Department for Work & Pensions

ANNUAL REPORT AND ACCOUNTS

2016-2017

HC10

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Department for Work and Pensions

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Department for Work and Pensions

Annual Report and Accounts 2016-17

for the year ended 31 March 2017

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Secretary of State's foreword

I feel very privileged to have been appointed as the Secretary of State for the Department for Work and Pensions. DWP is the largest public service government department and has the largest annual budget. This department's work touches every citizen in the country at some point in their lives and the excellent work that DWP colleagues do, right across the country, every day, really matters.

This year, DWP celebrated 100 years since becoming a ministerial department. In those 100 years the labour market, our ideas of family and the shape of society has changed beyond recognition and we too, as a department, have evolved with it. I am confident that DWP will continue to adapt to the demands of the challenges ahead, bolstered by the great success it has had to date.

The work undertaken by this department has helped the UK to achieve the joint highest rate of employment since records began along with the highest rates of employment for both women and disabled people. Record breaking numbers of people in work is also excellent news for our country with more people enjoying the benefits of our successful economy and the dignity of a job.

The continued rollout of Universal Credit means that people are always better off in work than on benefits and this year we have made Universal Credit available for all claimants in 64 jobcentres. By April this year, there were 520,000 people claiming Universal Credit, with 37% of claimants already doing some work. Universal Credit is being rolled out to many more jobcentres later this year and will encourage even more people from across the country to transform their lives.

Alongside our successes with Universal Credit so far, we can also celebrate the achievements of the New Enterprise Allowance. The allowance gives jobseekers funding and support to help them get their business idea off the ground and trading for the first year. So far, over 100,000 people have set up their own businesses as part of the scheme, and overall, 78% of participants were independent of benefits for 26 weeks continuously. I am committed to continuing to champion this department's legacy of supporting people into work during this coming year.

These are some remarkable achievements providing greater security for people looking for work and people preparing for retirement and later life. This year has marked tremendous success for pension reform. DWP successfully launched the new State Pension in April 2016 giving people a firm state foundation on which to plan their retirement income and helping to reduce pensioner poverty. We have continued to give more people the opportunity to save into a workplace pension sponsored by their employer and now, thanks to automatic enrolment, almost 8 million more people have a workplace pension.

As I look to the future, I look forward to shaping our priorities for the Parliament, building on our success this year as we prepare to complete many of the major reforms DWP has already started:

- scaling up roll-out of the Universal Credit full service from October 2017
- completing the closure of child maintenance cases from previous schemes
- re-assessing Disability Living Allowance cases for eligibility to Personal Independence Payment

We must ensure that we continue to improve the services we deliver to our customers by making access to our services easier, delivering payments accurately and on time and protecting taxpayers' money from fraud and error. We will continue to work to deliver a welfare system that supports people when they need it, whilst being affordable for the people who pay for it. As a department, we remain as committed as ever to building a country that works for everyone - a country in which everybody can fulfil their potential, no matter who they are or where they come from.

I look forward to working with you all over the coming months to take forward the welfare agenda.

The Right Honourable David Gauke MP
Secretary of State for Work and Pensions

Permanent Secretary's overview

This year we have seen record numbers of people in employment, and unemployment at its lowest level for over a decade.

The dedication and passion of our people has a positive impact on the lives of many UK citizens. Every working day we help people to prepare for and find work, process a range of welfare benefits and pensions to help people through life events and help separated parents to agree child maintenance arrangements for their children. In 2016-17 we paid out £173 billion in benefits and pensions.

We continue to implement welfare reforms and we are proud of the progress we have made.

- Universal Credit full service for all claimants is now available in 64 jobcentres and we are preparing to scale up the service from October 2017. In April 2017 there were 520,000 people claiming Universal Credit, with 37% of them already doing some work.
- We successfully launched the new State Pension in April 2016 for people reaching State Pension age on or after 6 April 2016. This gives people a firm state foundation on which to plan their retirement income.
- We continued to give more people the opportunity to save into a workplace pension sponsored by their employer. This year we focused our efforts on supporting small employers to meet their duties under automatic enrolment. There are now 5.4 million more people saving for their retirement than in 2012.
- The Child Maintenance Service continued to help separated families agree a suitable child maintenance arrangement for their circumstances. There are now over 350,000 children benefiting from child maintenance under the current statutory scheme.
- We launched the new Personal Support Package to help more people with a disability or health condition to prepare for and find work. Many new Employment and Support Allowance claimants now take part in a health and work conversation to consider their goals and aspirations and what help they may need to get back to work in the future.

Delivering an excellent customer service while reducing our costs and transforming our services remains a priority for us.

- We processed 86.8% of new claims within planned timescales. The number of complaints received remained low despite a slight increase from a year earlier and customer satisfaction with our services rose to 86%.
- We're building a smaller and more flexible workforce. Over 80% of our people accepted a 4-year pay deal which simplifies our pay structures and puts them on modern, more flexible terms and conditions of employment that better suit our business requirements. Our staff engagement score continued to rise, now standing at 61%, up from 56% a year earlier.
- This year we continued to develop our digital services. We rolled out the Universal Credit live service nationally and grew our Universal Credit full service products while integrating the service with 12 existing systems. We also launched an Access to Work online service in September 2016. The new State Pension online service was launched on time in January 2017 and received 826 claims to the end of March 2017.

- We kept our commercial contracts under review and recorded cash savings of almost £200 million in 2016-17. The forthcoming expiry of our current estates contract in April 2018 provided a timely opportunity to review our estates requirement and negotiate cheaper and more flexible contracts. We expect to make significant savings on estates costs over the next few years.
- We recovered a new record amount of debt reaching £1.36 billion. The net loss due to fraud and error as a percentage of overall benefit expenditure stood at 1.4%, with the gross rate at 2.0%.

New ways of working and a smaller workforce are enabling us to reduce our annual running costs. Staffing in our core department has fallen by over 14,000 since March 2012 and our annual running costs have reduced by around £2.9 billion since 2010 with a cumulative year-on-year cash saving of £11.8 billion.

This year we celebrated 100 years of becoming a ministerial department. In December 1916 the first Ministers for Pensions and Labour were appointed. Since our inception 100 years ago, this department has had a number of different names and functions and has tackled major change many times. But whether supporting pensioners, disabled people, separated families or people looking for work, one thing that has not changed is the important work we do to support millions of people, often at critical times in their lives.

Looking forward

In 2017-18 we will take forward the new government's priorities and manage existing challenges relating to devolution and exiting the EU while continuing to deliver excellent public services efficiently and effectively. There will inevitably be challenges along the way but I am confident in this department's ability to tackle these.

I remain immensely proud of the work this department does and we will continue to help people across the UK to make a lasting difference to their lives.

Sir Robert Devereux KCB
Permanent Secretary

2016-17 performance at a glance

Helping people to transform their lives

7.8 million
people automatically enrolled in a workplace pension

Universal Credit for all claimant types in
64
jobcentres

Universal Credit

NEA

Over
100,000
new businesses supported through New Enterprise Allowance

Over
350,000
children benefitting from child maintenance under the 2012 statutory scheme

Tailored support for people with a disability or ill-health – **our new Personal Support Package launched**

Benefit and pension payments made to around
18 million
claimants each month

achieved
a record UK employment rate of
74.8%

Over
3.5 million
State Pension forecasts have been viewed online

Over
4,000
employers signed up to **Disability Confident**

Improving our service and reducing our costs

Staff engagement score increased to
61%
up **15 percentage points** since 2010

46% 2010
61% 2016

Core staffing down by over
14,000
since 2012

A record
£1.36 billion
of debt recovered

Fraud and error in benefit expenditure
2.0%

Customer satisfaction
86%

Processed
86.8%
of new claims in planned timescales

Reduced our annual running costs by
£2.9 billion
since 09/10

80%
of our workforce now on flexible modern terms and conditions of employment

Helped the environment: used less paper than in 2014-15, saving over
£510,000

Performance overview

About the Department for Work and Pensions

Who we are

We are the UK's largest public service department. We develop policy and deliver essential services on work, welfare, pensions and child maintenance.

