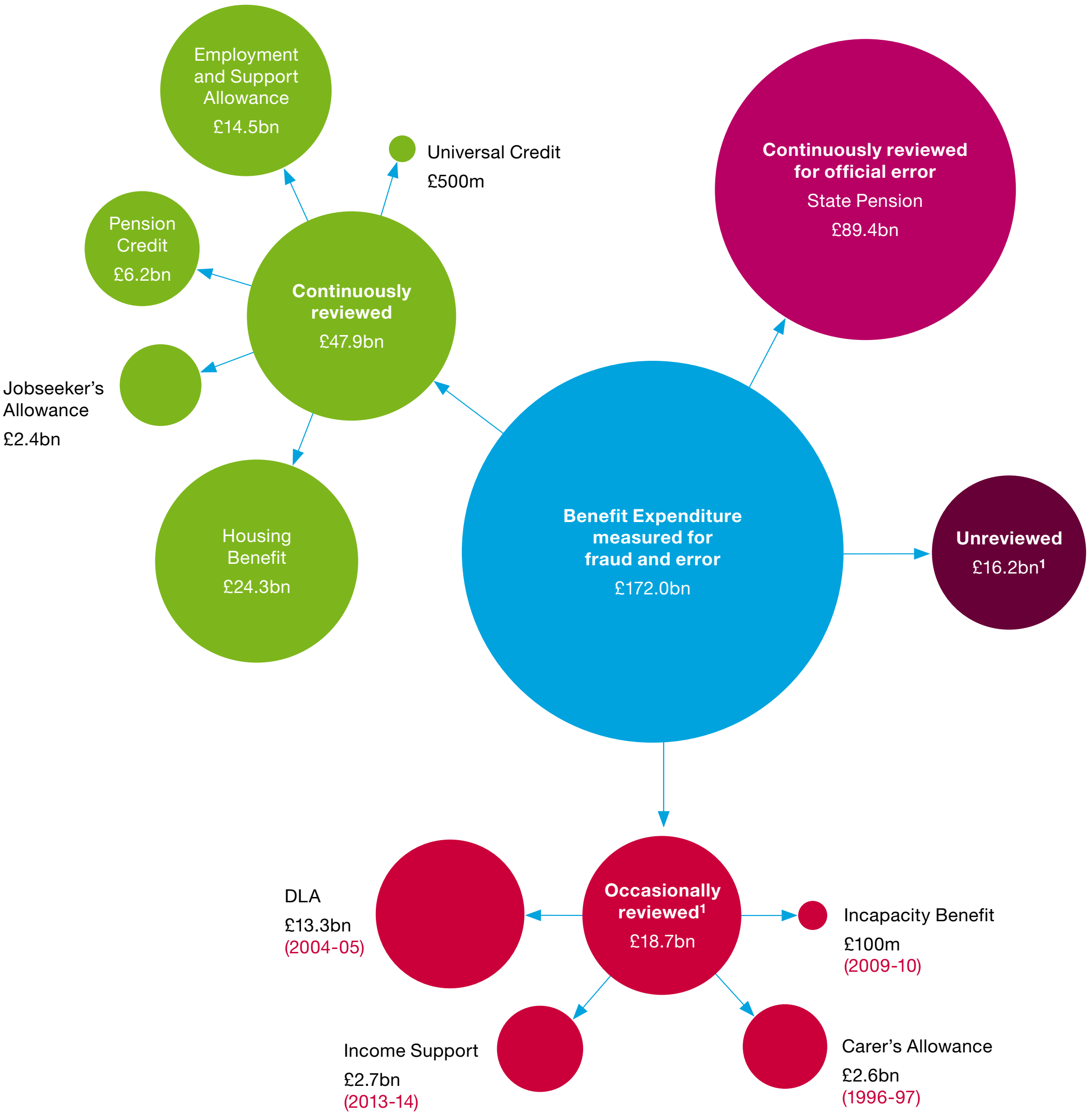
[4] Overpayments and recoveries by benefit are set out in Table 13 of the Fraud and Error in the Benefit System 2015-16 Preliminary Estimates supporting tables.

Figure 3

Analysis of estimated 2015-16 benefit expenditure by measurement approach



Notes

1 For occasionally reviewed benefits, the above figure also includes dates of their last measurement.

2 There are a number of unreviewed benefits, including Attendance Allowance, Bereavement Benefits and Maternity Allowance and others. More details on unreviewed benefits can be found at Department for Work and Pensions, *Fraud and Error in the Benefit System: Preliminary 2015-16 Background Information and Methodology*.

3 Benefit expenditure of £172.0 billion represents the latest available estimated expenditure for 2015-16 at the time the Department produced the fraud and error estimates. Figures may not sum due to rounding. The Department's analysis of Spending on State Pension and benefits of £173.4 billion on page 46 reflects the outturn as reflected in the Statement of Parliamentary Supply within the DWP Annual Report and Accounts 2015-16.

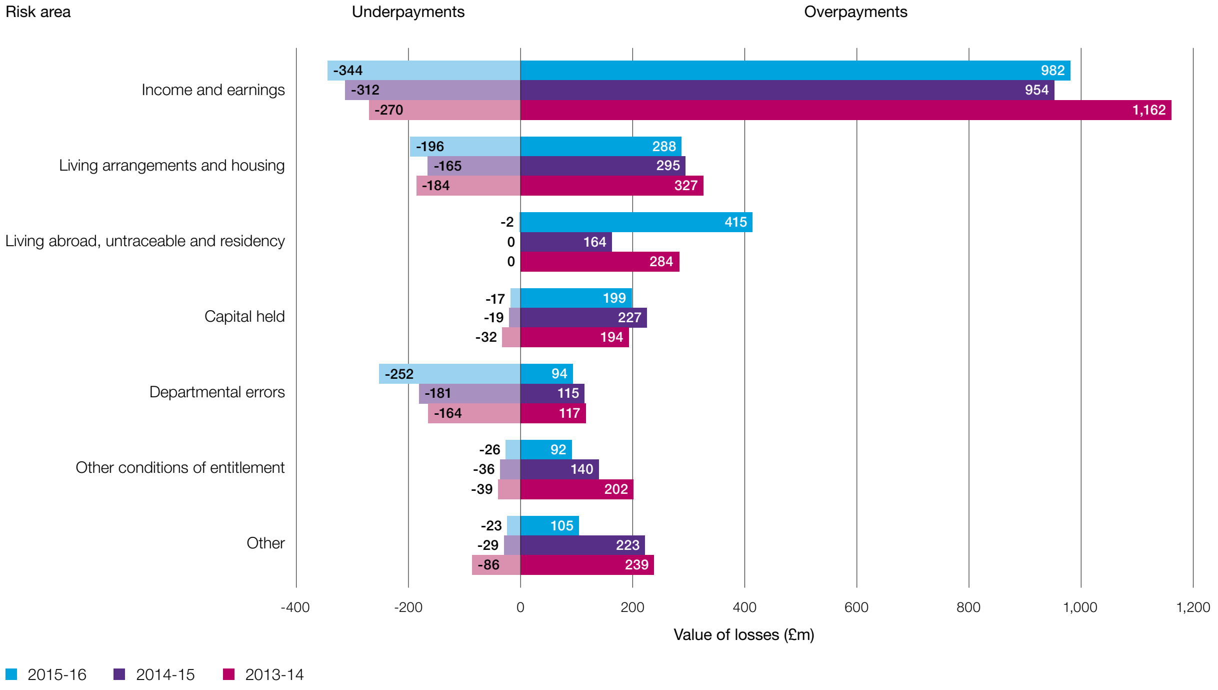
Source: National Audit Office analysis of Department for Work and Pensions data included in *Fraud and Error in the Benefits System: Preliminary 2015-16*

Over and underpayment fraud and error by risk area

17. Our previous work with the Department identified the major causes of over and underpayments. A breakdown of these risk areas for the continuously measured benefits in the 2015-16 preliminary estimates is set out in **Figure 4** below. This shows that income and earnings remains the largest cause of both over and underpayments.

Figure 4

Where over and underpayments arise – analysis of attributes of fraud and error in continually measured benefits



Notes

1 DWP is able to assess the causes of over and underpayments on its continuously measured benefits: Jobseeker's Allowance, Pension Credit, Housing Benefit, Universal Credit and Employment and Support Allowance. It has not undertaken this analysis on the benefits which are not continuously measured.

2 Note that 'Loss of claimant contact' has been categorised as a separate cause of loss for the first time in the 2015-16 preliminary statistics. We have included this in 'Living abroad, untraceable and residency' for comparison purposes.

3 The Department first published its analysis of attributes of fraud and error for total continuously measured benefits in 2013-14.

Source: National Audit Office analysis of Department for Work and Pensions, Fraud and Error in the Benefit System: Preliminary 2015-16 Estimates, Department for Work and Pensions, Fraud and Error in the Benefit System: Final 2014-15 Estimates and Department for Work and Pensions, Fraud and Error in the Benefit System: Final 2013-14 Estimates

The Department's progress in reducing fraud and error

18. My report *Fraud and Error Stocktake* (HC267, 2015-16) reviewed the progress made by HMRC and DWP in reducing error and fraud in Personal Tax Credits and welfare benefits. The Departments needed to build on recent efforts to develop a more integrated and systematic response to preventing error and fraud, and to track the impact of initiatives through to outcomes to achieve sustained and continuing reductions in fraud and error.

19. I identified the critical factors to assess the Departments' responses to fraud and error. Starting with clear strategies at a benefit level based on an understanding of the causes of error and fraud, supported by appropriate governance, controls and interventions to reduce fraud and error can be designed into the framework for the credit or benefit, effectively implemented, and the impact evaluated. Over time this understanding of the causes of fraud and error, with the evaluation of the efficacy of controls and interventions by benefit and cause of loss, will allow Departments to identify a lowest feasible level of fraud and error by benefit.

20. Since I reported in 2015, the Department has made some progress in tackling fraud and error. I have reviewed the Department's response to reducing error and fraud, considering the strategy, design, implementation and evaluation of fraud and error activities.

21. The Department's new Fraud, Error and Debt Strategy 2015-2020 (FED Strategy) sets out its strategic vision to:

    - minimise loss to the taxpayer as a result of fraud, error and debt across all benefits;
    - support the Department's transition to welfare reform, recognising the potential impact of fundamental change on levels of fraud, error and debt; and
    - identify and manage new and emerging fraud, error and debt risks as new benefits and credits and new ways of working are implemented.

22. The FED Strategy emphasises the complexity of the challenge. The Department has set out five pillars of its long-term strategy which are: prevention; claimant responsibility; financial control; business capability; and data analytics, intelligence and insight.

23. Underpinning the overarching FED Strategy the Department has developed benefit specific strategies covering some 80% of the monetary value of fraud and error identified. In addition to the individual strategies the Department has also developed cross cutting work aimed at reducing and preventing fraud and error loss across all benefits. The analysis undertaken by the Department in development of the benefit specific strategies and cross cutting work has identified priority activity areas, which account for around 90% of the monetary value of fraud and error identified. These strategies and priority areas focus on the particular characteristics of each benefit and target the main causes of loss (**Figure 5**).

Figure 5

Benefit specific and cross cutting strategies

Benefit Specific	**Cross Cutting**
Pension Credit	Undeclared earnings
Housing Benefit	Capital
Universal Credit	Living together
Employment and Support Allowance	Household composition
Jobseeker's Allowance	Other income, for example occupational and private pensions
Personal Independence Payment	
Carer's Allowance	
Income Support	

Source: National Audit Office analysis of Department for Work and Pensions data

24. In its 2015-16 Annual Report the Department highlights work that has been undertaken to look at the wider use of Real Time Information, to consider exploitation of data sources to tackle losses arising from undeclared capital, income and household formation. Alongside this work, the Department's Analytics and Intelligence hub – created to support Universal Credit but now undertaking analysis across benefits – is forecasting and modelling fraud and error and the impact of activities making use of data from other government departments which may indicate changes in circumstances affecting benefit claims.

25. This more strategic approach to fraud and error is still at an early stage and there has been limited opportunity so far for the Department to implement and evaluate the operational impact of the planned interventions in the benefit streams on which the Department has decided to focus activity. However, the building blocks are in place to better understand fraud and error and begin to consider what the lowest feasible level of fraud and error by benefit could be, and how to achieve that.

26. An overview of the Department's approach to tackling fraud and error in Pension Credit, where work is more advanced, is set out in the case study below as an example of how the FED Strategy is being delivered at a benefit level.

Case study – Pension Credit

27. A summary of the Department's approach to and progress in tackling fraud and error in Pension Credit – considering strategy, design, implementation and evaluation of fraud and error activities – is shown in **Figure 6**. Overall, the Department has developed a more coherent strategic approach, increasing its focus on the main risk areas and developing a broader response to tackling the causes of fraud and error. It is trialling new initiatives and system changes to detect more overpayments and improve accuracy of processing. A number of these changes are still in development. This work needs to continue and become fully embedded across Pension Credit processes in order for the Department to realise a step change in performance in the future. Paragraphs 28-33 provide an overview of the Department's progress.

Figure 6

DWP's progress in reducing fraud and error within Pension Credit

Establishing clear strategies and governance

New benefit strategy – Introduced a Pension Credit fraud and error strategy (2015–2018) which balances 'detect' interventions with system changes to 'prevent' fraud and error from occurring.

Prioritised activity – Targeting risk areas, based on analysis of the causes of fraud and error. Income risk prioritised.

Strengthened governance arrangements – The Pension Credit Oversight Group is responsible for providing a joined-up approach across the department and implementing the strategy.

New fraud and error initiatives – New initiatives and system changes have to compete with other business priorities and may be limited by operational capacity.

Designing controls into the way departments work

Policy changes – Have made some policy changes which help to reduce complexity of administering Pension Credit, eg removal of Assessed Income Periods.

Implications of policy design – Fraud and error implications have not always been considered fully in policy/scheme design – on PC and in other benefits. Other policy changes will increase complexity of administering Pension Credit.

Use of RTI data – Will strengthen processing controls for income risk (for new claims and reviews). Also trialling other system changes, eg scripting and piloting new checks against other DWP data.

A focus on accuracy of processing, but still largely reliant on information provided by claimants – Initiatives to improve compliance with critical checks and process claims accurately. But the ability to independently verify claimant information across risk areas is still relatively limited (ie other than using RTI data to check income).

Implementing controls and interventions effectively

Operational work – Focus on clearing operational backlogs. Pension Centre performance: process compliance: 66% against target of 90%; meeting target for critical process points; missing other operational targets.

Post-payment interventions – Used RTI data to increase the volume of post-payment checks, focusing on undeclared income and occupational pensions. Seeking new data sources, such as banking data.

Progress with data matching – Challenges in processing the volume of discrepancies identified by data matching.

Increasing focus on other risks – Plans to increase activity for abroad and capital risks. A response for tackling the living together risk is some way off.

Measuring and evaluating performance

Estimates – Fraud and error statistics published twice a year. Provide best available estimate of monetary value of fraud and error.

Deeper understanding of fraud and error – Increasing use of root-cause analysis to develop deeper understanding of nature and cause of fraud and error.

Operational success measures – Introducing new measures to monitor performance.

Assessment of potential to reduce fraud and error – DWP is starting to consider whether it is possible to understand the lowest feasible level of fraud and error in Pension Credit.

Source: National Audit Office analysis of Department for Work and Pensions data

28. The Department has strengthened its management of the fraud and error response in Pension Credit. It has developed a new strategy, based on a better understanding of the causes of fraud and error, which sets out its approach for the major risk areas. It has also improved governance arrangements to manage the fraud and error interventions and implement the new strategy.

29. The Department has prioritised the income risk – which was the largest cause of fraud and error – by checking the information it holds against HM Revenue and Customs' Real Time Information (RTI). It conducted 36,000 reviews and identified £7 million of overpayments in 2015-16. It is now testing how to use RTI data to verify claimants' earnings and occupational pensions when processing new claims and performing reviews. RTI data will help to improve the accuracy of processing and the Department forecasts savings of £856 million over the next 10 years.

30. The Department has made changes to Pension Credit rules to reduce complexity and introduced new checks to strengthen controls. However, at the same time, other policy changes in Pension Credit and on other benefits will make it more complex to administer in the future. These changes – introduced to achieve other policy objectives – present new fraud and error risks. The Department will monitor the operational impact of changes and consider the need for new interventions or system changes.

31. The Department has to balance business priorities on productivity, customer service and control. The Pensions Directorate has increased its focus on fraud and error, increasing the emphasis on the accuracy of processing. The Department is also introducing a new control framework and quality checking arrangements to improve consistency of checks.

32. The Department's use of data matching and risk rules for periodic and in payment interventions has identified a very large number of Pension Credit awards where there appears to be a change in claimant circumstances. However, from cases worked to date it is clear that a data discrepancy does not necessarily indicate that a change in circumstance has occurred and there is fraud or error present. The Department has identified a plan to complete outstanding periodic reviews by December, and is refocusing its strategy and risk rules, learning from experience to date, to embed future data matching interventions as part of business as usual. As about 60% of Pension Credit fraud and error occurs while the claim is in payment, it is important that the Department maintains an effective response to identifying where a claimants circumstances have changed.

33. The Department is trialling a number of new initiatives to target risk areas; for example, exploring the use of data from care homes, on people leaving the UK and from banks. It is also developing a broader cross-benefit approach to tackling the living together risk, exploring possible policy changes and partnerships with private sector companies. But these initiatives are not yet fully operational as it takes time to design, trial and introduce changes into business processes. As a result, the Department is still seeking to establish an effective approach to tackling capital, living together and abroad risks, which accounted for £192 million of fraud and error in Pension Credit in 2015-16.