Our vision

Our vision is to create a welfare system that provides security, extends opportunity and promotes personal responsibility to help people transform their lives.

Our key customer and claimant groups

- people seeking employment
- people with a disability or health condition
- people planning for and in retirement
- children and families

Our services

We provide our core 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 which include Personal Independence Payment and Carer's Allowance.
- **The Pension Service** helps people save for their retirement. It provides pensions and benefits for pensioners including the new 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 cannot make their own financial arrangements. Child Maintenance Options gives information and support to separated parents to help them make informed choices about child maintenance.

Some activities within our core services are delivered by our partners on our behalf.

Our structure

We are overseen by our Secretary of State for Work and Pensions and managed by our Permanent Secretary. At the end of March 2017 we had around 78,000 staff working in our core department and our arm's length bodies.

Our budget

We spent £6.5 billion on running our department from April 2016 to March 2017. In addition, this year we paid out £173 billion on benefit and pension payments.

Performance against our 2016 Single Departmental Plan objectives

This section provides a summary of our performance in 2016-17. In February 2016 we published our Single Departmental Plan setting out our strategic objectives, which encompassed the 2015 manifesto commitments made by the Conservative government, and the headline indicators through which we would measure progress.

2016 Single Departmental Plan strategic objective 1

In our 2016 Single Departmental Plan we said we would run an effective welfare system that enables people to achieve financial independence by providing assistance and guidance into employment by:

- helping claimants to transform their life chances by giving them 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 (BAME) 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

In 2016-17 we continued to roll out Universal Credit. It is now available in every jobcentre across the country for single unemployed claimants and in 64 jobcentres for all types of claimants. Around 37% of Universal Credit claimants are doing some work. Through Universal Credit we are also helping claimants to progress in work and we are trialling how we can best support these claimants to achieve this.

We also continued to provide support into employment through a range of initiatives including the Work Programme, New Enterprise Allowance and more specialised support for people with a disability or health condition.

In January we began introducing the new Personal Support Package which will provide support to all claimants of Employment and Support Allowance and Universal Credit (on grounds of disability or illness), beginning with a new health and work conversation. This was announced in the October 2016 green paper which consulted on how to improve outcomes for disabled people.

In April 2017 we introduced the Youth Obligation. Delivered through Universal Credit, it requires all young people aged 18 to 21 years to participate in an intensive work-focused regime from the start of their claim, and at the 6 month stage to undertake an apprenticeship, training or daily community work if they are still claiming benefit.

We are providing support to schools for people aged 12 to 18 years by giving advice on employment issues such as the labour market and pathways to work. So far we have supported over 140 schools.

We are building our work coach capability to embed best practice in our jobcentres for getting claimants from black and minority ethnic (BAME) backgrounds into work. This year we launched new support material for work coaches and completed fieldwork to establish what works best for BAME claimants.

Engagement with employers is critical to the government's strategy to improve employment outcomes for all claimants. Through the Disability Confident campaign, and the Fuller Working Lives strategy we are working with employers to break down barriers to employment for disabled people and older people. Over 4,000 employers have now signed up to become 'Disability Confident'.

2016 headline indicators	Latest data
overall UK employment rate	up from 74.2% between January and March 2016 to 74.8% for the same period in 2017 – this is an improvement
UK employment rate for working-age disabled people	up from 46.9% between January and March 2016 to 49.0% for the same period in 2017 – this is an improvement
% of young people not in full time education in employment	up from 75.6% between January and March 2016 to 77.1% for the same period in 2017 – this is an improvement
number of people on a key out-of-work benefit	down from 3.72 million people in November 2015 to 3.65 million in November 2016 – this is an improvement

More detail on what we did to support people seeking employment and people with a disability or health condition in 2016-17 can be found on pages 23 to 29 and 29 to 37 respectively of the performance analysis section.

2016 Single Departmental Plan strategic objective 2

In our Single Departmental Plan we said we would increase saving for, and security in, later life 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
- protecting universal pensioner benefits

In April 2016 we launched the new State Pension for people reaching State Pension age on or after 6 April 2016. In its first year, 400,000 people were eligible to claim the new State Pension. The new State Pension gives people a foundation upon which to plan their retirement finances as they will know what to expect from the State when they retire. Our online service 'Check your State Pension', launched in February 2016, has been viewed over 3.5 million times so far.

We paid a range of universal pensioner benefits including Winter Fuel Payments to provide additional help with heating costs as well as paying Pension Credit to help pensioners on a low income and maintaining the 'triple lock'.[1]

In 2016-17 our pensions arm's length bodies continued to play a key role in helping us deliver the pensions agenda, by protecting and safeguarding the public and providing advice. Pension Wise and the Pensions Advisory Service gave people advice on their pension choices and the Pension Regulator continued to regulate the automatic enrolment duty and support small employers to meet the duty.

Since the launch of automatic enrolment the number of people saving in a workplace pension has increased from 10.7 million to 16.2 million. Over 540,000 employers in total are now meeting their duty and opt out rates by eligible employees remain below 10%.

We introduced the Pensions Scheme Act 2017 to bring in powers to cap early exit fees and ban existing commission charges in some occupational pension schemes. This is to ensure people aged 55 and over can exercise their pension freedoms without excessive financial costs. We also continued to co-ordinate actions to raise awareness and tackle scams.

2016 headline indicators	latest data
number of eligible employees in a pension scheme sponsored by their employer	up from 15.1 million in 2015 to 16.2 million in 2016 – this is an improvement
% of pensioners with a low income	up from 14% in 2014-15 to 16% in 2015-16 – this is an increase but not statistically significant

More detail on what we did to support people planning for, or in, retirement can be found on pages 38 to 44 of the performance analysis section.

1 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%.

2016 Single Departmental Plan strategic objective 3

In our Single Departmental Plan we said we would create a fair and affordable welfare system which improves the life chances of children and adults by:

- implementing a range of measures announced in Budget 2015
- supporting people with a disability or health condition 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

This year we implemented commitments from the Welfare and Work Act 2016 including lowering the benefit cap and removing automatic entitlement to housing costs for people aged 18 to 21 years.

We continued to reassess Disability Living Allowance claims for people aged 16 to 64 years for entitlement to Personal Independence Payment.

The transition to Universal Credit is improving children's life chances by reducing the number of children living in workless households. We also published 'Improving lives; helping workless families' in April 2017, announcing the government's proposals for improving the life chances of children. We continued to offer information and support on all forms of child maintenance arrangements to separated and separating parents through Child Maintenance Options as well as running the statutory service for parents who cannot reach a family-based child maintenance arrangement.

This year welfare and employment powers in the Scotland Act 2016 were transferred to the Scottish Government. This means that from May 2017 the Scottish Government has the power to legislate on disability, industrial injuries and caring benefits, as well as maternity, funeral and heating expenses. We worked closely with the Scottish Government to ensure a smooth transition.