34. The Department's provisional 2015-16 estimates showed that fraud and error overpayments in Pension Credit were 5.6% (£350 million), an increase from 4.6% in 2014-15 (£310 million). The Department has achieved a sustained reduction in fraud and error for the income risk (**Figure 7**) using RTI on earnings and pensions; increases in abroad fraud, household formation and loss of claimant contact will be further investigated to understand how best to achieve a sustainable reduction in these causes of fraud and error and the overall rate of Pension Credit fraud and error.

35. The Department's provisional 2015-16 estimates showed that fraud and error underpayments in Pension Credit were 2.3% (£140 million), an increase from 1.7% in 2014-15 (£110 million). As for other benefits, the Department has not set a target for Pension Credit underpayments and rejected recommendations from the Public Accounts Committee to do so.

Figure 7

Pension Credit fraud and error overpayments since 2012-13[1]

	2012-13 (final)	2013-14 (final)	2014-15 (final)	2015-16 (provisional)
Fraud and error overpayments				
Percentage	6.4%	5.9%	4.6%	5.6%
£ million	£490m	£430m	£310m	£350m
By risk type	(£m)	(£m)	(£m)	(£m)
Income	166	163	95	93
Living together	60	44	48	75
Abroad	85	69	35	59
Capital	65	63	54	58
All other risk types	114	91	78	65

Notes

1 Pension Credit fraud and error overpayments since 2012-13 to show the progress made since benchmarking work carried out by the Department in respect of Pension Credit.

2 Columns may not sum due to rounding.

Source: Department for Work and Pensions, *Fraud and Error in the Benefit System* published statistics – final statistics for 2012-13, 2013-14 and 2014-15; provisional statistics for 2015-16

Universal Credit

36. Universal Credit (UC) is expected to replace 6 means-tested benefits for working-age households by March 2021. These are Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support, Working Tax Credit, Child Tax Credit and Housing Benefit for working age claimants. **Figure 8** shows the roll out to date and the Department's current migration plan to 2021.

Figure 8

Roll out of Universal Credit to date and future migration plans

Apr 2013	Jun 2014	Nov 2014	Nov 2014	Feb 2015	Jan 2016
UC Live Service launches, taking new claims for single jobseekers in the North West.	UC Live Service pilot extended to job-seeking couples, and singles claiming Housing Benefit.	UC Live Service rolled out to some new claims for families with children.	UC Full Service (UCFS) pilot starts in Sutton Jobcentre in South London.	Nationwide expansion of UC Live Service starts for new claims for single jobseekers.	UC Full Service (UCFS) rolls out to 3 further pilot jobcentres in London.

May–Jul 2016	Aug–Sep 2016	Oct–Dec 2016	Feb 2017	...	Mar 2021
UC Full Service (UCFS) rolled out to 5 further jobcentres per month for all new claims plus existing DWP benefit or Tax Credit changes that trigger a UCFS claim.	Planned pause to review the UC Full Service (UCFS) rollout to date.	UC Full Service (UCFS) further expansion to 5–10 jobcentres each month for new claims and changes that trigger a UCFS claim.	UCFS roll out expanded to 50 new jobcentres per month with planned completion by June 2018.	Migration from DWP legacy benefits, Personal Tax Credits (HMRC) and UC Live Service claims continues.	Migration from DWP legacy benefits and Personal Tax Credits (HMRC) completed.

Source: National Audit Office analysis of Department for Work and Pensions data

37. The Department started taking new UC claims for single job seekers in April 2013. UC is currently administered across two systems known as Live Service and Universal Credit Full Service (UCFS). Live Service is currently rolled out nationally for new single claimants. UCFS is the Department's new digital solution for administering UC for all claimants where pilot work started in a south London jobcentre in November 2014 before being extended to a total of 4 jobcentres in London in 2015-16. The Department is slowly expanding UCFS to a handful of jobcentres each month from May 2016. Claimants on existing benefits or Personal Tax Credits in those areas with a change in circumstances will also trigger a new claim to Universal Credit via UCFS. From February 2017 the Department plans that UCFS will be rolled out to 50 further jobcentres a month – a process scheduled to be completed in June 2018. Migration of remaining legacy benefit claimants to Universal Credit is then expected to take place until March 2021. The timetable for migration of UC Live Service claims to UCFS is to be confirmed.

38. Note 5a to the Department's accounts shows that the expenditure on Universal Credit in 2015-16 was £488 million of which circa £9 million was administered on UCFS. The Department's plan is that existing benefit expenditure of £38.4 billion on other DWP benefits[5] plus existing Personal Tax Credit expenditure[6] of £28.2 billion will migrate over time to Universal Credit.

Fraud and error in Universal Credit

39. The Department has estimated overpayments due to fraud and error in Universal Credit Live Service for the first time in 2015-16, at a level of 7.3% (£36 million) of forecast[7] benefit expenditure of £500 million. Estimated underpayments due to fraud and error in 2015-16 are 2.6% (£13 million).

40. These estimates are based upon a sample of some of the earliest claims operating on the UC Live Service, covering the period October 2014 to September 2015. The majority of these claims started out as the equivalent of a simple Jobseeker's Allowance (JSA) claim, such as a single person without children or housing costs. Single person claimant circumstances can change over time so that Universal Credit cases that started as relatively simple, with the addition of employment and housing costs, become more complex to administer. During the measurement period the UC caseload increased from 17,000 to 118,000. The Department has compared the level of UC fraud and error with Jobseeker's Allowance as this case load is most reflective of early UC cases. In 2015-16 estimated JSA overpayments due to fraud and error equates to 5.0% of JSA benefit expenditure, and estimated underpayments are 0.8%. The Department notes that comparison of these figures needs to be treated with caution as this is not a like-for-like comparison and the UC caseload is becoming more complex as it rolls out to all claimants.

41. The Department is still developing its methodology to assess fraud and error in UC. Robust measurement indicators will be necessary to gauge progress in reducing fraud and error with Universal Credit. Universal Credit Full Service has not yet been part of the fraud and error measurement and it is unclear when this will be measured, and therefore the causes and estimated level of fraud and error, on this platform are unknown.

42. The Department is developing a UC Fraud, Error and Debt strategy which reflects its understanding of fraud and error risks in the legacy benefits which UC will replace. The Department has considered how the design of UCFS could mitigate against known risks; the challenge going forward is to design the operational level interventions required for the Department to meet the aims of the fraud and error strategy it has set itself on both UC Live Service and UCFS. The Department will be able to use the insight provided by the initial fraud and error measurement estimate to re-evaluate the risks targeted and the appropriate interventions as UC rolls out.

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[5] Universal Credit will replace means-tested expenditure currently shown in Note 5a as Amounts paid to Local Authorities (Housing Benefit), income-related Employment and Support Allowance, Income Support and income-based Jobseeker's Allowance.

[6] Personal Tax Credit expenditure in Note 4.1 to HM Revenue & Customs Annual Report and Accounts 2015-16.

[7] According to Note 22 to the accounts, the total expenditure figures quoted are the latest estimated expenditure figures available for 2015-16 at the time the Department produced the fraud and error estimates.

43. In 2016 Personal Tax Credit debt will begin to transfer to DWP as claimants claim Universal Credit. The Department is working closely with HMRC to define the process to transfer the gross value for recovery. DWP and HMRC have discussed the transfer of assets with HM Treasury to ensure that they are accounted for appropriately. The value of debt considered to transfer should also be carefully considered. HMRC considers there to be £7.1 billion of Personal Tax Credit debt, but impairs this to £2.9 billion on basis of recoverability. The Department currently assumes a significant value of Personal Tax Credit debt will transfer to be collected by the Department, and offset fraud and error overpayments to meet the 2017-18 net target (for benefits and Personal Tax Credits) of 1.6% overpayments due to fraud and error. The Department assumes that a higher level of Personal Tax Credit debt will be recoverable due to the greater recovery powers of DWP, when compared with the £2.9 billion of impaired debt disclosed in the HMRC 2015-16 Resource Accounts. As debt for the first 33,000 Personal Tax Credits claims already migrated to UC transfers to the Department during 2016-17, it will be important that the Department reflects on its experience and revises assumptions of recoverability and value to be recovered accordingly.

Conclusion

44. I have again qualified my regularity opinion due to material levels of fraud and error in benefit expenditure, excluding State Pension. State Pension continues to demonstrate a very low level of fraud and error, while overpayments in other measured benefits decreased slightly to 3.6% but underpayments rose to a highest ever level of 1.8%. The headline level of fraud and error overpayments across all benefits of 1.8% indicates that a step change and sustained reduction in fraud and error has not been realised.

45. The Department has significantly refined its approach to fraud and error with its new overarching FED Strategy setting out responses more informed by risks, and approaches identified for individual benefits and cross cutting risks. However, the design and implementation of responses are at a very early stage, with a number of options being piloted and further explored to assess viability and effectiveness.

46. It remains essential that DWP continues to address fraud and error given overpayments increase costs to taxpayers and reduce public resources available for other purposes, while underpayments mean households are not getting the support they are entitled to. The Department should continue to enhance its understanding of how and why over and underpayments arise within each benefit. Evaluation of the effectiveness of interventions available by risk and benefit should then be used to identify and bring down fraud and error to the lowest level feasible for each benefit stream.

47. One challenge in assessing the effectiveness of interventions stems from a lack of current data on fraud and error for many benefits. I welcome the Department's plan to measure Personal Independence Payments for the first time in 2016-17, which will provide an up to date measure of the level of fraud and error as the predecessor benefit, Disability Living Allowance has not been measured since 2004-05. The Department will need up to date measurements of fraud and error for each benefit that it has identified in its overarching FED Strategy for priority action to understand the impact of its design and implementation of controls and interventions. This will be particularly important to establish baselines for those benefits not measured for some time, and the new UC Full Service, and the Department should establish a plan to achieve this.

48. The publication of the first fraud and error estimates for Universal Credit Live Service will provide vital information to develop the Department's UC FED Strategy further, including the approach to FED within the roll out of the new Universal Credit Full Service, where the causes and level of fraud and error to date are unknown. To put its UC FED Strategy into effect, the Department needs to develop and implement controls to tackle the inflow of fraud and error to UC claims, (as well as removing the fraud and error already identified within UC claims). It will require continued commitment and focus on behalf of the whole Department, including operational and strategy teams to implement and fully embed these initiatives on a sustainable basis if the Department is to reduce the level of fraud and error in UC to the lowest feasible level.

Sir Amyas C E Morse
Comptroller and Auditor General

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

Date 1 July 2016

Annex 1

Overview of fraud and error estimates

1 The Department publishes its estimate of monetary value of fraud and error in the benefits system twice a year, normally in May and November. The Department has used the May 2016 publication[8], the latest estimates available, as the source for its disclosures on incorrect payments in note 22 to its 2015-16 accounts.

2 Figure 9 shows the estimated overall benefit over and underpayments rates (the 'mid-points') and their associated upper and lower limits from 2006-07 to 2015-16 as set out in the Fraud and Error in the Benefit System publications.

Figure 9

Estimated gross incorrect payments

	2006-07 (%)	2007-08 (%)	2008-09 (%)	2009-10 (%)	2010-11 (%)	2011-12 (%)	2012-13 (%)	2013-14 (%)	2014-15 (%)	2015-16 (%)
Overpayments mid-point	2.2	2.0	2.2	2.2	2.1	2.1	2.1	2.1	1.9	1.8
Overpayments upper limit	2.6	2.4	2.5	2.6	2.5	2.5	2.5	2.4	2.2	2.2
Overpayments lower limit	1.9	1.7	1.9	2.0	1.8	1.8	1.8	1.8	1.6	1.5
Underpayments mid-point	0.8	0.9	0.9	0.9	0.8	0.8	0.9	0.9	0.9	1.0
Underpayments upper limit	1.1	1.2	1.2	1.2	1.1	1.1	1.2	1.2	1.1	1.3
Underpayments lower limit	0.6	0.6	0.6	0.7	0.6	0.6	0.7	0.7	0.6	0.8

Notes

1 All rates included in the above table are from the Department for Work and Pensions, Fraud and Error in the Benefit System Final published statistics, with the exception of 2015-16 and 2014-15 rates which use the preliminary results as reported in Note 22 to the 2015-16 DWP Annual Report and Accounts, which were the latest available at the time of reporting.

2 The Department for Work and Pensions, Fraud and Error in the Benefit System Final 2014-15 published statistics showed estimated overpayments of 1.8% (between 2.1% and 1.5%) and underpayments of 0.9% (between 1.2% and 0.7%).

Source: National Audit Office analysis of Department for Work and Pensions data

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[8] Fraud and Error in the Benefits System 2015-16 Preliminary estimates.

3. Figure 10 shows the estimated total over and underpayments rates for all benefits, State Pension and all benefits excluding State Pension from 2006-07 to 2015-16.

Figure 10

Estimated over and underpayments in benefits, benefits excluding State Pension and in State Pension

	2006-07 (%)	2007-08 (%)	2008-09 (%)	2009-10 (%)	2010-11 (%)	2011-12 (%)	2012-13 (%)	2013-14 (%)	2014-15 (%)	2015-16 (%)
All overpayments	2.2	2.0	2.2	2.2	2.1	2.1	2.1	2.1	1.9	1.8
Benefits excluding State Pension overpayments	3.8	3.7	3.8	4.0	3.7	3.9	3.9	4.0	3.7	3.6
State Pension overpayments	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.2	0.2	0.1
All underpayments	0.8	0.9	0.9	0.9	0.8	0.8	0.9	0.9	0.9	1.0
Benefits excluding State Pension underpayments	1.4	1.4	1.4	1.5	1.3	1.4	1.7	1.7	1.6	1.8
State Pension underpayments	0.2	0.3	0.3	0.2	0.1	0.2	0.2	0.2	0.2	0.3

Note

1 All rates included in the above table are from the Department for Work and Pensions, Fraud and Error in the Benefit System Final published statistics, with the exception of 2015-16 and 2014-15 rates which use the preliminary results as reported in Note 22 to the 2015-16 DWP Annual Report and Accounts, which were the latest available at the time of reporting.

Source: National Audit Office analysis of Department for Work and Pensions data

Annex 2

The Department's response to the Committee of Public Accounts (PAC) Fraud and Error Stocktake recommendations

1 Following the September 2015 session on the Fraud and Error Stocktake report (HC 267 2015-16), the Committee of Public Accounts (PAC) made a number of recommendations to both DWP and HMRC to address the findings of the report. Progress on the recommendations for DWP is set out in **Figure 11** below.

Figure 11

Committee of Public Accounts recommendations, Treasury Minute responses and developments since

PAC Recommendation	DWP response in the Treasury Minute	Developments since
DWP has not met its overall target for reducing fraud and error, despite being helped by changes in the mix of benefits. DWP should build on its development of individual strategies by publishing targets for reducing fraud and error for each major benefit, having assessed what level of further reductions is achievable, and set out clear operational plans to deliver this.	The Government did not accept this recommendation, stating: ● multiple targets would dilute the overall view of the Department's performance and could not be applied to those benefits that are no longer continuously measured for fraud and error; ● it will explore the value in disaggregating the global view; ● any target for 2018 should be provisional, pending introduction of UC; and ● the Department favours a net fraud and error target.	DWP has published a new 'global' target to reduce fraud and error across benefit expenditure. It has set a target for net losses in the welfare system for 2017-18, including DWP benefits and HMRC Personal Tax Credits. The target is a net loss of 1.6% of total benefit expenditure. DWP continues to state that fraud and error targets for individual benefits would not be beneficial. It is, though, starting to assess its performance at a more disaggregated level – pension age, disability, working age (legacy) benefits and UC. DWP has not yet established the lowest feasible level of fraud and error.
The likely impact of welfare reforms on fraud and error is promising, but the reforms will not solve all the problems of tackling erroneous benefit payments. DWP must set out how it will target the causes of fraud and error that will remain after the introduction of welfare reforms, and update the Committee each year with clear forward projections for fraud and error, based on the latest information available, so that PAC can assess performance. The departments should have a strategy in place to identify and minimise the key risks of fraud and error arising from implementing and operating major reforms, including setting targets for what levels of fraud and error will arise.	The Government accepted this recommendation, stating: ● it will develop an overarching strategic approach covering legacy benefits and welfare reform for 2015–2020, focusing on main causes of fraud and error; ● it will maintain a rolling 5 year fraud and error forecast which will be monitored against the published annual statistics; and ● it already considers the risks of fraud and error arising from major reforms, and during the conceptual design of new initiatives.	DWP has developed a new strategy for fraud, error and debt covering 2015–2020. This focuses on the main causes of overpayments in legacy benefits. DWP has developed benefit specific strategies which focus on the main causes of loss. It is developing a strategy for UC. DWP is in the process of establishing its approach to targeting the causes of fraud and error after the introduction of UC. DWP has not established a rolling 5 year fraud and error forecast.

Figure 11 *continued*

Committee of Public Accounts recommendations, Treasury Minute responses and developments since

PAC Recommendation	DWP response in the Treasury Minute	Developments since
The departments have made little progress in preventing fraud and error over and underpayments occurring. Both departments should improve their understanding of the reasons why claimants make mistakes, and use this to develop stronger preventative measures.	The Government accepted this recommendation, stating: ● it already takes action to ensure there is a greater understanding of why claimants make mistakes, including root cause analysis and engagement with the third sector. These support the continual development of stronger preventative measures.	DWP has made greater use of root cause analysis to assess the reasons for fraud and error. But the Treasury Minute response offered no new commitment to improve understanding of claimant behaviours to design stronger preventative measures. DWP has not set a target for underpayments.
Both departments should set targets for reducing underpayments, in order to galvanise efforts to tackle this neglected issue.	The Government did not accept this recommendation, stating: ● all fraud and error measures act to ensure payments are correct and the global underpayments level is stable; and ● they will tackle the causes of underpayments as part of the wider approach to ensure claimants are paid the amount that they are entitled to.	The published preliminary estimates of fraud and error for 2015-16 show that underpayments were 1% of total benefit expenditure (£1.8 billion). This is the highest recorded rate (up from 0.9%/£1.5 billion in 2014-15).
Both departments should report back to the Committee in 6 months on progress they have made in relation to initiatives exploiting third party data.	The Government accepted this recommendation, stating: ● they already use data to identify and deliver improvements in fraud and error.	DWP continues to seek new data sources to strengthen its response, including banking data, passenger information and care home scans. It is also exploring the potential to work more closely with private sector companies.
DWP does not understand the deterrent effect of the penalties it applies. DWP should assess the impact of its enforcement approach, including modelling and reviewing evidence on the deterrence effects of its penalty regime, to establish how effectiveness could be improved.	The Department accepted this recommendation, stating: ● it will review its use of civil penalties, in line with the commitment given at the time of the Welfare Reform Bill. Evaluation work should be completed by Spring 2016; ● while the deterrence effect cannot be directly measured, DWP is planning a longer term analysis to understand the behaviour, perceptions and awareness of its penalties policy. This will take into account the toughening of penalties in the Welfare Reform Act 2012; and ● changes to the penalty regime to need sufficient time to 'bed in'.	The National Audit Office (NAO) is undertaking a value for money study on DWP's use of sanctions. Although not directly examining penalties the NAO is reviewing the Department's deterrence effect and changes made in the Welfare Reform Act 2012 and how they fit with the intended aims and outcomes of DWP's wider working age employment policy; whether sanctions are being implemented in line with policy; and whether use of sanctions is leading to the intended outcomes for claimants.

Source: National Audit Office analysis

Annex 3

DWP's progress in addressing the 2014 Housing Benefit fraud and error report recommendations

1 Following the October 2014 session on the Housing Benefit fraud and error report (HC 720 2014-15), the Committee of Public Accounts (PAC) made a number of recommendations to DWP to address the findings of the report. Progress on the recommendations are set out in **Figure 12** below.

Figure 12

Committee of Public Accounts recommendations, Treasury Minute responses and developments since

PAC Recommendation	DWP response in the Treasury Minute	Developments since
The Department should review how it allocates money and resources to tackling Housing Benefit fraud and error. For each of the main sources of fraud and error, it should set out how, and by how much, its fraud and error initiatives aim to reduce Housing Benefit overpayments.	The Department agreed with the recommendation. The Department noted several existing initiatives specifically to reduce Housing Benefit overpayments: • Real Time Information; • an automated system to notify local authorities of changes identified by the Department and HM Revenue & Customs that may affect Housing Benefit entitlement; and • FERIS. The Department stated that it would be publishing the next iteration of its strategic approach to tackling Housing Benefit fraud and error this year.	The Department has produced a Housing Benefit specific strategy and underpinning activity plan. This activity plan includes all interventions that are or are intended to be implemented and next to each an expected fraud and error overpayment saving.
The Department must report back to the Committee within 6 months of this report on what measures it has introduced specifically to target underpayments and encourage legitimate take-up.	The Department agreed with the recommendation. To support Local Authorities' responsibilities to publicise Housing Benefit, the Department makes information available in many locations. This helps ensure that people are aware of their entitlement to benefits and how to claim. The Department utilises data on claimants to ensure Housing Benefit claims are accurate, sharing information with Local Authorities via the Automated Transfer to Local Authority Systems (ATLAS). This helps Local Authorities update their data and addresses over and underpayments. The Department also shares Real Time Information with Local Authorities, ensuring they have access to up to date data on claimant earnings and occupational pensions. The Department is currently undertaking a review of initiatives to target underpayments and will write separately to the Committee by summer 2015.	While some of the interventions in place have the effect of reducing underpayments, the Department's main focus remains reducing overpayments. Some internal targets are based upon AME expenditure savings alone, targets that do not incentivise a reduction in underpayments. The NAO has not seen a significant change in how underpayments are tackled by the Department.

Figure 12 *continued*

Committee of Public Accounts recommendations, Treasury Minute responses and developments since

PAC Recommendation	DWP response in the Treasury Minute	Developments since
The Department should produce a proposal for how to strengthen incentives so that local authorities tackle Housing Benefit fraud and error more effectively. It should work with local authorities and gain approval from the Cabinet Office's Fraud Error and Debt Taskforce before sharing the proposal with us within 6 months.	The Department agreed with the recommendation. In November 2014, the Fraud and Error Reduction Incentive Scheme (FERIS) was launched. FERIS offers a financial reward to Local Authorities that find additional reductions to Housing Benefit entitlement due to fraud and error. It will impact throughout 2015-16. In addition, the Department has launched a Performance Improvement Fund seeking innovative ideas from Local Authorities to reduce losses due to fraud and error. The Department has commissioned a review of the subsidy regime, which will include changes required to strengthen incentives for Local Authorities to reduce fraud and error. This review will also look at changes required to improve the effectiveness of the subsidy regime.	While some interventions, such as FERIS, have created greater incentive for Local Authorities to identify more overpayments of Housing Benefit, incentives in some areas remain imperfect. For example, the subsidy process in place for funding Local Authorities for Housing Benefit payments, still creates the position where, for some Local Authorities, making and recovering overpayments can be more beneficial than not making overpayments at all.
The Department must provide the Committee with a full analysis of options to identify whether there is a more cost-effective way of producing local estimates of the level of fraud and error, and how it plans to assess the relative performance of local authorities in reducing Housing Benefit overpayments.	The Department agreed with the recommendation. The Department will provide its analysis of the possibilities of producing cost-effective local estimates of the level of Housing Benefit fraud and error. This will include exploring the options for undertaking further sampling of the caseload, as well as options for making greater use of the data sample already collected at a national level. The Department will assess the pros and cons and value for money of these options before reporting back to the Committee.	The Department has begun to collect and analyse more data through Caseload Management Information (CMI) which seeks to assess the level of fraud and error at a Local Authority level and is also being used to benchmark Local Authorities to inform certain interventions.

Figure 12 *continued*

Committee of Public Accounts recommendations, Treasury Minute responses and developments since

PAC Recommendation	DWP response in the Treasury Minute	Developments since
The Department must demonstrate it has a convincing response to tackle Housing Benefit fraud and error before Universal Credit is implemented and the use of real-time information is automated. It should report to the Committee within months with a clear plan to tackle the major sources of loss on Housing Benefit. It should also set out what savings it has achieved across benefits against its 1.7% target, and which initiatives have realised these savings.	The Department agreed with the recommendation. Real Time Information (RTI) has already been introduced in Housing Benefit to identify cases where benefit claimants have failed to declare or under declare earnings. Plans are underway to expand the use of RTI beyond the current bulk data match exercise to allow local authorities to have immediate access to RTI through digital web services with automated alerts when income from earnings and pensions changes. This will allow immediate verification of income at the new claim stage as well as through the life of the claim. The Department's updated strategic approach to tackling Housing Benefit fraud and error for 2015–2018 will be published this year.	The production of a comprehensive and well informed strategy and operational plan has established clear responsibilities for reducing fraud and error. The Department has embedded a number of these interventions, such as bulk data matching, using RTI, across all Local Authorities however a number of the interventions remain at the pilot stage.
The Department should provide a more complete assessment of the wider costs to local authorities of the SFIS programme, and consider how the benefits of local knowledge and data sharing can be maintained in the longer term.	The Department has supported Local Authorities concerned about the loss of specialist fraud knowledge by paying £12.8 million over two years, covering the life of the SFIS business case until 2021-22. This was based on Local Government's own estimates on the impact and in England, the Department for Communities and Local Government has used the money to establish a Challenge Fund. The staff transferring into the Department will ensure local knowledge is retained and processes are in place to share data.	The Department is not yet in a position to demonstrate the success of the SFIS project. The Department has informed us that there are plans in place to establish the impact of SFIS on the value and volume of Housing Benefit fraud, although this analysis has not yet been carried out.

Source: National Audit Office analysis

Financial report

Financial Statements

Introduction to the financial statements

These financial statements present the operating costs, financial position and cash flows of the Department for Work and Pensions for the year ended 31 March 2016.

In addition to our functions of paying benefits for welfare and pensions, our accounts include the following areas of spending:

National Insurance Fund (NIF)

HM Revenue and Customs is responsible for the NIF. We administer the benefits funded from the NIF on HM Revenue and Customs' behalf. We include these in our Statement of Comprehensive Expenditure and recover them, together with the associated cost of administration, from the NIF. Financing from the NIF is included in our Statement of Cash Flows.

Social Fund

We are responsible for the Social Fund which is used to make grants and repayable loans to individuals. It makes regulated payments of Funeral Expenses Payments, Sure Start Maternity Grants, Winter Fuel Payments and Cold Weather Payments plus discretionary payments for Budgeting Loans. We include these in our Statement of Comprehensive Net Expenditure (SOCNE).

European Social Fund (ESF)

The European Social Fund is one of the European Union structural funds designed to strengthen economic and social cohesion. It helps unemployed and socially excluded people find work or become more employable. It can also be used to help prevent people in work from becoming unemployed. We record the expenditure and income related to ESF programmes in our SOCNE.

Other expenditure

This includes other expenditure that is voted to us by Parliament including the costs of running the department and subsidies paid by grants to local authorities that administer and pay Housing Benefit. Grant in aid and grant payments to our ALBs are recorded as expenditure.

Arm's length bodies

Our arm's length bodies are shown in 'Our corporate governance' on page 72. They are all administered separately from the department and they produce their own annual reports and accounts.

Financial Assistance Scheme Trust Statement

The Financial Assistance Scheme (FAS) helps members of defined benefit occupational schemes when their employers become insolvent. A trust statement is prepared to present the assets transferred to FAS from such schemes, and the subsequent transfer of those assets to government. We've published the trust statement alongside this Annual Report and Accounts at pages 209 to 225. The costs of administering FAS are included as expenditure in our SOCNE.

The Accounting Officer authorised these financial statements for issue on 30 June 2016.

Consolidated Statement of Comprehensive Net Expenditure

for the year to 31 March 2016

The notes on pages 169 to 207 form part of these accounts.

		31 March 2016		31 March 2015	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Staff costs	3	2,516,187	2,700,048	2,591,096	2,771,561
Purchase of goods and services	4	2,717,718	2,532,210	2,709,308	2,306,262
Benefit and Social Fund expenditure	5	172,397,048	172,472,063	169,091,839	169,371,642
Depreciation and impairment charges	6	101,373	112,164	133,842	143,367
Provision expense	6	2,716,282	2,712,917	791,942	792,155
Total operating expenditure		**180,448,608**	**180,529,402**	**175,318,027**	**175,384,987**
Operating income	7	(598,489)	(690,495)	(549,971)	(631,431)
Total operating income		**(598,489)**	**(690,495)**	**(549,971)**	**(631,431)**
Finance income	7	(37,816)	(37,862)	(44,167)	(44,230)
Finance expense	4	81,161	101,193	85,956	95,303
Net expenditure for the year		**179,893,464**	**179,902,238**	**174,809,845**	**174,804,629**
Transfer of ALB's net assets	**26**	**-**	**289,452**	**-**	**11,281**
Net expenditure for the year		**179,893,464**	**180,191,690**	**174,809,845**	**174,815,910**

Other comprehensive net expenditure

Items that will not be reclassified to net operating expenditure				
Net (gain)/loss on:				
revaluation of property, plant and equipment	(18,527)	(20,822)	(25,909)	(22,587)
revaluation of intangibles	(35,882)	(35,882)	(45,662)	(45,662)
revaluation assets held for sale	(138)	(138)	-	-
revaluation of pension fund	-	(60,440)	-	-
Items that may be reclassified subsequently to net operating costs				
Net loss/(gain) on:				
revaluation of available for sale financial assets	(350)	(350)	(638)	(638)
Total comprehensive net expenditure for the year ended 31 March 2016	**179,838,567**	**180,074,058**	**174,737,636**	**174,747,023**

All income and expenditure is derived from continuing operations.

Consolidated Statement of Financial Position

as at 31 March 2016

The notes on pages 169 to 207 form part of these accounts.

		31 March 2016		31 March 2015	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	8	413,215	503,804	524,588	613,921
Intangible assets	9	515,812	519,239	559,305	563,516
Financial assets	11	466,410	466,410	401,304	401,304
Trade and other receivables	18	1,570,030	1,571,208	1,484,302	1,485,560
Total non-current assets		**2,965,467**	**3,060,661**	**2,969,499**	**3,064,301**
Current assets:					
Inventories		-	550	-	717
Assets classified as held for sale	12	344	983	11,919	11,919
Trade and other receivables	18	2,639,223	2,673,302	3,816,995	3,851,158
Cash and cash equivalents	17	173,128	176,290	136,689	147,791
Total current assets		**2,812,695**	**2,851,125**	**3,965,603**	**4,011,585**
Total assets		**5,778,162**	**5,911,786**	**6,935,102**	**7,075,886**
Current liabilities:					
Trade and other payables	19	(5,337,163)	(5,382,541)	(5,458,193)	(5,512,171)
Provisions	21	(225,744)	(225,917)	(247,170)	(247,325)
Total current liabilities		**(5,562,907)**	**(5,608,458)**	**(5,705,363)**	**(5,759,496)**
Total assets less current liabilities		**215,255**	**303,328**	**1,229,739**	**1,316,390**
Non-current liabilities:					
Provisions	21	(7,045,065)	(7,045,702)	(4,608,503)	(4,609,049)
Other payables	19	(457,602)	(555,417)	(484,593)	(584,725)
Pension liability		-	(244,806)	-	(1,415)
Total non-current liabilities		**(7,502,667)**	**(7,845,925)**	**(5,093,096)**	**(5,195,189)**
Assets less liabilities		**(7,287,412)**	**(7,542,597)**	**(3,863,357)**	**(3,878,799)**
Taxpayers' equity and other reserves:					
General fund		(7,480,742)	(7,745,310)	(4,089,724)	(4,112,365)
Revaluation reserve		193,330	202,713	226,367	233,566
Total equity		**(7,287,412)**	**(7,542,597)**	**(3,863,357)**	**(3,878,799)**

Sir Robert Devereux KCB
Accounting Officer

30 June 2016

Consolidated Statement of Cash Flows

for the year ended 31 March 2016

The notes on pages 169 to 207 form part of these accounts.

		31 March 2016		31 March 2015	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Cash flows from operating activities					
Net cost for the year		(179,893,464)	(180,191,690)	(174,809,845)	(174,815,910)
Adjustments for non-cash transactions		2,820,436	2,826,596	904,642	913,760
Decrease/(increase) in trade and other receivables		1,092,044	1,092,208	(1,764,980)	(1,754,414)
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(372,160)	(373,989)	750,172	748,868
Decrease in inventories		-	167	-	159
Increase/(decrease) in trade and other payables		649,847	638,878	(968,469)	(969,492)
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(127,188)	179,558	275,414	278,472
Utilisation of provisions	21	(301,146)	(301,790)	(183,797)	(184,774)
Net cash outflow from operating activities		**(176,131,631)**	**(176,130,062)**	**(175,796,863)**	**(175,783,331)**
Cash flows from investing activities					
Purchase of property, plant and equipment	8a	(22,122)	(26,989)	(15,781)	(19,973)
Purchase of intangible assets	9	(58,279)	(58,946)	(67,967)	(70,643)
Proceeds of disposal of property, plant and equipment		-	240	-	277
Proceeds of assets held for sale		15,829	15,829	-	-
Loans to other bodies		(72,576)	(72,576)	(95,709)	(95,709)
Repayment of loans		8,859	8,859	6,070	6,070
Net cash outflow from investing activities		**(128,289)**	**(133,583)**	**(173,387)**	**(179,978)**
Cash flows from financing activities					
From the consolidated fund (supply) current year		81,419,477	81,419,477	81,409,754	81,409,754
From the consolidated fund (supply) prior year		581,277	581,277	-	-
Net financing from the National Insurance Fund		95,376,939	95,376,939	92,602,203	92,602,203
Advances from the contingencies fund		-	-	549	549
Repayments to the contingencies fund		-	-	(1,533)	(1,533)
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(122,418)	(124,390)	(121,172)	(122,922)
Net financing		**177,255,275**	**177,253,303**	**173,889,801**	**173,888,051**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the consolidated fund		**995,355**	**989,658**	**(2,080,449)**	**(2,075,258)**
Payments of amounts due to the consolidated fund		(161,048)	(163,343)	(158,799)	(158,799)
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the consolidated fund	17	**834,307**	**826,315**	**(2,239,248)**	**(2,234,057)**
Cash and cash equivalents at the beginning of the period	17	**(2,030,369)**	**(2,019,267)**	**208,879**	**214,790**
Cash and cash equivalents at the end of the period	17	**(1,196,062)**	**(1,192,952)**	**(2,030,369)**	**(2,019,267)**

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2016

The notes on pages 169 to 207 form part of these accounts.