2016 headline indicators	Latest data
forecast welfare spending within the welfare cap	the welfare cap was formally reassessed at Autumn Statement 2016. The cap will be formally assessed by the OBR at the first fiscal event of the new Parliament, and a new cap will be set at the same time by HM Treasury.
% of children living in workless households	down from 12% between October and December 2016 to 10.7% for the same period in 2017 – this is an improvement

More detail on what we did to support children and families in 2016-17 can be found on pages 44 to 49 of the performance analysis section.

More detail on what we did to support disabled people in 2016-17 can be found on pages 29 to 37 of the performance analysis section.

More detail on devolution can be found on pages 69 to 70 of the performance analysis section.

2016 Single Departmental Plan strategic objectives 4 and 5

In our Single Departmental Plan we said we would deliver outstanding services to our customers and claimants and transform the way we deliver our services to reduce costs and increase efficiency by:

- delivering essential services for welfare, pensions and child maintenance
- continually seeking to improve our services
- ensuring value for money for the taxpayer
- improving the efficiency and effectiveness of our services
- working collaboratively across government
- embedding sustainable development
- cutting 'red tape' for businesses

This year we remained focused on achieving a high standard of customer service by continuing to look critically at our services to identify further improvements while continuing to deliver welfare reform. We continued to transform our services, bringing more services online and making our services more accessible to our customers and claimants.

Our staffing numbers have remained stable this year as we recruit and train staff in preparation for scaling up Universal Credit in October 2017. Through our Employee Deal, over 80% of our workforce have adopted more modern terms and conditions of employment to meet changing customer demand. In addition our staff engagement score rose by 4 percentage points this year to 61%.

We have reduced our annual running costs by around £2.9 billion since 2009-10. Savings have been achieved through a number of initiatives including the negotiation of better value for money contracts with our providers, reduction in staffing numbers and digital transformation.

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2016 headline indicators	Latest data
customer and claimant satisfaction rate of DWP services	up from 84% in 2015-16 to 86% in 2016-17 – this is an improvement
key out-of-work benefits processed within agree timescales	down from 90% in 2015-16 to 86.8% in 2016-17 – this is a decrease
net benefit overpayments as a % of overall benefit expenditure[2]	up from 1.3% (final figure) in 2015-16 to 1.4% (preliminary figure) in 2016-17

More detail on our departmental expenditure limit (DEL) and annually managed expenditure (AME), and what we did to transform our services in 2016-17 can be found on pages 50 to 68 of the performance analysis section.

Performance against other government commitments and requirements

We are committed to embedding sustainability in everything we do, from making policy to purchasing goods and services. We've already met targets for reducing domestic flights taken, paper usage and the volume of waste we produce. More detail can be found on pages 71 to 73.

Devolution has brought a fundamental change to the way welfare and employment support is delivered across Great Britain. This year we transferred the welfare and employment support powers in the Scotland Act 2016 to the Scottish Government. More detail can be found on pages 69 to 70.

Our department and our regulatory arm's length bodies made a significant contribution to the Business Impact Target. In the last Parliament we implemented measures which will deliver significant savings to business across the country. More detail can be found on page 73.

We take our Public Sector Equality Duty seriously with regard to our customers and our employees. We are committed to eliminating discrimination, advancing opportunity and fostering good relationships between different groups of people when carrying out our business. More detail on customers can be found on pages 74 to 77 and on employees on pages 117 to 119.

Our Principal Accounting Officer assessed the significant control issues that the department faced in 2016-17. These include the monetary value of fraud and error in benefit expenditure, performance variation in health service assessments, keeping our systems and data safe, maintaining our IT services while effecting digital transformation and delivering Universal Credit full service. More details can be found in the Governance Statement on pages 89 to 101.

2 The title of this indicator has changed for the remainder of this report to net loss due to fraud and error as a percentage of overall benefit expenditure.

Performance analysis

This section sets out in more detail our performance in our 4 key customer and claimant groups: people of working-age, people with a disability or ill-health, people planning for and in retirement and children. It also sets out how we improved the quality of our services while living within our financial settlement.

Our commitment to **sustainable development** and our **Public Sector Equality Duty** (which covers the 9 protected characteristics: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, marriage and civil partnerships and sexual orientation) is indicated by the following icons:

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

Public Sector Equality Duty		
Fair treatment		We aim to eliminate discrimination and treat everyone fairly
Opportunity		We aim to give everyone the opportunity and support they need to fulfil their potential regardless of their circumstances
Good relations		We aim to develop good relations between different types of people through understanding and tackling prejudice

This year we are taking a new approach to reporting on the Public Sector Equality Duty for our customers and employees. We are no longer publishing separate reports but are incorporating information on how we comply with the Duty in our Annual Report. More detailed information on customers is available on pages 74 to 77 and on employees on pages 117 to 119.

People seeking employment and benefits administered to working-age people

We are helping people to find work and to progress in work.

Every working day, through our network of work coaches and partners, we continue to help claimants move into work by providing tailored support to meet individual needs.

We administer a range of benefits to working-age people seeking employment. We also support working people on a low income and pay maternity and bereavement benefits. These are:

Benefits administered	Amount paid out in 2016-17 in £s millions[3, 4, 5, 6]
Bereavement benefits	549
Discretionary Housing Payments	142
Housing Benefit (not disability, incapacity or carer)	8,829
Income Support (not incapacity)	1,406
Jobseeker's Allowance	1,875
Maternity Allowance	436
Statutory Maternity Pay	2,154
Universal Credit	1,585
Other benefits below £50m	102
Total	**17,080**

This table excludes spending on disability, incapacity and carer benefits for working-age people. This is shown on page 30 alongside the equivalent spend on people above State Pension age.

What we've been doing

◆Making work pay and helping people to progress in work

Universal Credit is giving claimants a greater opportunity to get in to work by:

- making sure that claimants are always better off in work
- encouraging part-time and short-term work to act as a stepping stone into work
- providing work coach support to help claimants on their journey
- enabling claimants to work more than 16 hours a week and still claim Universal Credit
- paying towards childcare costs to give more flexibility in working hours

3 Benefit breakdowns are estimates based on DWP statistical data.
4 Figures include some benefits paid out of departmental expenditure limit (DEL).
5 More detailed information can be found in the DWP benefit expenditure tables on www.gov.uk.
6 Figures may not sum due to rounding.

We introduced changes in the Welfare Reform and Work Act 2016 including:

- limiting the child element of Tax Credits and Universal Credit to the first 2 children in a household from April 2017 with some exceptions
- removing the higher rate of the child element for the first child in Universal Credit where the first child is born after 6 April 2017
- removing the 'limited capability for work' payment in Universal Credit
- removing automatic support with housing costs for 18 to 21 year olds to encourage young people to leave home when they can afford to do so

We've also made changes to reduce barriers to work. These include:

- giving working families more support with eligible childcare costs by increasing the amount they can claim back from 70% to 85%
- improving the Universal Credit taper rate which means more people keep more of what they earn
- amending the earnings threshold for exemption from the benefit cap

In April 2016 we completed the national roll-out of Universal Credit to all new single jobseekers. In May 2016 we began extending Universal Credit to all types of claimants using the Universal Credit full service. Universal Credit for all types of claimants is now available in 64 jobcentres. We are on track to expand the rollout to 30 jobcentres in July and 50 jobcentres each month from October 2017.

We reviewed the rollout programme to take account of additional work to prepare for changes announced in the Welfare Reform and Work Act 2016. We also took into account recommendations by the Public Accounts Committee to build contingency into the Universal Credit programme.

The Universal Credit full service offers claimants 24-hour access to a simple online account that they can use to manage their claim, report changes and check their payments. Work coaches also use the digital service to communicate with their claimants and alert them to job vacancies.