	General Fund		Revaluation Reserve		Total Reserves	
	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2014	**(3,940,874)**	**(3,957,720)**	**220,378**	**231,169**	**(3,720,496)**	**(3,726,551)**
Net parliamentary funding drawn down (current year)	81,409,754	81,409,754	-	-	81,409,754	81,409,754
Repayments to the consolidated fund	(150,000)	(150,000)	-	-	(150,000)	(150,000)
Net parliamentary funding – deemed	158,849	158,849	-	-	158,849	158,849
Funding from National Insurance Fund	92,602,203	92,602,203	-	-	92,602,203	92,602,203
Supply receivable adjustment	581,277	581,277	-	-	581,277	581,277
CFERs payable to the consolidated fund	(12,083)	(12,083)	-	-	(12,083)	(12,083)
Advances from the contingencies fund (prior year)	984	984	-	-	984	984
Advances from the contingencies fund	549	549	-	-	549	549
Repayments to the contingencies fund	(1,533)	(1,533)	-	-	(1,533)	(1,533)
Comprehensive net cost for the year	(174,809,845)	(174,815,910)	-	-	(174,809,845)	(174,815,910)
Non-cash adjustments:						
Non-cash charges – Auditor's remuneration	1,797	1,797	-	-	1,797	1,797
Movements in reserves:						
Recognised in Statement of Comprehensive Expenditure	-	-	72,209	68,887	72,209	68,887
Transfers between reserves	66,220	66,490	(66,220)	(66,490)	-	-
Other	2,978	2,978	-	-	2,978	2,978
Balance at 31 March 2015	**(4,089,724)**	**(4,112,365)**	**226,367**	**233,566**	**(3,863,357)**	**(3,878,799)**
Net parliamentary funding drawn down (current year)	81,419,477	81,419,477	-	-	81,419,477	81,419,477
Repayments to the consolidated fund	(150,000)	(150,000)	-	-	(150,000)	(150,000)
Net parliamentary funding – drawn down (prior year)	581,277	581,277	-	-	581,277	581,277
Funding from National Insurance Fund	95,376,939	95,376,939	-	-	95,376,939	95,376,939
Supply payable adjustment	(224,749)	(224,749)	-	-	(224,749)	(224,749)
Supply receivable previous year clearance	(581,277)	(581,277)	-	-	(581,277)	(581,277)
CFERs payable to the consolidated fund	(5,026)	(8,732)	-	-	(5,026)	(8,732)

	General Fund		Revaluation Reserve		Total Reserves	
	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000	£000	£000
Excess Capital receipts	(4,375)	(4,375)	-	-	(4,375)	(4,375)
Net costs for the year	(179,893,464)	(180,191,690)	-	-	(179,893,464)	(180,191,690)
Non-cash adjustments:						
Non-cash charges – Auditor's remuneration	1,438	1,438	-	-	1,438	1,438
Actuarial revaluation on pension	-	60,440	-	-	-	60,440
Movements in reserves:						
Recognised in Statement of Comprehensive Net Expenditure	-	-	54,897	57,192	54,897	57,192
Transfers between reserves	87,934	88,045	(87,934)	(88,045)	-	-
Other	808	262	-	-	808	262
Balance at 31 March 2016	**(7,480,742)**	**(7,745,310)**	**193,330**	**202,713**	**(7,287,412)**	**(7,542,597)**

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.

c) We make two kinds of transfer between reserves:

- each year, the realised element of the revaluation reserve (in other words, an amount equal to the excess of the actual depreciation over depreciation based on the historical cost of revalued assets) is transferred from the reserve to the general fund
- when we dispose of a revalued asset, the balance on the revaluation reserve for that asset becomes fully realised and is transferred to the general fund

Notes to the 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 2015-16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Where the FReM lets us choose an accounting policy, we've picked the one that we think is the most appropriate to our circumstances and which gives a true and fair view. The policies we've adopted are set out below. We've applied them consistently in dealing with items that we consider are material to the accounts.

As well as preparing the primary statements under IFRS, we are required under the FReM to prepare the Statement of Parliamentary Supply. This statement is shown on page 114 and shows outturn against Estimate in terms of our net resource requirement and net cash requirement.

1.2 Accounting standards, interpretations and amendments

We have adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2016. We've also taken into account the specific interpretations and adaptations included in the FReM. This includes the following adoptions effective from 1 April 2015:

a) IFRS 13 Fair Value Measurement

We have adopted IFRS 13 however it has no impact on our transactions.

The following IFRSs have been issued but are not yet effective and we have not adopted them early. We are assessing their impact on our financial statements.

b) IFRS 9 Financial Instruments (effective from 1 January 2018)

c) IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)

d) IFRS 16 Leases (effective from 1 January 2019)

1.3 Accounting convention

We have prepared these financial statements under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and some financial assets and liabilities.

1.4 Basis of consolidation

These statements cover the whole departmental group. By this, we mean the core department, which is Supply financed, plus all of our arm's length bodies that fall within the departmental boundary (as shown on page 72). We've eliminated all transactions between entities included in this consolidation.

1.5 Areas of judgement and estimation techniques

In preparing the financial statements we have to make judgements, estimates and assumptions that affect the application of policies and reported amounts of our assets and liabilities, income and expenditure. These are based on historical and other factors we think are reasonable, and we review our estimates and underlying assumptions regularly. Areas of judgement include non-current asset revaluations, depreciation and amortisation periods, provisions, early departure costs and impairment.

The policies below highlight areas that involve a high degree of judgement or complexity, and 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 looks at prior-year recoveries and write-offs arising in the current year. It uses these to project the amounts that will be recovered in the next 15 years. Recoveries and write-offs are analysed by the age of the debt they relate to. We use this analysis to estimate the value of recoveries in future periods, before discounting it to its present value.

Financial Assistance Scheme

For the Financial Assistance Scheme, we estimate the net present value of the likely assistance payments. Our estimate is based on an actuarial model of likely caseload. This estimate is uncertain and may need adjustment in a later year of account once actual caseloads are known.

European Social Fund

For the 2007-13 ESF Programme expenditure is recognised in the accounts when beneficiary claims are authorised for payment by the ESF Managing Authority. Expenditure committed by beneficiaries but not yet paid by the ESF Managing Authority at 31 March 2016 is estimated and accrued in the SOFP and recorded as income and expenditure in the SOCNE.

For the 2014-20 ESF Programme claims from beneficiaries are reported as uncertified and only recognised as income and expenditure in the SOCNE when certified by the ESF Certifying Authority as being eligible to be included in the EU claim. Beneficiary commitments not yet claimed from the ESF Managing Authority are estimated and accrued as uncertified in the SOFP.

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 for expected recoveries of these benefits. The estimate is produced using information on past recoveries. The 2015-16 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 Statutory Sick Pay and Statutory Maternity Pay is 2012-13. We generate our estimates by projecting the total from that year forward to arrive at a value for the current year. In doing this, we allow for the changes that have occurred since 2012-13.

1.6 Foreign currency translation

These financial statements are prepared in pounds sterling, which is our functional currency. 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 European Union (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. We recognise foreign exchange gains and losses resulting from such transactions in the Statement of Comprehensive Net Expenditure.

1.7 Operating income

Operating income 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 we retain and income that we surrender to the consolidated fund which, in accordance with the FReM, is treated as operating income. Operating income is stated net of VAT.

1.8 Revenue recognition

We comply with IAS 18 (Revenue) for income streams and recognise revenue when earned. For the European Social Fund, where we act as an agent, we recognise income in the accounting periods in which the EU sponsored projects are funded.

1.9 Property, plant and equipment

Property, plant and equipment are stated at fair value. However, as permitted by the FReM, we have adopted 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 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:

Leasehold improvements	£100,000
Other tangible assets	£5,000
Information technology	£1,000

All expenditure on repairs and maintenance is charged to the Statement of Comprehensive Net Expenditure during the financial year in which it’s incurred.

1.10 Land and buildings

We measure land and buildings initially at cost, restated to current value using external professional valuations. This is in accordance with IAS 16 (Property, Plant and Equipment), as interpreted by the FReM. Inspections of each property are performed at least every five years. In the intervening years the valuers use an indexation model developed to be appropriate to the property location to value the land and building asset.

We value most land and buildings on an existing-use basis (the exception is the specialist laboratory site owned by the Health and Safety Executive, which we’ve included at depreciated replacement cost) as provided under IAS 16, adapted and interpreted for the public sector to limit the circumstances in which a valuation is prepared under IFRS 13.

Spending on 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.

Independent valuations have been performed on our land and buildings, in each case, the valuations were performed on a fair-value basis by members of the Royal Institution of Chartered Surveyors, in accordance with their Appraisal and Valuation Standards.

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.

1.11 Intangible assets

Whether we acquire intangible assets externally or generate them internally we measure them initially 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 we revalue assets using appropriate indices to indicate depreciated replacement cost as an alternative for fair value.

We revalue internally developed software and software licences using the most recent Office for National Statistics published indices.

Purchased software licences

We capitalise software licences and applications at cost as intangible assets if they are in use for more than one year and cost more than £1,000. We later revalue these using appropriate indices as a proxy for fair value. As we own so many software licences, we account for them on a pooled basis. IP addresses are held as a specific sub-category of software licences until the point they satisfy the criteria to be reclassified as assets held for sale. They are held at market value, based on an estimate of the income they would currently return in the emerging IPv4 address market.

Spending on annual software licences is charged to the Statement of Comprehensive Net Expenditure when incurred.

Internally developed software

We capitalise internally developed software if it meets the criteria in IAS 38 (Intangible Assets). We classify development costs as assets under the course of construction until the asset is available for use. At that point we transfer it to the relevant asset class.

Website development costs

We capitalise website development costs in line with the requirements of SIC 32 ‘Web Site Costs’.

1.12 Depreciation and amortisation

We charge depreciation on property, plant and equipment and calculate amortisation on intangible assets with a finite life using the straight-line method to reflect the consumption of economic benefits. Depreciation/amortisation is charged to either administration or programme costs in accordance with how the associated assets are being used.

Depreciation

No depreciation is charged on freehold land. Estimated useful asset lives are within these 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
Health and Safety Executive/ Health and Safety Laboratory Private Finance Initiative leasehold buildings	60 years designated life
Leasehold improvements	Period remaining on lease (up to 20 years)
Information technology	2 to 9 years
Plant and machinery	5 to 10 years
Furniture and fittings	2 to 15 years
Motor vehicles	3 to 10 years

Amortisation

Purchased software licences	The shorter of the licence period or a period from 2 to 15 years as aligned to the useful economic life (UEL) of the application/developed software the licence provides access to.
Internally developed software	2 to 15 years
Websites	5 years

IP addresses are treated as a specific sub-category of software licences, for which:

- the UEL is determined to be the period from initial recognition to the estimated sale date
- the residual value is calculated as the estimated market value less costs to sell, this is the value we depreciate

1.13 Impairment of non-current assets

In accordance with the FReM, we take impairment losses that result from a clear consumption of economic benefit directly to the Statement of Comprehensive Net Expenditure. We debit other impairment losses to the revaluation reserve up to the level of depreciated historic cost, and take any excess to the Statement of Comprehensive Net Expenditure. Where the impairment relates to a previously revalued asset, the balance on the revaluation reserve that the impairment would have been charged to is transferred to the general fund to ensure consistency with IAS 36 (Impairment of Assets).

We review all non-current assets and assets under the course of construction annually for impairment.

1.14 Financial assets and liabilities

In line with IAS 39 (Financial Instruments), we recognise financial assets and liabilities when we become party to the contracts that give rise to them. Our policy is not to trade in financial instruments.

Loans and receivables

The fair value of trade receivables is usually the original invoiced amount. We recognise any changes in value in the Statement of Comprehensive Net Expenditure.

Cash and cash equivalents

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 previously defined net of outstanding bank overdrafts and encashment control balances. We include bank overdrafts in current liabilities in the Statement of Financial Position.

Available for sale financial assets

We recognise available for sale financial assets at fair value. We recognise unrealised gains and losses arising from changes in fair value initially in the Consolidated Statement of Changes in Taxpayers' Equity. Upon sale the cumulative gain or loss is transferred to the Statement of Comprehensive Net Expenditure.

Impairment of financial assets

At the end of the reporting period we assess 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 before the end of the reporting period. For the purposes of a collective evaluation of impairment, we group financial assets where they are not individually significant. We do this on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors.

1.15 Benefit overpayments

We seek to recover all overpayments unless it would cause financial hardship or wouldn't be cost-effective. Where recovery isn't cost-effective we write off overpayments – with the exception of fraud cases and direct payments after death.

We recognise receivables in the accounts when there is a legal basis to seek recovery. Benefit receivables recognised in the Statement of Financial Position are valued at the difference between the amount the customer has been paid and what they should have been paid, less any impairment of these receivables.

We do not recognise certain categories of identified benefit overpayment as receivables, including:

- those due to official error where there is no statutory right of recovery
- cases satisfying Secretary of State waiver policies
- where the customer has died and the estate isn't large enough to recover the overpayment

We periodically review the quality and consistency of write-off decision-making. Our write-off policy has been agreed with HM Treasury.

The Social Fund scheme administers awards that can be either recoverable or non-recoverable. 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 withdrawn (for example, because of claimant misrepresentation), our policy is to classify these Social Fund grants as overpayments and recover accordingly. HM Treasury have agreed it would not be value for money to carry out specific exercises to identify and pursue potential grant overpayments from before 1 April 2014.

Housing Benefit, Council Tax Benefit and Discretionary Housing Payment receivables arise when we overpay Housing Benefit or Council Tax Benefit subsidy to a local authority. Following the certification of final subsidy claims submitted by local authorities, the Secretary of State will decide whether to recover the overpayment, and if so how much. Although Council Tax Benefit ceased to exist on 1 April 2013, it will still be included in Secretary of State recovery decisions until all its overpayments are cleared.

1.16 Provisions

We recognise provisions in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). 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 we discount the estimated risk-adjusted cash flows using the real rate set by HM Treasury.

1.17 Early departure costs

For past early departure schemes for employees who retired early, we meet the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. We provide for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments. The provision is discounted by the HM Treasury discount rate of 1.37% (2014-15: 1.30%) in real terms.

From 22 December 2010, all exit costs paid under the civil service compensation terms consist of lump sum payments only.

1.18 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and Civil Servants and Others Pension Scheme (alpha). The defined benefit schemes are unfunded and are contributory public service occupational pension schemes made under the Superannuation Act 1972. We recognise 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/alpha of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS/alpha. In respect of the defined contribution schemes, we recognise the contributions payable for the year.

There is a separate scheme statement for the PCSPS as a whole. Details can be found in the Cabinet Office accounts; Civil Superannuation (www.civilservicepensionscheme.org.uk).

1.19 Leases

To determine whether an arrangement is or contains a lease, we look at the substance of the arrangement. Then we assess whether fulfilling that arrangement will depend on the use of a specific asset and whether the arrangement gives the right to use the asset.

Leases of assets where we substantially bear all risks and rewards of ownership are classified as finance leases. We've assessed significant lease arrangements under IFRIC 4 (Determining Whether an Arrangement Contains a Lease) and IAS 17 (Leases) and accounted for them in accordance with the FReM. We recognise related assets as non-current assets in the Statement of Financial Position and account for the liability to pay for these assets as a finance lease. Contract payments can be attributed 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 Statement of Comprehensive Net Expenditure.

1.20 Private finance initiative (PFI) transactions

We've accounted for PFI transactions in accordance with IFRIC 12 (Service Concession Arrangements) and IAS 17 (Leases), as interpreted for the public sector.

Where we have control over the PFI asset, or where we don't have control but we bear the balance of risks and rewards of control, we recognise the asset as a non-current asset and account for the liability to pay for it 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 we don't have control over the PFI asset and the balance of risks and rewards of control are borne by the PFI operator, we record PFI payments as an expense. Where we have 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, 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.

1.21 Contingent liabilities

We disclose contingent liabilities in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

For some statutory and non-statutory contingent liabilities the likelihood of transfer of economic benefit is remote. However, we still disclose some of these for parliamentary reporting and accountability, where this is needed under the requirements of Managing Public Money.

Where the time value of money is material we state contingent liabilities that we have to disclose under IAS 37 at discounted amounts and separately note the amount reported to Parliament. Where we don't have to disclose contingent liabilities under IAS 37, we state them in the amounts reported to Parliament.

1.22 Third-party assets

Child Maintenance Group

The Child Maintenance Group temporarily holds as a custodian, money belonging to third parties. This money comes from maintenance collected under the existing statutory child maintenance schemes. The transactions are included in a client funds account, published separately, and are excluded from this account.

Financial Assistance Scheme

DWP collects income from the FAS as an agent rather than principal for the consolidated fund. Full details of amounts collected are in the FAS trust statement published separately from, but alongside these financial statements (page 209). Income collected and transferred to the consolidated fund is accounted for in the Statement of Cash Flows. Any balance remaining at year end is recognised as a payable.

1.23 Grant in aid

Grants in aid to our arm's length bodies (see note 4) are treated as expenditure in our Statement of Comprehensive Net Expenditure. In the accounts of the arm's length bodies these grants are treated as financing, and are credited to their reserves. Grants in aid are accounted for on a cash basis.

2. Statement of operating costs by operating segment

			2015-16			2014-15
	Core Department	Arm's length bodies	Departmental Group	Core Department	Arm's length bodies	Departmental Group
	£000	£000	£000	£000	£000	£000
AME:						
Expenditure	173,386,479	-	173,386,479	167,661,348	-	167,661,348
DEL Administration:						
Expenditure	664,664	263,196	927,860	831,950	132,008	963,958
Income	(58,959)	(29,639)	(88,598)	(45,755)	(27,869)	(73,624)
DEL Programme:						
Expenditure	6,204,283	111,973	6,316,256	6,419,399	435,585	6,854,984
Income	(577,346)	(62,413)	(639,759)	(548,383)	(53,654)	(602,037)
Total	179,619,121	283,117	179,902,238	174,318,559	486,070	174,804,629

Operating segments are reported in a way that's consistent with the internal reports that are sent to the chief operating decision-maker and used to make strategic decisions. Our chief operating decision-maker is the departmental board.

We have two types of expenditure:

- Departmental expenditure limit (DEL): spending which is generally within our control and managed in fixed multi-year limits. Some elements may be demand led. DEL is further analysed into DEL programme and DEL administration expenditure to reflect the distinction between front line and back-office services.
- Annually managed expenditure (AME): spending which is generally less predictable and controllable than spending in DEL. This covers all of our expenditure on benefits for welfare, pensions and social fund.