Progressing in work is one of the core principles of Universal Credit. In December 2015 we began testing how our work coaches and employer engagement managers can best help people who are in low-paid work to earn more. We are building up an evidence base on what works to support the development of future in-work policy, most significantly through a large-scale in-work progression trial. This trial applies different degrees of in-work support and conditionality. The trial is now running right across the country and, in April 2017, ceased recruiting claimants to take part in the trial. It will run for a further 12 months before being evaluated.

The number of people on Universal Credit continues to ramp up. Universal Credit (UC) statistics to 13 April 2017 show:

- 1.1 million UC claims made since its launch with 830,000 going on to start receiving UC
- UC caseload has risen to 520,000

While we have made good progress in delivering Universal Credit, there is still more to be done on what is a complex programme and, therefore, the Permanent Secretary has listed Universal Credit full service as a significant control issue. More detail is available on page 101.

◆Helping people to find work

Through a national network of around 11,000 work coaches we help claimants to find work and, when necessary, to understand and overcome their barriers to employment. Each claimant looking for work is assigned a work coach who works with them to agree a claimant commitment. This sets out what steps a claimant will take to move into or towards sustainable work as part of their conditions for receiving benefits. In addition to work coach support, we recognise that some claimants are further from the labour market than others and need additional tailored support to prepare for and move into sustainable work. In 2016-17 the Work Programme, Help to Work and New Enterprise Allowance were the main programmes through which we provided additional support.

The **Work Programme** supports vulnerable and long-term unemployed claimants by helping them prepare for, find and enter sustainable work. New referrals to the Work Programme ended on 31 March 2017 but existing participants will continue to receive the same level of personalised support from our providers for up to 2 years from joining the programme. Latest Work Programme statistics to December 2016 show:

- 1.9 million claimants have been referred to the Work Programme since its launch
  - around 18,000 of these were claiming Universal Credit
- almost 1.7 million claimants have completed their allotted time on the programme
- 570,000 claimants have found sustained work of at least 3 or 6 months – this is 30.2% of all claimants who have had enough time to achieve it

Help to Work provides intensive help for long-term unemployed claimants who did not secure sustainable work while on the Work Programme. Latest Help to Work statistics to December 2016 show:

- 110,000 claimants referred to the Mandatory Intervention Regime
- 51,000 claimants referred to Daily Work Search Review
- 39.4% of Help to Work claimants spent some time in work in the year following their referral
- 28.1% of Help to Work claimants spent at least 13 weeks in work in the year following their referral

New Enterprise Allowance (NEA) gives jobseekers funding and support from a dedicated mentor to help them get their business idea off the ground and trading for the first year. Latest statistics to 31 December 2016 show since April 2011:

- 191,430 starts on the NEA scheme by 181,920 individuals
  - 30,070 of these starts between January and December 2016
- 102,060 businesses set up by 100,820 individuals
- Overall, 78% of NEA participants were off benefit for 26 weeks continuously

We recognise that some groups of claimants need additional support.

Young people

The employment rate for young people aged 16 to 24 years not in full-time education is 76.1%. The unemployment rate of young people aged 16 to 24 years is 12.5% which is the lowest rate since 2005. Periods of unemployment can be damaging for young people so we want to do all we can to support young people into work.

In April 2017 we launched a programme of work to reduce long-term youth unemployment. Young people aged 18 to 21 years now undertake an intensive work-focused regime from the beginning of their Universal Credit full service claim. After 6 months, young people who have still not found work will be supported to take on an apprenticeship, training or daily community work.

Between January 2011 and November 2016 we provided over 438,500 young people with a work experience placement, and between August 2011 and November 2016, almost 207,000 with a sector-based work academy place.

We also provide a demand-led service called Jobcentre Plus Support for Schools which offers young people aged 12 to 18 years an insight into the world of work in their local area. The scheme began in April 2016 as a pathfinder in 10 areas in England. Following a successful evaluation, rollout across the whole of England began in November 2016.

Older people

Over the last 10 years the employment rate for 50-64 year olds has increased by 6.2 percentage points to 70.9%. The average age of leaving the labour market has increased over the last 20 years but 52% of men and 54% of women are still not in work in the year before they reach State Pension age.

In February 2017 we launched our 'Fuller Working Lives: a Partnership Approach'. It sets out how employers can work with our jobcentres to help **older claimants** continue their careers or start new ones.

Our national network of Jobcentre Plus older claimant champions is raising the profile and promoting the benefits of employing older workers to work coaches and employers. In October 2016 the government announced the appointment of the Business in the Community Age at Work leadership team led by Andy Briggs, CEO of Aviva and Ireland Life, as the Business Champion for Older Workers, to support employers to hire and retrain older workers.

Jobcentres have the freedom to develop innovative approaches to help older claimants. Current approaches include:

- allowing older claimants to access courses to convert outdated qualifications into modern certifications that have more relevance for employers
- working alongside our National Employer and Partnership Team to develop better links with employers and challenge perceptions of older people
- providing IT courses, aimed specifically at older claimants, to teach the skills required to search and apply for jobs online

People from black and minority ethnic backgrounds

The employment rate for people belonging to an ethnic minority stands at just under 64% compared to a rate of 76.5% for white people. Over the last 10 years the employment rate for people from black and minority ethnic (BAME) backgrounds has increased by 4.5 percentage points.

We recognise that different BAME groups face different barriers to work including language, culture, education and discrimination. We undertake a range of initiatives tailored to help people from BAME backgrounds into work. These include:

- learning from our jobcentres getting the best outcomes for helping people from BAME backgrounds into work
- building work coach capability of BAME groups
- encouraging greater use of the Flexible Support Fund to help people from BAME groups into work
- mandating claimants to attend English language training for up to 13 weeks where we identify a language barrier

People with complex needs

Some people have complex lifestyles that can create barriers to them finding and holding down a job. Some of these barriers may include serious debt problems, substance abuse, history of offending and homelessness.

In April 2017 'Improving Lives: Helping Workless Families' was published. This sets new expectations for our department which build on our current approach of tailoring support and conditionality for people facing complex issues.

Some examples of what we've been doing are listed below:

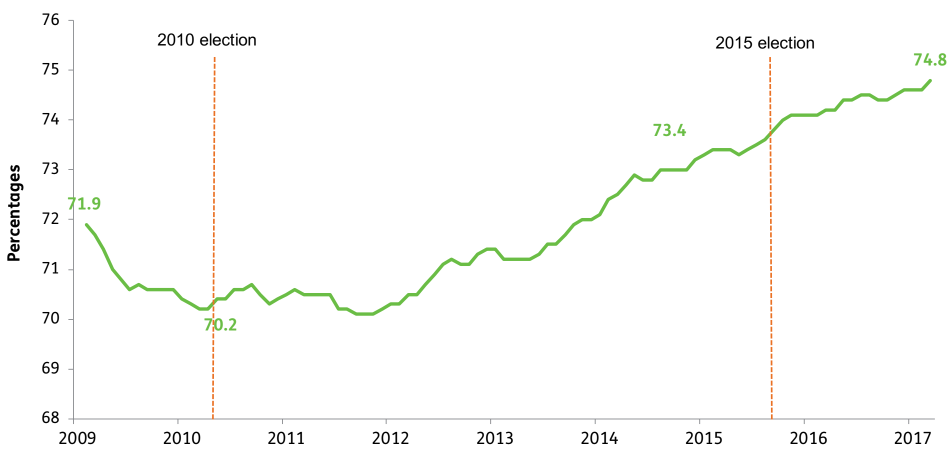
- Prison work coaches are directly helping prisoners to prepare for their release. They work with employers and our partners to provide work experience, training and employment opportunities to prisoners. They also work in partnership with jobcentre work coaches to ensure continuous support as people leave prison and join the Work Programme which is mandatory for most prison leavers.
- We are implementing recommendations from Dame Carol Black's review into employment and alcohol and drug dependence. This includes bringing forward a trial of the Individual and Placement Support approach to help people with substance dependency back into work through peer mentors and expanding Access to Work to support claimants on a treatment programme with additional support to enter or continue in work.
- In January 2016 we launched 'See Potential'. This campaign can help businesses to fill skills gaps and diversify their workforces by hiring people from disadvantaged groups. The campaign challenges negative perceptions and attitudes towards people from disadvantaged groups.