We've disclosed these segments:

- Net cost of the core department which includes:
  - frontline costs of delivering benefits for people of working age and pension age
  - Housing Benefit subsidies paid by a grant to local authorities
  - corporate functions that support the business
  - contracts for accommodation and IT services
  - payments of Statutory Sick Pay and Statutory Maternity Pay to HMRC
  - employment programmes
  - TV licences for the over-75s
  - grants to Motability (until December 2015 when funding ceased)
- Net cost of our arm's length bodies

Grants in aid to our arm's length bodies are not part of the operating costs of the core department for segmental reporting. Therefore the total for core department does not balance to the Statement of Comprehensive Net Expenditure by this amount.

3. Staff expenditure

	2015-16		2014-15	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Wages and salaries	2,017,335	2,158,984	2,124,303	2,266,342
Employers' National Insurance	118,959	131,053	124,675	136,708
Superannuation and pension costs	379,894	410,011	342,117	368,511
Total staff costs	**2,516,187**	**2,700,048**	**2,591,095**	**2,771,561**

We have presented the full staff and related expenditure disclosure in the remuneration and staff report on page 97.

4. Expenditure

		2015-16		2014-15	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Purchase of goods and services					
Goods and services		886,543	938,886	851,182	901,486
IT services		690,692	703,602	604,467	616,290
Accommodation expenditure		412,678	423,964	413,602	426,352
Agency payments on behalf of EU to third parties		380,518	380,518	285,871	285,871
Rentals under operating leases		11,510	16,405	11,936	17,198
Audit fee		-	262	-	216
Grant-in-aid		274,343	-	491,286	-
Other costs		46,507	54,912	49,958	58,463
Non-cash goods and services	6	14,927	13,661	1,006	386
Purchase of goods and services total		**2,717,718**	**2,532,210**	**2,709,308**	**2,306,262**
Finance expense					
PFI service charges		59,624	69,712	58,808	68,155
Finance lease charges		21,537	31,481	27,148	27,148
Total		**81,161**	**101,193**	**85,956**	**95,303**

5. Benefit and Social Fund expenditure

		2015-16		2014-15	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Non-voted expenditure	5b	95,180,269	95,180,269	92,182,343	92,182,343
Voted expenditure	5a	74,669,683	74,744,698	74,278,725	74,558,528
Social Fund expenditure		2,105,776	2,105,776	2,159,890	2,159,890
Programme balances written off		441,320	441,320	470,881	470,881
Total		**172,397,048**	**172,472,063**	**169,091,839**	**169,371,642**

5a. Voted expenditure

	2015-16		2014-15	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Amounts paid to local authorities	24,049,774	24,049,774	24,434,961	24,434,961
Disability Living Allowance	13,221,741	13,221,741	13,786,187	13,786,187
Employment and Support Allowance	9,739,130	9,739,130	8,598,442	8,598,442
Pension Credit	5,910,778	5,910,778	6,452,017	6,452,017
Personal Independence Payment	3,005,559	3,005,559	1,567,172	1,567,172
Attendance Allowance	5,457,559	5,457,559	5,387,863	5,387,863
Income Support	2,591,964	2,591,964	2,914,408	2,914,408
Carer’s Allowance	2,543,442	2,543,442	2,316,366	2,316,366
Statutory Sick Pay and Statutory Maternity Pay	2,532,000	2,532,000	2,390,969	2,390,969
Jobseeker’s Allowance	1,995,480	1,995,480	2,668,337	2,668,337
Industrial Injuries Benefit Scheme	891,408	891,408	907,187	907,187
Employment programmes	783,644	783,644	1,006,894	1,006,894
TV licences for over 75s	622,984	622,984	613,282	613,282
Universal Credit	488,095	488,095	56,148	56,148
Severe Disablement Allowance	469,448	469,448	734,508	734,508
Other expenditure	366,677	441,692	443,984	723,787
Total	**74,669,683**	**74,744,698**	**74,278,725**	**74,558,528**

5b. Non-voted expenditure (financed by the National Insurance Fund)

	2015-16		2014-15	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
State Pension	89,237,407	89,237,407	86,395,934	86,395,934
Employment and Support Allowance	4,436,426	4,436,426	4,059,517	4,059,517
Bereavement benefits	568,803	568,803	572,557	572,557
Maternity Allowance	440,678	440,678	416,395	416,395
Jobseeker's Allowance	306,852	306,852	366,315	366,315
Christmas Bonus	127,521	127,521	124,497	124,497
Incapacity Benefit	62,582	62,582	247,128	247,128
Total	**95,180,269**	**95,180,269**	**92,182,343**	**92,182,343**

6. Non-cash expenditure

	2015-16		2014-15	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Non-cash purchase of goods and services				
Auditor's remuneration	1,438	1,438	1,797	1,797
Loss on disposal of assets	4,622	3,356	542	574
Revaluation (gain)/loss	(106)	(106)	(1,964)	(2,616)
ESF foreign exchange loss	8,711	8,711	631	631
Other	262	262	-	-
	14,927	**13,661**	**1,006**	**386**
Depreciation, amortisation and impairment				
Depreciation and amortisation of non-current assets	310,415	318,354	296,139	304,360
Amortisation of prepayments	5,000	5,000	5,000	5,000
Impairment of non-current assets	1,115	2,137	5,192	5,192
Movement in impairment of receivables	(215,157)	(213,327)	(172,489)	(171,185)
	101,373	**112,164**	**133,842**	**143,367**
Provision expense				
Movement in provisions	2,472,144	2,468,779	555,336	555,549
Borrowing costs of provisions	244,138	244,138	236,606	236,606
	2,716,282	2,712,917	791,942	792,155
Total	**2,832,582**	**2,838,743**	**926,790**	**935,908**

7. Income

	2015-16		2014-15	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Operating income				
EU income	348,178	348,178	281,650	281,650
HSE income	-	85,800	-	80,707
Pension levy receipts	59,846	59,846	60,971	60,971
Mesothelioma recoveries	53,808	53,808	56,091	56,091
Income from other government departments	48,531	48,531	50,523	50,497
Benefit income	13,251	13,251	18,256	18,256
CFER income	5,026	8,732	12,083	12,083
ESF income	11,176	11,176	40,521	40,521
Other income	58,673	61,173	29,876	30,655
	598,489	**690,495**	**549,971**	**631,431**
Finance income				
Investment income	25,670	25,716	22,019	22,082
Non-cash				
ESF foreign exchange gain	12,146	12,146	22,148	22,148
	37,816	**37,862**	**44,167**	**44,230**
Total income	**636,305**	**728,357**	**594,138**	**675,661**

8. 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 2015	1,790,875	23,527	308,034	43,661	10,171	3,675	3,460	2,183,403
Additions	674	3,885	35,149	712	389	1,170	10,308	52,287
Disposals	(5,963)	(813)	(57,738)	(1,136)	(7,022)	(538)	-	(73,210)
Impairments	-	-	-	(32)	(16)	-	-	(48)
Reclassifications	-	4,408	-	4	37	-	(4,449)	-
Revaluations	19,579	(17)	(22)	-	(51)	-	-	19,489
Transfers in	-	-	2,324	-	6,612	-	-	8,936
At 31 March 2016	**1,805,165**	**30,990**	**287,747**	**43,209**	**10,120**	**4,307**	**9,319**	**2,190,857**
Depreciation								
At 1 April 2015	1,286,443	11,812	230,128	34,801	4,938	1,360	-	1,569,482
Charged in year	137,860	4,859	27,933	3,649	735	487	-	175,523
Disposals	(793)	(584)	(56,104)	(1,059)	(6,999)	(294)	-	(65,833)
Impairments	-	-	531	(10)	336	-	-	857
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(985)	(9)	(12)	-	(32)	-	-	(1,038)
Transfers in	-	-	1,793	-	6,269	-	-	8,062
At 31 March 2016	**1,422,525**	**16,078**	**204,269**	**37,381**	**5,247**	**1,553**	**-**	**1,687,053**
Carrying amount at 31 March 2016	**382,640**	**14,912**	**83,478**	**5,828**	**4,873**	**2,754**	**9,319**	**503,804**
Carrying amount at 31 March 2015	**504,432**	**11,715**	**77,906**	**8,860**	**5,233**	**2,315**	**3,460**	**613,921**
Asset financing:								
Owned	11,214	14,912	28,785	4,083	3,014	2,754	9,319	74,081
Finance leased	29,179	-	54,693	1,745	-	-	-	85,617
PFI contracts	342,247	-	-	-	1,859	-	-	344,106
Carrying amount at 31 March 2016	**382,640**	**14,912**	**83,478**	**5,828**	**4,873**	**2,754**	**9,319**	**503,804**
Of the total:								
Department	315,288	8,271	80,601	1,753	292	123	6,887	413,215
Arm's length bodies	67,352	6,641	2,877	4,075	4,581	2,631	2,432	90,589
Carrying amount at 31 March 2016	**382,640**	**14,912**	**83,478**	**5,828**	**4,873**	**2,754**	**9,319**	**503,804**

	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 2014	1,779,854	29,596	345,479	43,137	10,223	4,194	2,811	2,215,294
Additions	494	238	51,590	1,161	218	887	1,942	56,530
Disposals	(8,464)	(6,600)	(89,031)	(629)	(135)	(730)	-	(105,589)
Impairments	-	-	-	-	-	-	-	-
Transfers out	-	(444)	(17)	(8)	(145)	(676)	-	(1,290)
Reclassifications	586	707	-	-	-	-	(1,293)	-
Revaluations	18,405	30	13	-	10	-	-	18,458
At 31 March 2015	**1,790,875**	**23,527**	**308,034**	**43,661**	**10,171**	**3,675**	**3,460**	**2,183,403**
Depreciation								
At 1 April 2014	1,162,787	15,035	296,420	31,650	4,367	1,617	-	1,511,876
Charged in year	131,642	3,507	21,897	3,720	745	406	-	161,917
Disposals	(966)	(6,575)	(88,181)	(562)	(133)	(459)	-	(96,876)
Impairments	-	-	-	-	-	-	-	-
Transfers out	-	(178)	(15)	(7)	(42)	(204)	-	(446)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(7,020)	23	7	-	1	-	-	(6,989)
At 31 March 2015	**1,286,443**	**11,812**	**230,128**	**34,801**	**4,938**	**1,360**	**-**	**1,569,482**
Carrying amount at 31 March 2015	**504,432**	**11,715**	**77,906**	**8,860**	**5,233**	**2,315**	**3,460**	**613,921**
Carrying amount at 31 March 2014	**617,067**	**14,561**	**49,059**	**11,487**	**5,856**	**2,577**	**2,811**	**703,418**
Asset financing:								
Owned	10,968	11,715	23,170	4,307	3,274	2,315	3,460	59,209
Finance leased	30,671	-	54,736	4,553	-	-	-	89,960
On-Statement of Financial Position								
PFI contracts	462,793	-	-	-	1,959	-	-	464,752
Carrying amount at 31 March 2015	**504,432**	**11,715**	**77,906**	**8,860**	**5,233**	**2,315**	**3,460**	**613,921**
Of the total:								
Department	438,310	3,716	74,378	4,586	143	-	3,455	524,588
Arm's length bodies	66,122	7,999	3,528	4,274	5,090	2,315	5	89,333
Carrying amount at 31 March 2015	**504,432**	**11,715**	**77,906**	**8,860**	**5,233**	**2,315**	**3,460**	**613,921**

a. Cash flow reconciliation

	2015-16	2014-15
	£000	£000
Capital payables and accruals at 1 April	1,305	625
Capital additions	52,287	56,519
Less: leased capital additions	(18,420)	(35,866)
Capital payables and accruals at 31 March	(8,183)	(1,305)
Purchases of property, plant and equipment as per Statement of Cash Flows	**26,989**	**19,973**
Of the total:		
Department	22,122	15,781
Arm's length bodies	4,867	4,192

Land and buildings

	Land	Freehold Buildings	Leasehold Buildings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2015	728,589	8,354	1,053,932	1,790,875
Additions	355	191	128	674
Disposals	(1,929)	-	(4,034)	(5,963)
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	(7,657)	105	27,131	19,579
At 31 March 2016	**719,358**	**8,650**	**1,077,157**	**1,805,165**
Depreciation				
At 1 April 2015	556,090	225	730,128	1,286,443
Charged in year	56,145	194	81,521	137,860
Disposals	(235)	-	(558)	(793)
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	(140)	(845)	(985)
At 31 March 2016	**612,000**	**279**	**810,246**	**1,422,525**
Carrying amount at 31 March 2016	**107,358**	**8,371**	**266,911**	**382,640**
Carrying amount at 31 March 2015	**172,499**	**8,129**	**323,804**	**504,432**
Of the total:				
Department	104,516	1,428	209,344	315,288
Arm's length bodies	2,842	6,943	57,567	67,352
Carrying amount at 31 March 2016	**107,358**	**8,371**	**266,911**	**382,640**

	Land	Freehold Buildings	Leasehold Buildings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2014	725,240	7,318	1,047,296	1,779,854
Additions	-	494	-	494
Disposals	(3,730)	-	(4,734)	(8,464)
Impairments	-	-	-	-
Reclassifications	(11)	597	-	586
Revaluations	7,090	(55)	11,370	18,405
At 31 March 2015	**728,589**	**8,354**	**1,053,932**	**1,790,875**
Depreciation				
At 1 April 2014	501,823	1,318	659,646	1,162,787
Charged in year	54,685	404	76,553	131,642
Disposals	(418)	-	(548)	(966)
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	(1,497)	(5,523)	(7,020)
At 31 March 2015	**556,090**	**225**	**730,128**	**1,286,443**
Carrying amount at 31 March 2015	**172,499**	**8,129**	**323,804**	**504,432**
Carrying amount at 31 March 2014	**223,417**	**6,000**	**387,650**	**617,067**
Of the total:				
Department	169,658	1,461	267,191	438,310
Arm’s length bodies	2,841	6,668	56,613	66,122
Carrying amount at 31 March 2015	**172,499**	**8,129**	**323,804**	**504,432**

9. Intangible assets

		Websites	Purchased Software Licences	Internally Developed Software	Payments on Account and Assets Under Construction	Total
	Note	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2015		36,797	233,294	1,135,225	33,603	1,438,919
Additions		-	14,455	-	54,438	68,893
Disposals		(2,259)	(20,000)	(12,134)	-	(34,393)
Impairments		-	-	(1,556)	-	(1,556)
Reclassifications		-	(3,938)	47,859	(48,387)	(4,466)
Revaluations		1,072	21,940	36,455	-	59,467
At 31 March 2016		**35,610**	**245,751**	**1,205,849**	**39,654**	**1,526,864**
Amortisation						
At 1 April 2015		33,173	155,618	686,612	-	875,403
Charged in year	9a	767	24,850	117,214	-	142,831
Disposals		(2,259)	(19,708)	(11,152)	-	(33,119)
Impairments		-	117	(389)	-	(272)
Reclassifications		-	(74)	-	-	(74)
Revaluations		915	1,457	20,484	-	22,856
At 31 March 2016		**32,596**	**162,260**	**812,769**	**-**	**1,007,625**
Carrying amount at 31 March 2016		**3,014**	**83,491**	**393,080**	**39,654**	**519,239**
Carrying amount at 31 March 2015		**3,624**	**77,676**	**448,613**	**33,603**	**563,516**
Of the total:						
Department		3,014	80,718	392,479	39,601	515,812
Arm's length bodies		-	2,773	601	53	3,427
Carrying amount at 31 March 2016		**3,014**	**83,491**	**393,080**	**39,654**	**519,239**
Cost or valuation						
At 1 April 2014		40,709	207,374	1,037,938	70,888	1,356,909
Additions		-	8,308	99	56,065	64,472
Disposals		(8,669)	(6,962)	(2,915)	-	(18,546)
Impairments		-	(4,322)	(3,785)	(2,728)	(10,835)
Reclassifications		4,256	(10,524)	84,971	(90,622)	(11,919)
Revaluations		501	39,420	18,917	-	58,838
At 31 March 2015		**36,797**	**233,294**	**1,135,225**	**33,603**	**1,438,919**

	Note	Websites	Purchased Software Licences	Internally Developed Software	Payments on Account and Assets Under Construction	Total
		£000	£000	£000	£000	£000
Amortisation						
At 1 April 2014		36,544	134,396	577,397	-	748,337
Charged in year	9a	4,915	28,948	106,374	-	140,237
Disposals		(8,669)	(6,409)	(2,915)	-	(17,993)
Impairments		-	(2,428)	(3,215)	-	(5,643)
Reclassifications		-	-	-	-	-
Revaluations		383	1,111	8,971	-	10,465
At 31 March 2015		**33,173**	**155,618**	**686,612**	**-**	**875,403**
Carrying amount at 31 March 2015		**3,624**	**77,676**	**448,613**	**33,603**	**563,516**
Carrying amount at 31 March 2014		**4,165**	**72,978**	**460,541**	**70,888**	**608,572**

Of the total:					
Department	3,624	74,901	448,074	32,706	559,305
Arm's length bodies	-	2,775	539	897	4,211
Carrying amount at 31 March 2015	**3,624**	**77,676**	**448,613**	**33,603**	**563,516**

a. Total amortisation in the year was £142.8 million (2014-15: £140.2 million).

b. The carrying amount that would be recognised if the revalued intangible assets were measured at cost would be £464 million.

c. During 2015-16, within the category of Purchased Software Licences, IP address assets were revalued from £23.55 million to £43.26 million to reflect the fair market value based on the best estimate of market price. Of these, IP addresses with a net book value of £4.392 million were reclassified to assets held for sale.

Cash flow reconciliation

	2015-16	2014-15
	£000	£000
Capital payables and accruals at 1 April	1,966	5,945
Capital additions	68,893	66,664
Capital payables and accruals at 31 March	(11,913)	(1,966)
Purchases of intangible assets as per Statement of Cash Flows	**58,946**	**70,643**
Of the total:		
Department	58,279	67,967
Arm's length bodies	667	2,676

Universal Credit intangible asset breakdown

£111.4 million (2014-15: £120.1 million) of the £519.2 million carrying value (2014-15: £563.5 million) of intangible assets relate to Universal Credit (UC) assets as follows:

	Internally Developed Software	Licences	Assets Under Construction	Total
	£m	£m	£m	£m
Carrying amount at 31 March 2015	**99.62**	**12.74**	**7.75**	**120.11**
Additions	-	0.53	27.57	28.10
Transfer from assets under construction to internally developed software	18.87	-	(18.87)	-
Disposals	-	(0.22)	-	(0.22)
Annual amortisation	(34.87)	(5.32)	-	(40.19)
Revaluation	3.50	0.10	-	3.60
Carrying amount at 31 March 2016	**87.12**	**7.83**	**16.45**	**111.40**

We continue to roll out and improve the UC live service because of the assessed economic benefits. This allows us and the UC claimants to get hands-on experience while we continue the development of the full service.

In 2015-16, the useful economic lives of the software and licences were extended to September 2018, to align with the latest plans for ongoing use of the live Service system during the roll-out of the full service.

Software licences with a carrying value of £0.2 million were disposed of and replaced with licence arrangements which provide better value for money to the department over their expected useful life.

The carrying value of the internally developed software in use as at 31 March 2016 was £87.1 million (2014-15: £99.6 million). This consists of:

- £70.9 million (2014-15: £84.3 million) of IT assets which are being used as part of the existing IT functionality. We're amortising these assets to September 2018
- £16.2 million (2014-15: £15.3 million) of IT assets which are being used as part of the existing IT functionality and will also be used in the new full service. We're amortising these assets over 15 years

Assets under construction of £16.4 million as at 31 March 2016 (2014-15: £7.8 million) consist of:

	2015-16	2014-15
	£m	£m
Assets under construction as at 31 March 2016		
Live service	6.6	7.8
Full service	9.8	-
Total	**16.4**	**7.8**

We completed an impairment review of the capitalised UC assets and identified no indicators of impairment that would affect the values of the UC IT assets.

10. Non-current assets impairment

		2015-16		2014-15	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Charged to Statement of Comprehensive Net Expenditure					
Property, plant and equipment	8	-	905	-	-
Intangible assets	9	1,167	1,284	5,192	5,192
Transferred from revaluation reserve					
Property, plant and equipment		-	-	-	-
Intangible assets		(52)	(52)	-	-
Total		**1,115**	**2,137**	**5,192**	**5,192**

11. Financial assets

	Working Links	National Employment Savings Trust Corporation	New Enterprise Allowance	Office for Nuclear Regulation	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2015	**4,275**	**387,147**	**3,982**	**5,900**	**401,304**
Additions	-	72,500	76	-	72,576
Loan repayments	-	-	(2,959)	(5,900)	(8,859)
Revaluations	350	-	-	-	350
Impairments	-	-	(1,730)	-	(1,730)
Loans repayable within 12 months transferred from receivables	-	-	2,769	-	2,769
Balance at 31 March 2016	**4,625**	**459,647**	**2,138**	**–**	**466,410**

We hold investments in Working Links (Employment) Limited a public, private and voluntary company. Private sector shareholders are Manpower and Capgemini UK plc and voluntary sector shares are held by Mission Australia.

We provided a loan to National Employment Savings Trust Corporation for the purposes of set up and administration of the scheme. The loan will be repaid from charges levied on scheme members. The interest rate on each loan drawdown is determined by the interest rate prevailing at the time of taking out the loan. Interest on loans is payable on April and October each year. The loan principals fall due for settlement on a series of repayment dates commencing 21 October 2020.

We provided loans to New Enterprise Allowance (NEA) who provide loans to customers setting up a new business; customers typically repay the loan within 3 years.

12. Assets held for sale

	31 March 2016		31 March 2015	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Disabled People's Employment Corporation	-	639	-	-
IPv4 addresses	344	344	11,919	11,919
Total	**344**	**983**	**11,919**	**11,919**

13. Capital commitments

	31 March 2016		31 March 2015	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Property, plant and equipment	74	1,004	106	744
Intangible assets	353	432	2,434	2,706
Total	**427**	**1,436**	**2,540**	**3,450**

14. Commitments under non-PFI leases

(i) Operating leases

Total future minimum lease payments under operating leases are given in the table below:

	31 March 2016		31 March 2015	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	12,696	17,704	12,089	16,339
Later than 1 year and not later than 5 years	22,321	28,463	14,875	23,397
Later than 5 years	21,077	23,071	13,449	22,828
Total	**56,094**	**69,238**	**40,413**	**62,564**

(ii) Finance leases

Total future minimum lease payments under finance leases are given in the table below:

	31 March 2016		31 March 2015	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Gross liabilities				
Not later than 1 year	46,015	46,015	25,000	25,000
Later than 1 year and not later than 5 years	47,044	47,044	70,287	70,287
Later than 5 years	60,463	60,463	68,669	68,669
Total gross liabilities	**153,522**	**153,522**	**163,956**	**163,956**
Less: interest element	(40,038)	(40,038)	(46,624)	(46,624)
Present value of obligations	**113,484**	**113,484**	**117,332**	**117,332**

	31 March 2016		31 March 2015	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Present value of obligations				
Not later than 1 year	39,301	39,301	17,604	17,604
Later than 1 year and not later than 5 years	29,598	29,598	50,685	50,685
Later than 5 years	44,585	44,585	49,043	49,043
Total	**113,484**	**113,484**	**117,332**	**117,332**

Finance leases include the following non PFI arrangements:

- **Accommodation**

We have an arrangement for the provision of accommodation on the Newcastle estate which started on 1 April 1999 and lasts until 2029.

- **IT Services**

The following IT contracts meet the definition of a finance lease:

HP Enterprise Services Limited for:

- hosting services to February 2018
- application maintenance and support to February 2018
- application development to February 2018
- desktop services to January 2017

BT Global Services for:

- integrated communications network services to August 2017
- connectivity services to September 2019

Xerox for sustainable print services to June 2017

Monster for Universal Jobmatch to March 2017

Vodafone for telephony services to September 2017

15. Commitments under PFI contracts and other service concession arrangements

We've assessed the transactions arising from service concession contracts under IFRIC 12 (Service Concession Arrangements) and IAS 17 (Leases). We account for them in accordance with the FReM. As the balance of control of the assets is borne by ourselves or our arm's length bodies, rather than the PFI provider, we recognise the assets provided under the contracts as non-current assets in the Statement of Financial Position. We also account for the liabilities to pay for these assets as finance leases. We attribute contract payments to either the service charge element or the capital repayment and interest element of the contracts.

The imputed finance lease charges are:

	31 March 2016		31 March 2015	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Rentals due within 1 year	114,654	124,980	116,010	126,336
Rentals due later than 1 year and not later than 5 years	114,437	155,769	231,767	273,071
Rentals due later than 5 years	-	152,398	-	162,752
Less interest element	(11,654)	(115,863)	(25,782)	(138,346)
Present value of obligations	**217,437**	**317,284**	**321,995**	**423,813**

The minimum service charges are:

	31 March 2016		31 March 2015	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Service charge due within 1 year	414,435	425,240	401,311	411,940
Service charge due later than 1 year and not later than 5 years	423,648	466,868	826,215	868,729
Service charge due later than 5 years	-	151,708	-	154,905
Total	**838,083**	**1,043,816**	**1,227,526**	**1,435,574**

The contracts assessed as service concessions are as follows:

Private sector resource management of the estate (PRIME)

We have a Private Finance Initiative 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 fully serviced accommodation. The contract runs from 1 April 1998 to 31 March 2018.

Health and Safety Executive accommodation and IT services

The Health and Safety Executive has signed a 30 year contract for fully serviced accommodation at Redgrave Court in Bootle, Merseyside. The contract runs from May 2005 to May 2035.

Health and Safety Executive has occupied serviced accommodation in Buxton for laboratory and support functions. This comes under a 'design, build, finance and operate' contract which commenced on 28 October 2004 and lasts until 2037.

Charge to the Statement of Comprehensive Net Expenditure and future commitments

Contingent rent of £59.6 million (2014-15 £58.8 million) is included in the SoCNE. Rental charges under the PRIME contract are linked to CPI and increase over time. The contingent rent figure is the difference between the implicit rentals calculated at the start of the contract and the equivalent rentals payable under the PRIME contract during the current financial year.

16. Other financial commitments

We've entered into several 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 £5 million are:

	31 March 2016		31 March 2015	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	359,450	366,839	289,236	296,110
Later than 1 year and not later than 5 years	234,007	240,694	424,825	433,395
Later than 5 years	23,011	25,939	155,924	159,874
Total	**616,468**	**633,472**	**869,985**	**889,379**

17. Cash and cash equivalents

	31 March 2016		31 March 2015	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Balances at 1 April	(2,030,369)	(2,019,267)	208,879	214,790
Net change in cash and cash equivalent balances	834,307	826,315	(2,239,248)	(2,234,057)
Balances at 31 March	**(1,196,062)**	**(1,192,952)**	**(2,030,369)**	**(2,019,267)**
Represented by:				
Cash and cash equivalents	173,128	176,290	136,689	147,791
Bank overdraft	(1,369,190)	(1,369,242)	(2,167,058)	(2,167,058)
	(1,196,062)	**(1,192,952)**	**(2,030,369)**	**(2,019,267)**

The following balances at 31 March were held at:

	31 March 2016		31 March 2015	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Government Banking Services	(1,203,973)	(1,203,716)	(2,043,306)	(2,042,738)
Commercial banks and cash in hand	7,911	10,764	12,937	23,471
Total	**(1,196,062)**	**(1,192,952)**	**(2,030,369)**	**(2,019,267)**

18. Trade receivables, financial and other assets

Analysis by type

	31 March 2016		31 March 2015	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Amounts falling due within one year				
Trade receivables	13,590	34,937	20,373	39,984
Deposits and advances	1,592	1,844	1,692	1,947
Amounts due from other government departments	25,865	25,853	20,784	20,628
Benefit overpayments	398,646	398,646	359,221	359,221
Benefit advances	22,026	22,026	5,271	5,271
Housing and Council Tax Benefit	212,723	212,723	338,873	338,873
Prepayments and accrued income	1,518,952	1,532,758	1,686,213	1,701,714
Social Fund loans	273,947	273,947	325,001	325,001
European Social Fund	227,887	227,887	493,915	493,915
VAT	63,689	65,470	82,588	83,734
Current part of loans	980	980	3,749	3,749
Amounts due from the consolidated fund in respect of supply	-	-	581,277	581,277
Other receivables	16,518	16,686	34,013	34,340
Gross receivables	**2,776,415**	**2,813,757**	**3,952,970**	**3,989,654**
Less: impairment of receivables	(137,192)	(140,455)	(135,975)	(138,496)
Net receivables	**2,639,223**	**2,673,302**	**3,816,995**	**3,851,158**
Amounts falling due after more than one year				
Deposits and advances	67	159	106	198
Prepayments and accrued income	5,000	5,000	10,000	10,000
Benefit overpayments	2,106,726	2,106,726	2,123,449	2,123,449
Social Fund loans	505,009	505,009	611,262	611,262
Other receivables	4,931	6,017	4,096	5,262
Gross receivables	**2,621,733**	**2,622,911**	**2,748,913**	**2,750,171**
Less: impairment of receivables	(1,051,703)	(1,051,703)	(1,264,611)	(1,264,611)
Net receivables	**1,570,030**	**1,571,208**	**1,484,302**	**1,485,560**
Total net receivables	**4,209,253**	**4,244,510**	**5,301,297**	**5,336,718**

19. Trade payables and other current liabilities

Analysis by type

		31 March 2016		31 March 2015	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Taxation and social security		38,598	42,074	40,206	43,784
Superannuation		39,118	42,164	35,949	38,832
Trade payables		75,081	76,466	78,775	80,679
Amounts due to other government departments		43,150	43,150	47,680	47,680
Accruals and deferred income		3,172,818	3,202,669	2,638,968	2,669,000
Capital accruals	8 & 9	18,233	20,096	2,505	3,271
Bank overdrafts	17	1,369,190	1,369,242	2,167,058	2,167,058
Imputed finance lease element of on-Statement of Financial Position PFI contracts		106,317	108,453	102,284	104,255
Finance lease obligations		39,302	39,302	17,604	17,604
CFERs due to be paid to the consolidated fund – received		1,528	2,938	715	715
CFERs due to be paid to the consolidated fund – receivable		3,297	3,297	10,131	10,131
Amounts issued from the consolidated fund for supply but not spent at year end		224,749	224,749	-	-
Excess capital receipts		4,375	4,375	-	-
Third party payments		48,233	48,233	59,908	59,908
European Social Fund		144,775	144,775	239,688	239,688
Other payables		8,399	10,558	16,722	29,566
		5,337,163	5,382,541	5,458,193	5,512,171
Amounts falling due after more than one year					
Imputed finance lease element of on-Statement of Financial Position PFI contracts		111,119	208,831	219,948	319,795
Finance lease obligations		74,182	74,182	99,728	99,728
European Social Fund	a	272,301	272,301	164,917	164,917
Other payables		-	103	-	285
		457,602	**555,417**	**484,593**	**584,725**
Total payables		**5,794,765**	**5,937,958**	**5,942,786**	**6,096,896**

a. Balances due over one year of £272.3 million (31 March 2015: £164.9 million) consist of money paid to us by the EU for the European Social Fund. These advances are due to be paid back when final claims are agreed for the 2007-13 programme. This is expected to be in 2017-18.

20. Financial instruments

(i) Analysis of financial instruments

Our financial instruments include loans and receivables.

We have not included our investment in Working Links Employment Limited, which amounts to £4.6 million (2014-15: £4.3 million) as this is categorised as available for sale.

		31 March 2016		31 March 2015	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Financial assets					
Loans and investments		469,121	469,121	404,050	404,050
Other receivables		84,589	107,522	86,335	107,630
Cash and cash equivalents	17	173,128	176,290	136,689	147,791
Housing and Council Tax subsidy		212,723	212,723	338,873	338,873
Benefit overpayments		2,505,372	2,505,372	2,482,670	2,482,670
Social Fund		778,956	778,956	936,263	936,263
European Social Fund		227,887	227,887	493,915	493,915
Total		**4,451,776**	**4,477,871**	**4,878,795**	**4,911,192**
Less: impairment of financial instruments		(1,190,625)	(1,193,888)	(1,399,583)	(1,402,104)
		3,261,151	**3,283,983**	**3,479,212**	**3,509,088**
Financial liabilities					
Other payables		3,317,681	3,353,042	2,784,650	2,830,481
Bank overdraft		1,369,190	1,369,242	2,167,058	2,167,058
European Social Fund		417,076	417,076	404,605	404,605
Total		**5,103,947**	**5,139,360**	**5,356,313**	**5,402,144**

(ii) Fair value

The carrying value of trade receivables and payables less impairment is assumed to approximate their fair value. The book values of our financial assets and liabilities at 31 March 2016 aren't materially different from their fair values, so we haven't shown them separately.

(iii) Exposure to risk

Due to the largely non-trading nature of our activities and the fact that our cash requirements are met through the estimates process, we aren't exposed to the same degree of financial risk as commercial business entities. Moreover, financial instruments play a smaller role in creating or managing risk than would apply to a non public-sector body of a similar size. This means we're exposed to little credit, liquidity, market or interest rate risk.

Foreign currency risk

Due to the time delay between preparing claims and receiving funds for the European Social Fund and between advance payment and final settlement, we are exposed to movements in the Euro/Sterling exchange rate. Other than this, our exposure to foreign currency risk is not significant.

21. Provisions for liabilities and charges

		31 March 2016	
		Core Department	Departmental Group
	Note	£000	£000
Financial Assistance Scheme (FAS) provision	21a	7,210,754	7,210,754
Other provisions	21b	60,055	60,865
		7,270,809	**7,271,619**

(i) Analysis by type

	2015-16	
	Core Department	Departmental Group
FAS provision	£000	£000
Balance at 1 April 2015	4,739,729	4,739,729
Provided in year	2,431,196	2,431,196
Utilised in year	(203,807)	(203,807)
Borrowing costs (unwinding of discount)	243,636	243,636
Balance at 31 March 16	**7,210,754**	**7,210,754**

	2015-16	
	Core Department	Departmental Group
Other provisions	£000	£000
Balance at 1 April 2015	115,944	116,645
Provisions transferred in	-	3,069
Provided in year	48,540	49,138
Provisions not required written back	(7,592)	(10,506)
Utilised in year	(97,339)	(97,983)
Borrowing costs (unwinding of discount)	502	502
Balance at 31 March 2016	**60,055**	**60,865**

a. FAS provision

FAS provides assistance to members of defined benefit occupational pension schemes that were wound up under-funded when their employers became insolvent during the period 1 January 1997 to 5 April 2005. More details of the scheme can be found in the trust statement on pages 209 to 225.

The FAS assistance scheme provision is to provide for the liabilities arising from any FAS qualifying schemes once the assets from such schemes have transferred to government.

The provision is an estimate of the current value of the liability to make payments to pensioners under the FAS scheme.

The provision is calculated by using a long term cash forecast model provided by Pension Protection Fund (PPF) who are responsible for the administration of FAS. The cash flows are then discounted, at rates provided by HM Treasury, to give their present value at the year end.