How what we've been doing is making a difference

Indicator 1: overall UK employment rate

The overall UK employment rate between January and March 2017 was 74.8%. This is an increase of 0.6 percentage points from 74.2% in 2016 and 4.6 percentage points from 70.2% in 2010 for the same period. Latest monthly Labour Market statistics published in June 2017 show the overall UK employment rate at 74.8%.

UK employment rate (%), 2009 to present



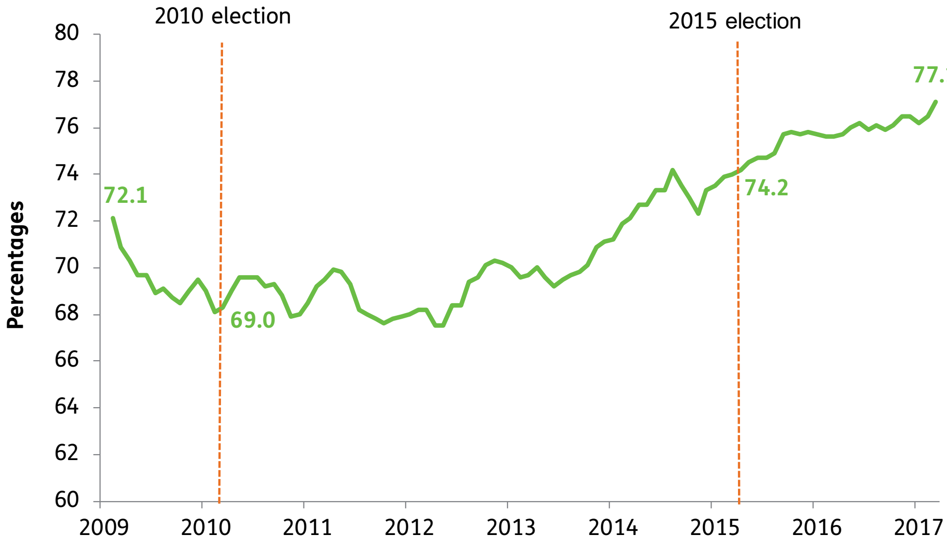
This indicator is measured using data from the Labour Market statistics published by the Office for National Statistics. It is a 3 month rolling average of the 16 to 64 year olds employment rate for the UK and is seasonally adjusted. Therefore comparisons can be made between any non-overlapping quarters. An increase denotes an improvement in this indicator.

Indicator 2: percentage of young people aged 18 to 24 years not in full-time education in employment

Altogether 77.1% of young people aged 18 to 24 years not in full-time education were in employment between January and March 2017, up 1.5 percentage points from 75.6% in 2016 and up 8.8 percentage points from 68.3% in 2010 for the same period.

The proportion of young people aged 18 to 24 years who are not in full-time education and are unemployed is 10.1%.

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



This indicator measures the proportion of young 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 denotes an improvement in this indicator.

People with a disability or health condition

We helped people with a disability or health condition to prepare for, secure and remain in work through a number of tailored initiatives.

There are over 530,000 more working-age disabled people in employment than 3 years ago and the gap between the employment rate of disabled people and non-disabled people has narrowed by 2.5 percentage points over the same period to 31.3 percentage points. This is encouraging but we want to do better as many disabled people still face barriers to work and people in work who fall ill too often do not return to work.

The Work and Health Unit, a cross-government unit sponsored by our department and the Department of Health, was established in 2015 to work across government to improve the health and employment outcomes of working-age people who have or may acquire health conditions and disabilities.

In October 2016 the 'Improving lives: the work, health and disability' green paper was launched. This set out actions to bring about change across welfare, employers and health systems.

Working closely with employers is critical to improving employment outcomes for people with a disability or health condition. The award-winning 'Disability Confident' scheme is changing attitudes, promoting the benefits of disabled employees and encouraging more employers to become 'Disability Confident'.

We spend around £50 billion each year on a range of benefits to support people, including children, with a disability or health condition. These are:

Support for disabled people and people with health conditions	Benefits administered	Amount paid out in 2016-17 in £s millions[7, 8, 9, 10]
Children	Disability Living Allowance	1,897
Working age	Armed Forces Independence Payment	7
	Carer's Allowance	2,629
	Disability Living Allowance	5,138
	Incapacity benefits	15,160
	Income support for Carers	621
	Housing Benefit (disability, incapacity and carer)	7,930
	Industrial injuries benefits	363
	Personal Independence Payment	4,481
Pension age	Attendance Allowance	5,483
	Carers Allowance	38
	Disability Living Allowance	4,478
	Industrial injuries benefits	582
	Personal Independence Payment	679
	Severe Disablement Allowance	124
	Total	**49,610**

7 Benefit breakdowns are estimates based on DWP statistical data.
8 Figures include some benefits paid out of departmental expenditure limit (DEL).
9 More detailed information can be found in DWP benefit expenditure tables on www.gov.uk.
10 Incapacity benefits include Employment and Support Allowance, Incapacity Benefit, Severe Disablement Allowance and Income Support (incapacity).

What we've been doing

◆Working with employers to create employment opportunities and improve the employment experience for people with a disability or health condition

Increasing the number of disabled people in employment relies heavily on the commitment of employers to create more employment opportunities for disabled people, so we are working with employers to promote the benefits of employing disabled people. In November 2016 we launched a new **Disability Confident** scheme which gives employers the tools to recruit, retain and develop disabled employees.

The new scheme supports continuous improvement, taking employers on a journey from being Disability Confident Committed (level 1) to being a Disability Confident Employer (level 2) and finally to a Disability Confident Leader (level 3).

Employers commit to providing specific opportunities for disabled people when they join the scheme. These include apprenticeships, jobs and work experience. Over 4,000 employers have signed up to the scheme, which includes all government departments. Employers are supported by a range of advice, guidance and case-studies. We are encouraging employers with the largest workforces and therefore the most potential to employ disabled people.

To increase engagement with employers we established a Business Leaders Group to drive forward the sign-up of Disability Confident.

Disability Confident – employer levels achieved as at 31 March 2017	
Disability Confident Committed (level 1)	1,157 employers
Disability Confident Employer (level 2)	2,944 employers
Disability Confident Leader (level 3)	29 employers
Total	**4,130**

Source: DWP Disability Confident: list of employers that have signed up to 31 March 2017

In December 2016 our department was accredited as a Disability Confident Leader. In support of this we now require our major contractors to become Disability Confident Leaders. We are also supporting our arm's length bodies to become Disability Confident.

Some people may need help to overcome work-related barriers arising from a disability or illness. In most cases low or no cost reasonable adjustments provided for by the Equality Act 2010 allow disabled people to participate in the workforce. For people with the greatest needs, we provide extra help with the costs for employers and disabled people via **Access to Work**. This is a publically funded employment programme that aims to help more disabled people to start or stay in work by providing practical or financial support. In September we launched a new online Access to Work service.

◆Improving employment outcomes for claimants with a disability or health condition

Last year the government commissioned Dame Carol Black to undertake a review of how best to help claimants with long-term but treatable conditions such as addiction. Her report was published in December 2016.

We are looking carefully at the responses from the green paper consultation and Dame Black's review to develop proposals for policy development.

◆Providing tailored employment support for people with a disability or health condition

There are many claimants with a disability or health condition who can or want to work. Work coaches hold regular conversations with these claimants to help them identify their barriers to work and options to overcome them. Work coaches are supported by disability employment advisers who provide specialist advice and guidance.

The **Work Programme** supports many working-age claimants with a disability or health condition to prepare for, find and secure work.

Work Choice helps people who due to their disability or illness may find it difficult to find or keep a job and whose needs cannot be met through other employment programmes.

In the last year to 25 March 2017, there have been 17,490 referrals made to Work Choice and of these 12,060 started on the programme. More than half the people starting on Work Choice were on Jobseeker's Allowance or Universal Credit when they joined the programme.

Proportion of Work Choice starts achieving:	Short job outcome, within 12 months	Short job outcomes, total	Unsupported sustained job outcomes, within 24 months	Unsupported sustained job outcomes, total
2010-11	6%	7%	18%	31%
2011-12	25%	25%	13%	15%
2012-13	41%	42%	17%	19%
2013-14	44%	45%	20%	21%
2014-15	58%	59%	26%	26%
2015-16 Apr to Oct 2015	63%	64%	**	**
2015-16 Nov to Mar 2016*	47%	49%		

Source: Work Choice official statistics May 2017, table 2

* The definition of short job outcomes changed with the introduction of the extended contract for people referred on or after 25 Oct 2015 from 'expected to last 13 weeks' to 'has lasted 13 weeks'.

** These individuals have not yet had 24 months since their start so are not included.

Referrals to Work Choice will continue until September 2017 with final referral dates kept under review to fit with the implementation of the Work and Health Programme.

The Work and Health Programme, announced in the 2015 Spending Review, will follow the Work Programme and Work Choice. We expect the majority of referrals to be disabled people.

Specialist Employability Support focuses on helping those people furthest away from the employment market and for whom other provision is not suitable. The scheme provides intensive support and training for up to 6 months but can also provide longer-term support and training if required. In the year to 25 March 2017, 1,590 disabled people started on this programme.

Fit for Work provides advice and occupational health assessments for employed people who have been off work for more than 4 weeks due to ill-health. Since its launch in March 2015 there have been 15,545 referrals to Fit for Work. Referrals were expected to increase as awareness of Fit for Work grew but they have been lower than we anticipated. Through our green paper we sought views from the public and other stakeholders on their experience of Fit for Work and other occupational health provision. We are using these to help us develop future services.

This year we have also been trialling a number of **new initiatives**, some with UK health services, to identify what works best for disabled claimants. The proof of concept trials include:

- the use of voluntary specialist advice from healthcare professionals via a three-way conversation between the specialist, the work coach and the claimant covering general health management and appropriate work-related activities to move the claimant closer to employment
- testing an in-house Jobcentre Plus led alternative to the Specialist Employability Support provider-led support
- supported work experience for young people who are furthest away from the labour market and have little or no workplace experience

◆Introducing changes to encourage people with a disability or health condition to fulfil their potential and transform their lives

We introduced a new **Personal Support Package** for people with a disability or health condition.

The Personal Support Package offers a range of new measures and interventions which can be tailored to a claimant's individual needs. The package offers support to all people claiming Employment and Support Allowance or Universal Credit due to a disability or health condition by:

- providing personal support from disability trained and accredited work coaches supported by an extra 300 disability employment advisers and around 200 new community partners with disability expertise and local knowledge
- signposting to local voluntary and public sector services
- requiring every claimant to participate in a Work and Health Conversation

From 3 April 2017, the package included the Enhanced Support Offer (ESO) programme for new Employment and Support Allowance or Universal Credit claimants who could or want to work. The ESO Programme includes:

- a place on either the new Work and Health Programme or Work Choice, for all eligible and suitable claimants who wish to volunteer
- job clubs delivered via peer support networks
- work experience places, with additional support, for young people
- increased funding for the Access to Work Mental Health Support Service
- jobcentres reaching out to employers, particularly small employers, to identify opportunities and help match people to jobs in a new Small Employer Offer

As part of the Personal Support Package, we began introducing the health and work conversation for all new Employment and Support Allowance (ESA) or equivalent Universal Credit (UC) claimants from January 2017.

In April 2017, to improve incentives to work, we:

- changed the permitted work rules in Employment and Support Allowance (ESA) so that ESA claimants can do up to 16 hours of paid work and earn up to £120 each week over an unlimited period to gain skills, experience and confidence while still getting their benefit
- removed the additional top-up component for new ESA claimants in the work-related activity group and Universal Credit claimants with limited capability for work to put the amount they receive in line with unemployed claimants

◆Continuing to reassess Disability Living Allowance cases for people aged 16 to 64 years for eligibility to Personal Independence Payment

In April 2013 we introduced **Personal Independence Payment (PIP)** to support people aged 16 to 64 years with the extra costs of a long-term health condition or disability. PIP, which is replacing Disability Living Allowance (DLA) for working-age people, is a more modern benefit which assesses disabilities objectively and equally and focuses support on those people who need it the most. The amount people get depends on how their condition affects them and not on the condition itself.

Since October 2013 we've been reassessing existing DLA claims, for people who were aged 16 to 64 years when PIP was introduced or have reached 16 years, for entitlement to PIP. We have done this in a controlled way and continue to pay DLA until a decision is made on a claimant's PIP claim. Up to October 2016 we had received 740,440 reassessment claims and had cleared over 525,000, with the remainder being at different parts of the process, including a substantial number where claimants have still to return their forms to us.

Claims under the normal rules are taking around 12 weeks, and claims under the special rules 6 days, from claim to decision.

In March 2017 the second statutory independent review of the PIP assessment by Paul Gray CB was published. These reviews form a key part of the learning process and help us to get the delivery of PIP right for claimants.

In March 2017 regulations came into force which restored the original policy to ensure we give the greatest support to those people who need it most. These regulations were as a consequence of legal cases which broadened the way the assessment criteria were interpreted and criticised the lack of clarity.