The increase in provision for 2015-16 of £2.5 billion is primarily due to the change in discount rate provided by HM Treasury. The long term rate (years 11-90 inclusive) has reduced, reflecting the latest economic conditions. This has increased the present value of future cash flows. Had the discount rate not changed from 2014-15 the provision for 2015-16 would have decreased by £0.1 billion, as a result of a reduction in the estimated number of future FAS members from previous estimates.

Sensitivities for 2015-16

The FAS provision is long term and is therefore more sensitive to changes in economic and other conditions.

The table below shows the impacts of potential changes to expected scenarios, which were identified and agreed by the Government Actuarial Department, DWP Pension Forecasting team and the PPF.

	Original	Discount rate	Inflation rate	Mortality rate	Pension payments	Deferred pension revaluation rate
	£bn	£bn	£bn	£bn	£bn	£bn
(Changes) in assumption		0.5% decrease	0.5% decrease	10% improvement	0.5% increase p.a.	0.5% increase p.a.
Provision as at 31 March 16	7.211	7.961	7.938	6.981	7.402	7.415
(Increase)/decrease in provision		(0.75)	(0.728)	0.23	(0.191)	0.204
Percentage change		(10)%	(10)%	3%	3%	3%

Original – The FAS Provision of £7.211 billion is used as the "baseline" position for the other scenarios.

b. Other provisions

The remaining other provisions comprise:

- early departure costs and pension commitments
- onerous contracts and refurbishment work required on vacation of leased properties
- termination costs for other contracts
- decommissioning costs
- expected future costs of Industrial Injuries Benefit permanent allowance payments to our employees who are injured at work and can't perform their job as a result
- arrears of Employment and Support Allowance

(ii) Analysis of expected timing of discounted flows

	FAS provisions		Other provisions		Total	
	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000	£000	£000
Not later than one year	175,147	175,147	50,597	50,770	225,744	225,917
Later than one year and not later than five years	778,935	778,935	2,858	2,858	781,793	781,793
Later than five years	6,256,672	6,256,672	6,600	7,237	6,263,272	6,263,909
Balance at 31 March 2016	**7,210,754**	**7,210,754**	**60,055**	**60,865**	**7,270,809**	**7,271,619**

22. Incorrect payments

We are responsible for paying claimants the right benefit at the right time. Social Security legislation sets out the basis on which we calculate and pay benefits. The purpose of this legislation is to provide a regulatory framework that we operate within to support those in need.

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 a risk of fraud and error, leading to some incorrect payments. We administer over 27 benefits, at more than 300 different rates, at any one time. Despite these challenges we take tackling incorrect payments seriously and pay approximately 97% of benefit expenditure correctly.

The latest 2015-16 preliminary statistics (published in May 2016) indicate that fraud and error overpayments are at the record low level of 1.8%. This amounts to a monetary value of £3.1 billion overpaid from a total expenditure of £172 billion this year. Fraud accounts for 0.9% (£1.6 billion) of expenditure; whilst claimant error is 0.5% (£0.9 billion) and official error is just 0.3% (£0.6 billion).[1] Both error rates are now at their lowest recorded value. The proportion of benefit underpaid has increased to 1.0% of total expenditure which is the highest recorded rate. The monetary value of underpayments equates to £1.8 billion. Claimant error accounts for 0.6% (£1.0 billion) of total expenditure whilst official error is 0.4% (£0.7 billion).

Identified overpayments can be recovered from claimants, so not all money overpaid is truly "lost" from the public purse. We estimate around £980 million was recovered in 2015-16.[2]

We have an additional measure that takes away actual recoveries from estimated overpayments to give an estimate of the net loss to the system.[3]

We understand which benefits are most vulnerable. The two charts below show that the losses are not proportionate. For example, State Pension accounts for 52% of the estimated expenditure but less than 4% of fraud and error overpayments, whereas Housing Benefit accounts for 14% of the estimated expenditure but 41% of fraud and error overpayments.

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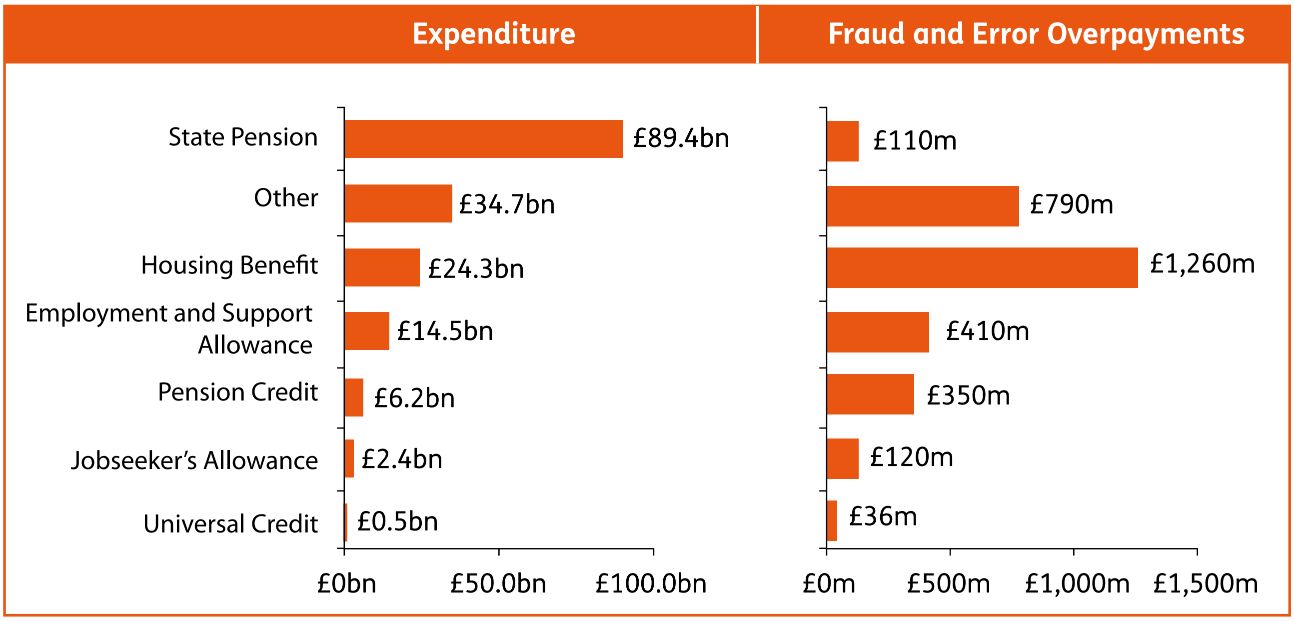
[1] We define **fraud** as where claimants deliberately claim money they aren't entitled to. We split error into two categories: **claimant error**, which occurs when claimants provide inaccurate information, and **official error**, which occurs when we process information incorrectly or fail to apply rules.

[2] Benefit recovery is through the Department's debt management function and local authorities.

[3] This method deducts money recovered this year (regardless of when the overpayment is from) from the money estimated to have been overpaid this year. Money recovered this year comprises in-year figures for directly administered benefits plus estimated figures for Housing Benefit. Further information can be found at www.gov.uk by searching for Fraud and Error in the Benefit System 2015-16.



Through the Fraud, Error and Debt Programme, a package of initiatives have been introduced which include both short term projects to generate Annually Managed Expenditure savings and projects to bring about longer term transformational changes. The projects have included:

- bulk data matching using HMRC's Real-Time Information
- creation of a new Single Fraud Investigation Service, bringing together investigators previously working for DWP, HMRC and LAs into a unified service
- cleansing of existing cases to bring them up-to-date
- new processes to support debt operations, including ways of recovering debt from those who go off benefit
- measures to improve detection of fraud and error in Housing Benefit cases.

Our estimates of the current levels of fraud and error in the benefits system are set out in the tables 1-4 below. Please refer to the end notes below the tables when interpreting these figures.

1. Estimated levels of overall fraud and error including confidence intervals

	2015-16		2014-15	
Overpayments				
Fraud	0.9%	(0.8, 1.2)	0.7%	(0.5, 1.0)
	£1.6bn	(1.3, 2.1)	£1.1bn	(0.9, 1.6)
Claimant error	*0.5%	(0.4, 0.7)	0.8%	(0.6, 1.0)
	£0.9bn	(0.7, 1.3)	£1.3bn	(1.0, 1.6)
Official error	0.3%	(0.3, 0.5)	0.4%	(0.3, 0.6)
	£0.6bn	(0.4, 0.9)	£0.7bn	(0.6, 1.0)
Total overpayments	**1.8%**	**(1.5, 2.2)**	**1.9%**	**(1.6, 2.2)**
	£3.1bn	(2.6, 3.7)	£3.2bn	(2.7, 3.7)
Underpayments				
Fraud	0.0%	(0.0, 0.0)	0.0%	(0.0, 0.0)
	£0.0bn	(0.0, 0.0)	£0.0bn	(0.0, 0.0)
Claimant error	0.6%	(0.4, 0.9)	0.6%	(0.3, 0.8)
	£1.0bn	(0.6, 1.5)	£0.9bn	(0.6, 1.4)
Official error	*0.4%	(0.3, 0.5)	0.3%	(0.2, 0.4)
	£0.7bn	(0.6, 0.9)	£0.5bn	(0.4, 0.6)
Total underpayments	**1.0%**	**(0.8, 1.3)**	**0.9%**	**(0.6, 1.1)**
	£1.8bn	**(1.3, 2.3)**	**£1.4bn**	**(1.0, 1.9)**
Total expenditure	**£172.0bn**		**£168.1bn**	

2. Income/Employment related benefits (excluding disability)

	Income Support		Jobseeker's Allowance		Pension Credit	
Overpayments	**2015-16**	**2014-15**	**2015-16**	**2014-15**	**2015-16**	**2014-15**
Fraud	2.4%	2.4%	3.1%	2.7%	2.5%	2.0%
	£60m	£70m	£70m	£80m	£150m	£130m
Claimant error	1.0%	1.0%	0.2%	0.6%	1.4%	1.6%
	£30m	£30m	£0m	£20m	£90m	£110m
Official error	0.4%	0.4%	1.8%	1.5%	1.7%	1.6%
	£10m	£10m	£40m	£50m	£100m	£110m
Total overpayments	**3.9%**	**3.9%**	**5.0%**	**4.8%**	**5.6%**	**5.2%**
	£100m	**£120m**	**£120m**	**£150m**	**£350m**	**£350m**
Total underpayments	**0.8%**	**0.8%**	**0.8%**	**0.9%**	**2.3%**	**2.0%**
	£20m	**£30m**	**£20m**	**£30m**	**£140m**	**£130m**
Total expenditure	**£2.7bn**	**£3.0bn**	**£2.4bn**	**£3.1bn**	**£6.2bn**	**£6.7bn**

2. (continued)

	Universal Credit		Housing Benefit	
Overpayments	**2015-16**	**2014-15**	**2015-16**	**2014-15**
Fraud	5.4%	z	3.0%	1.9%
	£27m	z	£730m	£470m
Claimant error	0.2%	z	*1.8%	3.2%
	£1m	z	£430m	£770m
Official error	1.7%	z	0.4%	0.6%
	£8m	z	£90m	£150m
Total overpayments	**7.3%**	**z**	**5.2%**	**5.7%**
	£36m	**z**	**£1,260m**	**£1,380m**
Total underpayments	**2.6%**	**z**	**1.4%**	**1.2%**
	£13m	**z**	**£350m**	**£300m**
Total expenditure	**£0.5bn**	**z**	**£24.3bn**	**£24.3bn**

3. State Pension and disability benefits

	Employment and Support Allowance		Incapacity Benefit		Disability Living Allowance		State Pension	
Overpayments	**2015-16**	**2014-15**	**2015-16**	**2014-15**	**2015-16**	**2014-15**	**2015-16**	**2014-15**
Fraud	*1.7%	0.9%	0.3%	0.3%	0.5%	0.5%	0.0%	0.0%
	£250m	£120m	£0m	£0m	£60m	£70m	£0m	£0m
Claimant error	*0.5%	0.8%	0.9%	0.9%	0.6%	0.6%	0.1%	0.1%
	£80m	£100m	£0m	£0m	£80m	£90m	£70m	£70m
Official error	*0.6%	1.1%	1.2%	1.2%	0.8%	0.8%	0.0%	0.1%
	£80m	£140m	£0m	£0m	£100m	£110m	£30m	£60m
Total overpayments	**2.8%**	**2.8%**	**2.4%**	**2.4%**	**1.9%**	**1.9%**	**0.1%**	**0.2%**
	£410m	**£360m**	**£0m**	**£10m**	**£250m**	**£260m**	**£110m**	**£130m**
Total underpayments	***2.3%**	**1.6%**	**0.7%**	**0.7%**	**2.5%**	**2.5%**	**0.3%**	**0.2%**
	£340m	**£200m**	**£0m**	**£0m**	**£330m**	**£350m**	**£260m**	**£150m**
Total expenditure	**£14.5bn**	**£12.8bn**	**£0.1bn**	**£0.3bn**	**£13.3bn**	**£13.8bn**	**£89.4bn**	**£86.5bn**

4. Fraud and error in other benefits

	Carer's Allowance		Interdependencies		Other Unreviewed	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Total overpayments	5.5%	5.5%	z	z	1.7%	1.7%
	£140m	£130m	£30m	£10m	£270m	£250m
Total underpayments	0.1%	0.1%	z	z	1.8%	1.6%
	£0m	£0m	z	z	£290m	£240m
Total expenditure	£2.6bn	£2.3bn	z	z	£16.2bn	£15.1bn

Notes to the tables at 1-4

1. The 2015-16 data comes from DWP National Statistics: Fraud and Error in the Benefit System: Preliminary 2015-16 Estimates. Figures are based on fraud and error National Statistics for the period covering October 2014 – September 2015 and estimated benefit expenditure for 2015-16. The 2014-15 data comes from DWP National Statistics: Fraud and Error in the Benefit System: Preliminary 2014-15 Estimates. Figures are based on fraud and error national statistics for October 2013 to September 2014 and estimated benefit expenditure for 2014-15.

2. Total expenditure figures for 2015-16 and 2014-15 were the latest available for the financial year at the time of producing the fraud and error estimates.

3. All expenditure values in the table are rounded to the nearest £100m and monetary estimates are rounded to the nearest £10m, except Universal Credit which is rounded to the nearest £1m.

4. We review a selection of benefits for fraud and error each year. Estimates for other benefits come from previous review exercises, or proxies. Please refer to the latest National Statistics publication for further details. (See 'Benefit fraud and error estimation and uncertainty' section below for details).

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

6. Rows and columns may not equal the totals due to rounding.

7. Approximate 95% confidence intervals are given in table 1. This allows for statistical uncertainty caused by the sampling approach. Further uncertainties arise from imperfections in the review process. Where possible we have quantified these and incorporated them into the 95% confidence intervals.

8. Of the differences between 2015-16 and 2014-15 preliminary estimates, only figures marked with a * are statistically significant at a 95% level of confidence. Where changes are not statistically significant, differences are likely to be due to sampling variation. This suggests that these estimates are stable over time with little change year on year.

9. We have changed the calculation methodology for Housing Benefit. We now use the same method for "netting" underpayments from overpayments as we do for other benefits we continuously measure. We have also changed the way we count claims we haven't been able to check. Please refer to the latest National Statistics publication for further details. (See 'Benefit fraud and error estimation and uncertainty' section below for details).

10. The 2004-05 Disability Living Allowance (DLA) National Benefit Review identified cases where the change in claimant's needs had been so gradual that it would be unreasonable to expect them to know at which point their entitlement to DLA might have changed. These cases do not result in a recoverable overpayment as we cannot identify when the change occurred. Because legislation requires the Secretary of State to prove that entitlement to DLA is incorrect, rather than requiring the claimant to inform us that their needs have changed, cases in this sub-category are legally correct. The difference between what claimants in these cases are receiving in DLA and related premiums in other benefits and what they would receive if their benefit was reassessed was estimated to be around £0.6 billion (+/-£0.2 billion) in 2005-06. Based on 2015-16 DLA expenditure this figure is now estimated to be around £1.0 billion (+£0.2 /-£0.3 billion). This component is not included in the total above.

11. "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.

12. Official error estimates for State Pension (SP) are derived from a continuous measurement exercise which covered the period October 2014 to September 2015. SP fraud and customer error estimates have been produced based on a National Benefit Review exercise carried out in 2005-06. The latest 2015-16 forecast expenditure has then been applied to these estimates to provide the most up to date monetary values for SP fraud and error.

13. A 'z' indicates not applicable.

Benefit fraud and error estimation and uncertainty

We are rigorous in estimating levels of fraud and error. Our estimates are produced to the exacting standards of the UK Statistics Authority national statistics protocols. This ensures their production is independent of departmental and ministerial influence.

Our 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 **www.gov.uk/government/collections/fraud-and-error-in-the-benefit-system**

When interpreting the statistics, please bear in mind that the underpayment estimates don't include people who are entitled to benefits but who do not apply, or whose applications are incorrectly rejected. Our policy is to correct all cases of underpayment.

23. Contingent Liabilities

European Social Fund repayments

The ESF Audit Authority is required to provide an opinion for the EU on the final 2007-13 ESF programme claim issued by the ESF Certifying Authority. 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 rate the opinion is qualified by the ESF Audit Authority, with the risk that the EU can impose a financial correction. The programme exceeded the 2 per cent error threshold in the 2015 Annual Control Report but cumulatively errors remain below 2 per cent.

A further risk arises because ESF commitments are made in sterling, whereas funds are reimbursed from the EU in euros. This results in exchange rate gains or losses throughout the programme period.

Financial Assistance Scheme

Regulations came into force in April 2010 enabling the transfer to government of pension scheme assets that qualify for the Financial Assistance Scheme, along with their associated pension liabilities. As a result, the Financial Assistance Scheme pension provision (see note 21) will increase as the assets and the associated liabilities transfer. We estimate that the total value of the assets transferred to government will reach £1.9 billion. However, until the assets transfer it isn't possible to estimate the impact on the Financial Assistance Scheme 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 we've received 1,430 transfer applications. 81% of these have resulted in transfer payments.