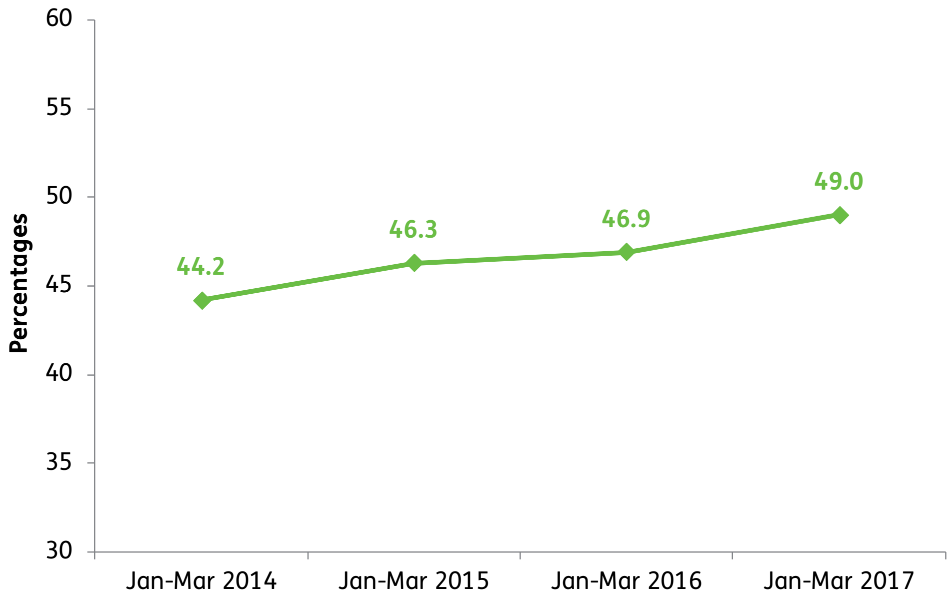
How what we've been doing is making a difference

Indicator 3: UK employment rate of working-age disabled people

The UK employment rate for working-age disabled people between January and March 2017 was 49.0%. This has increased by 4.7[11] percentage points over the last 3 years from 44.2% in the same period in 2014, which is the start of the current data series.

Over this period the number of disabled people in employment has increased by around 537,000 to a total of 3.5 million.

UK disabled employment rate, Q1 2014 to Q1 2017

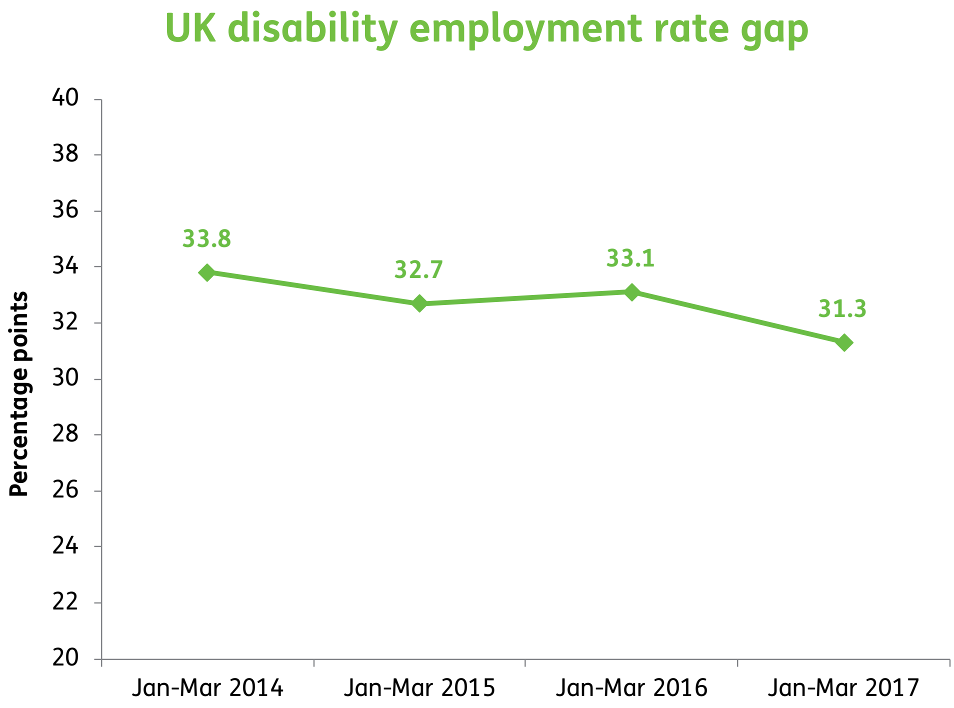


This indicator is measured using data from the Labour Force Survey published each quarter by the Office for National Statistics. The data is not seasonally adjusted so only year-on-year comparisons between quarters should be made. The definition of a person classed as disabled within the Labour Force Survey changed in 2013 and this has led to a step change in the levels of reported disability. This means the current disability employment rate cannot be directly compared to data earlier than quarter 2 in 2013.

11 Figures do not tally due to rounding.

Indicator 4: disability employment rate gap

This indicator measures the gap between the employment rate of disabled people and non-disabled people of working-age. The gap between the employment rates of disabled and non-disabled people stood at 31.3 percentage points between January and March 2017. This is a decrease of 1.8 percentage points from 33.1 percentage points for the same period in 2016 and 2.5 percentage points from 33.8 percentage points for the same period in 2014.



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 a person 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. This means the current disability employment rate cannot be directly compared to data earlier than in quarter 2 in 2013. A decrease denotes an improvement in this indicator.

People planning for, and in retirement

In April 2016 we successfully launched the new State Pension for people reaching State Pension age on or after 6 April 2016. The new State Pension gives people greater understanding of what they can expect from the State when they retire and allows people to better plan their retirement income.

In parallel to State Pension changes, we continued to help working people to save into a workplace pension through our automatic enrolment programme which began in October 2012.

We work in partnership with our pensions arm's length bodies to deliver the pensions agenda. They provide a number of functions including protection and safeguards for the public, information and advice and help people have confidence that saving for retirement is worthwhile.

For existing pensioners we administer a number of other means-tested and universal benefits. These are:

Benefits administered	Amount paid out in 2016-17 in £s millions[12, 13]
Christmas Bonus	126
Financial Assistance Scheme	190
Housing Benefit	6,121
Over 75 TV licences	629
Pension Credit	5,666
State Pension	91,582
Winter Fuel Payments	2,049
Other benefits below £50m	25
Total	**106,387**

Spending on disability, incapacity and carer benefits for people above State Pension age is on page 30.

12 Figures may not sum due to rounding.
13 Benefit breakdowns are estimates based on DWP statistical data. Figures include some benefits paid out of departmental expenditure limit (DEL). More detail can be found in the DWP benefit expenditure tables on www.gov.uk.

What we've been doing

◆Giving people greater understanding and confidence in what they will receive from the State when they retire and when they will receive it

In April 2016 we launched the new State Pension for people reaching State Pension age on or after 6 April 2016. The new State Pension makes it easier for people to understand what they will get from the State and when so they can better plan for their retirement. The full rate of the new State Pension is set above the basic means-tested level in Pension Credit to ensure saving for retirement pays.

The latest DWP quarterly statistical summary to November 2016 shows 250,000 pensioners were in receipt of the new State Pension at an average weekly payment of £146.72 (includes Protected Payments).

'Check your State Pension', launched in February 2016, helps people find out online how much State Pension they could get and when they could get it. Up to 31 March 2017 there have been over 3.5 million State Pension forecasts viewed online. Additionally, we launched a new service in March 2017 for people who cannot use the online service that provides them with the same information but through the post.