Compensation claims

Compensation payments may become due as a result of claims against us by staff and members of the public. Claims relate to employment tribunal, personal injury and Civil Service Appeals Board cases. There is significant uncertainty around the estimated liability and the timing of payments. This uncertainty can fluctuate based on factors such as medical evidence received, witness statements and whether claims proceed to trial or are settled early.

The Rent Service employee pensions

The Rent Service transferred from us to the Valuation Office Agency on 1 April 2009. The Rent Service employed around 400 staff, who were members of the Local Government Pension Scheme. Following the transfer they could continue to participate in the scheme. If there's a pension deficit we will be liable to meet the shortfall.

Compensation recovery

We recognise recoveries from insurance companies for compensation claims made by benefit recipients. Once the recovery is made the insurance company has the right to mandatory reconsideration or appeal within a set time period. If the reconsideration or appeal is successful recoveries are refunded to the insurance company. Analysis of existing data suggests that it is reasonable to recognise a contingent liability of £2.5 million for successful mandatory reconsideration or appeals.

Judicial review

We have contingent liabilities arising from payments that may become due as a result of judicial review claims against us. We can't be sure of the timing, likelihood or amount of any settlements at this stage.

Contracts with suppliers

Following a contractual dispute resolution process, we have been awarded a share of a gain made by one of our suppliers. The supplier has challenged the decision. The outcome of the challenge and the size of any potential repayment is uncertain.

We entered into a contract for our accommodation and associated services in 1998. As we approach the end of the contract we may be liable for certain costs that arise. We are working to mitigate any potential costs therefore the amount of the liability is not quantifiable.

24. Related party transactions

We sponsor the arm's length bodies listed in 'Our corporate governance' on page 72. These include 3 public corporations: Pension Protection Fund, National Employment Savings Trust and Office for Nuclear Regulation. We're also responsible for the Social Fund and the European Social Fund. We see these bodies as related parties that we had various material transactions with during the year.

In addition, we've had 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 Department for Social Development (Northern Ireland), the Ministry of Defence, HM Revenue & Customs, Government Legal Services, the Department for Education and the Valuation Office Agency. We also transact 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.

25. Third-party assets

Some money is held on behalf of third parties and relates to maintenance collected from non-resident parents that is 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 £23.2 million (2014-15: £23.3 million).

26. Transfer of ALB’s net assets

From 6 April 2015 Disabled People’s Employment Corporation was reclassified from a public corporation to an executive non-departmental public body which falls within our accounting boundary. We have shown the impact of the transfer (£289.5 million) in our Statement of Comprehensive Net Expenditure.

On 1 April 2014 Office of Nuclear Regulation was established as an independent statutory corporation, from that date they have been outside of our accounting boundary. The impact of the transfer (£11.3 million) is shown in the Statement of Comprehensive Net Expenditure.

27. Independent Living Fund

The Independent Living Fund (ILF) closed on 30 June 2015 and the responsibility and funding for ILF users transferred to local authorities in England and the devolved administrations in Scotland, Wales and Northern Ireland. As one of our arm’s length bodies we have consolidated their 2015-16 financial statements into our resource account and following closure their remaining assets and liabilities transferred to us. More information can be found in the ILF annual report and accounts which was published on 21 January 2016.

28. Disabled People’s Employment Corporation

The Disabled People’s Employment Corporation (DPEC) was reclassified from a public corporation to an executive non-departmental public body from 6 April 2015, as such DPEC’s accounts have been consolidated into ours. Full details of their assets and liabilities can be seen in DPEC’s 2015-16 annual report and accounts.

29. Events after the reporting period

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

The Accounting Officer authorised these financial statements for issue on 30 June 2016.

Financial Assistance Scheme Trust Statement

FAS Trust Statement

Foreword

Introduction

The Financial Assistance Scheme (FAS) helps members of defined benefit occupational pension schemes that wound up under-funded when their employers became insolvent from 1 January 1997 to 5 April 2005, before the introduction of the Pension Protection Fund (PPF).

As at 31 March 2016, 1,071 schemes had successfully applied for assistance from FAS, and of these 41 were found to be funded sufficiently to be able to wind up by purchasing annuities in the insurance market which fully covered the assistance promised to members. Of the remaining 1,030 schemes, there are 3 schemes where the FAS Scheme Manager (the Board of the PPF) was waiting for further information from the schemes' trustees in order to decide whether they qualify for assistance.

Performance for the year

The 1,027 schemes that have qualified for assistance from FAS fall into 2 categories, 541 schemes classified as "FAS1" and 486 as "FAS2".

FAS1 schemes are schemes that purchased annuities in the insurance market with the assets available to trustees, but where these assets were insufficient to meet the level of benefits promised by FAS. FAS therefore pays a "top-up" amount, in addition to the annuity payments made by insurers, to each FAS1 member on retirement to bring the total benefit up to the promised assistance level. Occasionally, when completing the winding-up, trustees have residual assets remaining, for example, if they have overestimated the reserves required to pay final winding-up expenses. It is generally not economic to allocate the small amounts of cash to the annuities already purchased and the trustees surrender their residual assets to the government.

540 FAS1 schemes, with an estimated total membership of nearly 75,000, have completed winding-up leaving only 1 scheme that has yet to complete the process.

Following a review by the Government Actuary's Department in 2007, the government passed amending regulations which prevented any further FAS qualifying schemes from purchasing annuities in the insurance market. The trustees of these FAS2 schemes are required to surrender all of their assets to the government which then makes a single (usually monthly) payment to each FAS2 member on retirement representing their full assistance entitlement. A proportion of this assistance payment is backed by the assets which have been surrendered to government, but in most cases an additional top-up payment is also required, which is funded from general taxation in the same way as FAS1 top-up payments.

464 FAS2 schemes, with an estimated total membership of around 82,500, have completed winding-up and surrendered their assets to government, leaving a further 22 schemes (around 8,500 members) yet to complete the process.

This Trust Statement is prepared to present the value of the net assets surrendered to the department by both FAS1 and FAS2 schemes. "Net assets" in this context may include current liabilities for final winding-up costs incurred by the trustees prior to surrender where FAS pays the bills after the surrender has been completed.

When these schemes complete their winding-up, the department collects all their assets and where these assets are in cash, or generate income in cash, the department transfers this cash to the Consolidated Fund. Since inception, cash totalling over £1.6 billion has been transferred to the Consolidated Fund.

The Trust Statement is the appropriate format of financial statement for this activity, since the department is acting as agent for the Consolidated Fund and not on its own account.

The FAS provision (representing the estimated present value of assistance payable to the total of 166,000 FAS members in the future, and amounting to £7.2 billion as at 31 March 2016) is included in the department's Statement of Financial Position (see note 21).

The future of FAS

In February 2016, the scheme manager announced that from September 2016, FAS will be closed to new applications, after having been open 10 years longer than the original deadline. All schemes that would qualify for FAS have had ample opportunity to apply, so the department has authorised the scheme manager to stop taking new applications. The department and the scheme manager have encouraged current trustees and advisors, and former trustees and advisors, of any remaining pension scheme they believe may be a qualifying scheme to notify the scheme manager as soon as possible. As we have noted, there are only a very small number of schemes yet to transfer, and we do not anticipate that significant numbers of additional schemes will be notified before the closure date of September 2016. Further trust statements will be prepared to account for the transfer of the assets of these final schemes, but after that, the requirement for a Trust Statement will come to an end.

Statement of Principal 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 (FReM) 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 FReM have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going-concern basis

HM Treasury has appointed me, the Permanent Secretary, as Accounting Officer with overall responsibility for the preparation of the Trust Statement.

The responsibilities of an accounting officer are set out in Managing Public Money, published by HM Treasury. These include responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, and responsibility for keeping proper records and for safeguarding the assets of the department or non-departmental public body for which the accounting officer is responsible.

Governance statement

Our governance statement, covering both the departmental accounts and the Trust Statement, is shown on page 79.

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 2016 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 the Financial Assistance Scheme; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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 and report.

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 the Financial Assistance Scheme as at 31 March 2016 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

Date 1 July 2016

Statement of Revenue, Other Income and Expenditure

for the year ended 31 March 2016

	Note	2015-16 £000	2014-15 £000
Revenue			
Income from pension schemes	2	141,997	522,543
Total revenue		**141,997**	**522,543**
Other income			
Investment income	3	6,571	3,882
Change in fair value of investments	4	(2,187)	3,905
Total other income		**4,384**	**7,787**
Total revenue and other income		**146,381**	**530,330**
Total expenditure		**-**	**-**
Net revenue for the consolidated fund		**146,381**	**530,330**

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

The notes on pages 218 to 223 form part of this statement.

Statement of Financial Position

as at 31 March 2016

	Note	31 March 2016 £000	31 March 2015 £000
Non-current assets			
Financial assets – annuity policies	5	107,621	92,908
Financial assets – other	5	2,895	2,685
Total non-current assets		**110,516**	**95,593**
Current assets			
Transfer-in receivables	5	791	761
Cash and cash equivalents	5	15,645	281,717
Total current assets		**16,436**	**282,478**
Total current liabilities		**-**	**-**
Net current assets		**16,436**	**282,478**
Total assets less current liabilities		**126,952**	**378,071**
Provisions for liabilities		**-**	**-**
Total net assets		**126,952**	**378,071**
Represented by			
Balance on Consolidated Fund Account	6	126,952	378,071

Sir Robert Devereux KCB
Accounting Officer

30 June 2016

The notes on pages 218 to 223 form part of this statement.

Statement of Cash Flows

for the year ended 31 March 2016

		2015-16	2014-15
	Note	**£000**	**£000**
Net cash flow from operating activities		131,428	487,201
Cash paid to the consolidated fund		(397,500)	(302,060)
Increase / (decrease) in cash in this period		**(266,072)**	**185,141**

Notes to the Statement of Cash Flows

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

Net Revenue for the consolidated fund		146,381	530,330
(Increase) / decrease in non-current assets	5	(14,923)	(42,371)
(Increase) / decrease in receivables	5	(30)	(758)
Net cash flow from operating activities		**131,428**	**487,201**

B: Analysis of changes in net funds

Increase / (decrease) in cash	5	(266,072)	185,141
Net Funds at 1 April	5	281,717	96,576
Net Funds at 31 March	**5**	**15,645**	**281,717**

The notes on pages 218 to 223 form part of this statement.

Notes to the Trust Statement

for the year ended 31 March 2016

1. Statement of Accounting Policies

1.1 Basis of accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 7 of the Government Resources and Accounts Act 2000. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between the department and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained in these statements 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 statements and in the notes is rounded to the nearest £000.

1.2 Accounting convention

The Trust Statement has been prepared under the historical cost convention, modified, where material, by the fair valuation of financial instruments as determined by the relevant accounting standard.

1.3 Income recognition

In accordance with IAS 18 (Revenue Recognition), the department recognises the transfer of assets from schemes as income if a transfer notice has been issued by the reporting date and if we judge 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 before 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

In line with IAS 39 (Financial Instruments), we recognise financial assets and liabilities when we become party to the contracts that give rise to them. We become party to such contracts in the case of FAS when schemes transfer into FAS assets other than in the form of cash, for example, scheme annuity contracts. For these annuity contracts, FAS takes over from scheme trustees the right to receive the regular annuity income from the annuity provider, and also takes on from scheme trustees all other obligations of the annuity holder.

Our policy is not to trade in financial instruments.

All financial assets are held at fair value, defined as follows:

Annuity contracts

We assess the fair value of these annuity contracts using actuarial techniques based on demographic and financial factors, including:

- forecasting future annuity income flows relating to the annuitants covered by the contracts
- 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 Scheme Manager of the Financial Assistance Scheme. The process requires the Board to make estimates and assumptions that affect reported amounts. The selection of valuation assumptions, such as the discount rate to apply to cash flows generated by annuity contracts, requires the Board to exercise judgement. This means that actual results could differ from the estimates and judgements.

Other financial assets

The fair value of other financial assets is defined as the estimated present value of the cash flows arising from those assets, in particular amounts payable to FAS under loan notes and the proceeds arising from the eventual sale of unit trusts and managed funds currently in liquidation.

Loans and receivables

The fair value of transfer-in receivables is the value of cash and current assets yet to be transferred to FAS by the trustees of schemes in respect of which a Transfer Notice has been issued (see 1.5).

1.5 Transfer Notices

Schemes exit the process of being assessed for entry into the Financial Assistance Scheme by the Scheme Manager issuing a transfer notice under regulation 29 of the Financial Assistance Scheme Regulations 2005 (SI2005/1986). This notice means the government assumes 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
- 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

		2015-16	2014-15
		£000	£000
FAS 1 scheme assets transferred	(i)	759	1,860
FAS 2 scheme assets transferred	(ii)	141,238	520,683
Total income from pension schemes		**141,997**	**522,543**

(i) FAS1 schemes are schemes that have previously purchased annuities in the insurance market and, when they complete winding up, surrender their residual assets to the government if they have any assets remaining. 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. After the completion of winding-up, FAS pays a "top-up" amount, in addition to the annuity payments made by insurers, to each FAS1 member on retirement to bring the total benefit up to the promised assistance level.

(ii) FAS2 schemes are schemes that have been prevented by regulation from purchasing annuities in the insurance market and, when they complete winding up, surrender all of their qualifying assets to the government. FAS then makes a single (usually monthly) payment to each FAS2 member on retirement representing their full assistance entitlement. A proportion of this assistance payment is backed by the assets which have been surrendered to government, but in most cases an additional top-up payment is also required, which is funded from general taxation in the same way as FAS1 top-up payments.

During 2014-15, the Board of the Pension Protection Fund, as FAS Scheme Manager, succeeded in transferring 89 qualifying schemes into the Scheme, leaving at that date only 35 qualifying schemes remaining outside of FAS. Of those 35, 23 schemes transferred into FAS during 2015-16, and this decrease in the volume of scheme transfers explains the decrease in the value of scheme assets collected during 2015-16.

3. Investment income

Substantially all the investment income disclosed in the Statement of Revenue, Other Income and Expenditure is income from annuity policies. One of the Scheme's operating bank accounts is interest-bearing, but interest income earned during the year was minimal.

4. Financial assets

	31 March 2016	31 March 2015
	£000	£000
Balance at 1 April	95,593	53,222
Asset transfers	17,424	38,566
Redemption of loan notes	(314)	(100)
Change in fair value	(2,187)	3,905
Balance at 31 March	**110,516**	**95,593**

The financial assets consist largely of annuity policies. The change in the assessed fair value of those policies over the year particularly reflects:

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

Other financial assets consist of:

- loan notes from a small number of sponsoring employers of FAS qualifying schemes where the Board of the PPF, as FAS Scheme Manager, was able to secure additional funding from the employer company, but payable in instalments
- a small number of holdings in unit trusts and managed funds in liquidation and which cannot at the moment be sold for cash

5. Financial Instruments and related risks

(i) Financial Instruments by category	**31 March 2016**	**31 March 2015**
	£000	**£000**
Financial assets designated at fair value through profit or loss		
Annuity policies	107,621	92,908
Other financial assets	2,895	2,685
	110,516	**95,593**
Loans and receivables		
Cash deposits	15,645	281,717
Transfer-in receivables	791	761
	16,436	**282,478**
Liabilities	**-**	**-**
Total Financial Instruments	**126,952**	**378,071**

The cash deposits can be further analysed as follows:

Cash deposits held at:	**31 March 2016**	**31 March 2015**
	£000	**£000**
Commercial banks	65	9,560
Government Banking Service	15,580	272,157
Total cash deposits	**15,645**	**281,717**

The Financial Assistance Scheme held a large amount of cash at the end of the previous year as a result of the number of high-value scheme transfers completed in March 2016. These funds, together with the majority of cash received from transferring schemes during the year, were transferred to the Consolidated Fund during the year.

(ii) Financial risks

IFRS 7 'Financial Instruments: Disclosures' requires users of financial statements to be able to evaluate the nature and extent of risks arising from financial instruments and how the entity manages those risks. We discuss how this affects the department below, along with how we measure and manage those risks.

a. Interest rate risk

This 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. This means that cash flows are substantially independent of market interest rates. The department therefore has not disclosed the interest profile of its financial assets and liabilities.

b. Credit risk

This is the risk that a counterparty to a financial instrument will cause us a financial loss 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 annuity contracts with insurance companies, receivables with pension schemes and other parties where recovery of the debt is probable.

At the reporting date, the financial assets exposed to credit risk amounted to the following:

	31 March 2016	31 March 2015
	£000	£000
Annuity policies	107,621	92,908
Other financial assets	2,895	2,685
Cash and cash equivalents	15,645	281,717
Transfer-in receivables	791	761
Total	**126,952**	**378,071**

c. Liquidity risk

This is the risk that the department will find it difficult to meet obligations associated with financial liabilities arising as a result of Financial Assistance Scheme operations. These liabilities consist entirely of the current liabilities component of schemes' net assets transferred to FAS and which fall to FAS to settle. The department manages this risk by maintaining a small balance in its operating bank account in order to settle these liabilities.

6. Balance on the consolidated fund account

	2015-16 £000	2014-15 £000
Balance on consolidated fund account at 1 April	378,071	149,801
Net revenue for the consolidated fund	146,381	530,330
Amount paid to the consolidated fund	(397,500)	(302,060)
Balance on consolidated fund account at 31 March	**126,952**	**378,071**

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 2016 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 2015-16.

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 and other income 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 8). 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.

Michael Sutherland
Acting Deputy Director
Government Financial Reporting
Her Majesty's Treasury
18 December 2015

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