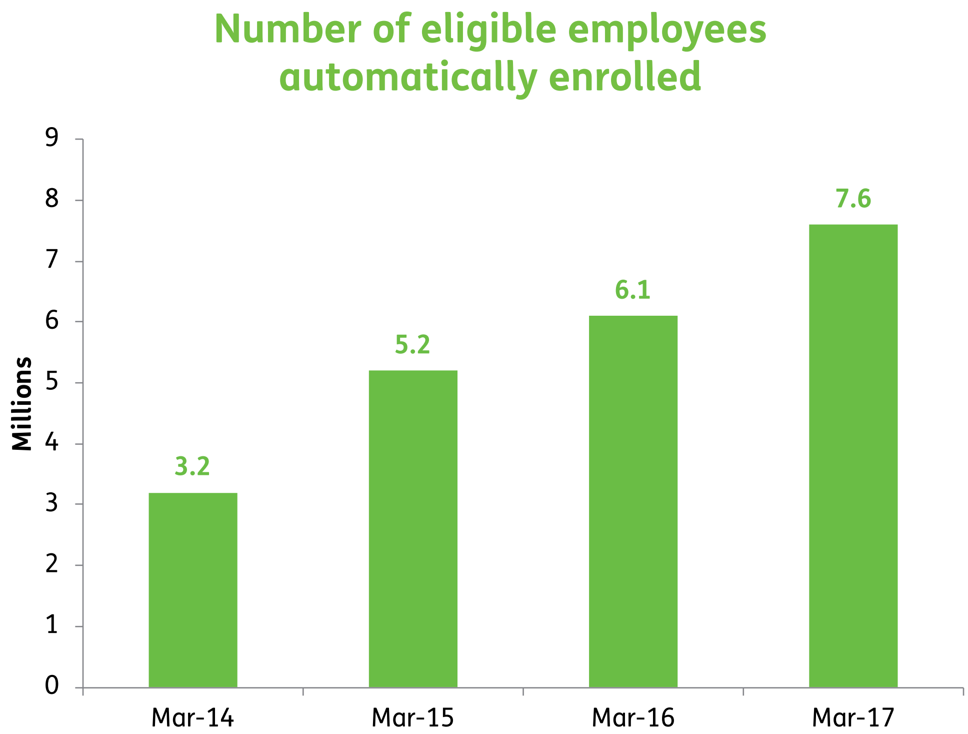
As life expectancy continues to increase, there is a need for a more structured framework within which to consider changes to the State Pension age in the future. In March 2017, 2 reports on this, which we commissioned, were published. The first report, carried out by the Government Actuary, reviewed State Pension age rules based on future life expectancy. The second report was an independent review by John Cridland CBE which made recommendations on future State Pension age arrangements which are affordable in the long-term, fair to current and future pensioners and consistent with supporting people to live fuller working lives.

◆Giving more people the opportunity to save for their retirement through a workplace pension scheme

Following the completion of roll-out to large and medium sized employers, we began rolling out automatic enrolment to around 1.4 million small[14] employers in June 2015. Roll out is progressing well and we are achieving high compliance rates among small employers. In October 2016, with around a million small employers still to implement automatic enrolment, we refreshed our workplace pension campaign.

Up to March 2017, 7.6 million eligible employees have been automatically enrolled into a workplace pension and more than 540,000 employers have met their duties. Latest statistics to April 2017 show the number of eligible employees has risen to 7.8m.

14 Employers with fewer than 50 employees.



Opt-out rates for automatic enrolment are currently less than 10%. When the roll out of the programme is complete in February 2018, we expect around 10 million people will be newly saving or saving more as a result of automatic enrolment.

Following the statutory annual review, the automatic enrolment trigger remained at £10,000 for the 2017-18 tax year. This brings an additional 70,000 individuals (75% of whom are women) into the target population of automatic enrolment.

Legislation around private pensions mainly took into account single employer pension schemes and not Master Trust[15] schemes. To reflect the different structures and dynamics of Master Trust schemes, we increased protection for Master Trust Scheme members by introducing a new authorisation regime which will be administered by the Pensions Regulator under the Pensions Scheme Act 2017.

◆Giving older people more choice in how they use their private pension savings

We provide guidance and support on pensions through Pension Wise and the Pensions Advisory Service. So far there have been over 4.8 million visits to the Pension Wise website.

Since April 2015 Pension Freedoms have given people aged 55 years and over more choice in how they access their pension savings. Between April 2016 and March 2017, 393,000 people received a flexible payment derived from their pension savings. This amounted to 1,393,000 payments with a total value of £6.45 billion[16]. Some pension scheme providers charge people for making use of their pension freedoms. The Pensions Scheme Act 2017 has introduced powers to cap early exit charges, and in some cases ban commission charges.

15 A Master Trust in the UK is a multi-employer occupational pension scheme.
16 HMRC official statistics on flexible payments from pensions. HMRC figures only refer to the amount of pension payment that is taxable. It does not include tax-free lump sums, small cash lump sums or annuities.

In February 2017 we published a green paper on the future of defined benefit pension schemes which set out the key challenges they face and highlighted a number of options that have been suggested to use to improve confidence in the system. Through the green paper we sought views on a number of issues including member protection, funding and investment, affordability and consolidation.

In May 2017 we launched an online Pension Tracing Service, making it faster and more efficient for people to find their pension. On average, around 1,000 people visit the service every day. The service searches a database of more than 320,000 pension scheme administrators' contact details. It cannot tell a customer whether they have a pension or its value but it gives them contact details for the people who can.

◆Protecting pensioners on a low income

We help the poorest pensioners through Pension Credit. Pension Credit is means-tested and can top-up a pensioner's income if it falls below a specified level. Last year we spent £5.7 billion on Pension Credit.

In 2016-17 we provided additional support for pensioners including free TV licences for people aged 75 year olds and over, Cold Weather Payments for people on Pension Credit, Christmas Bonuses and Winter Fuel Payments for people claiming the State Pension. In addition we increased the basic State Pension through the 'triple lock[17]'.

How what we've been doing is making a difference

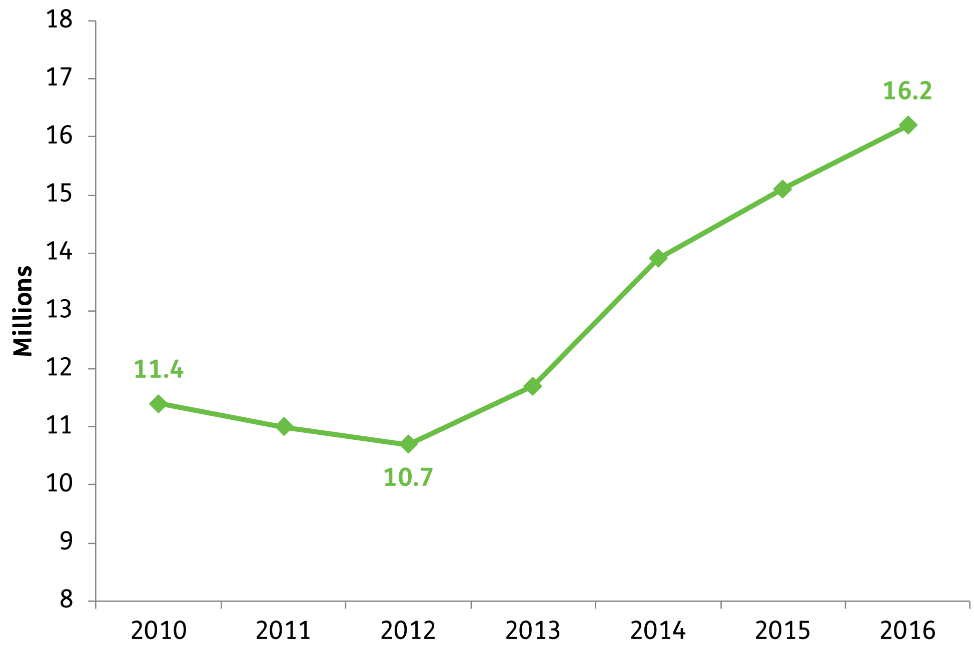
Indicator 5: the number of eligible employees in a pension scheme sponsored by their employer

The number of eligible employees in a pension scheme sponsored by their employer in 2016 was 16.2 million, compared to 15.1 million in 2015. This is a 5.4[18] million increase from 10.7 million in 2012.

17 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%.

18 Figures differ due to rounding.

Pension scheme membership

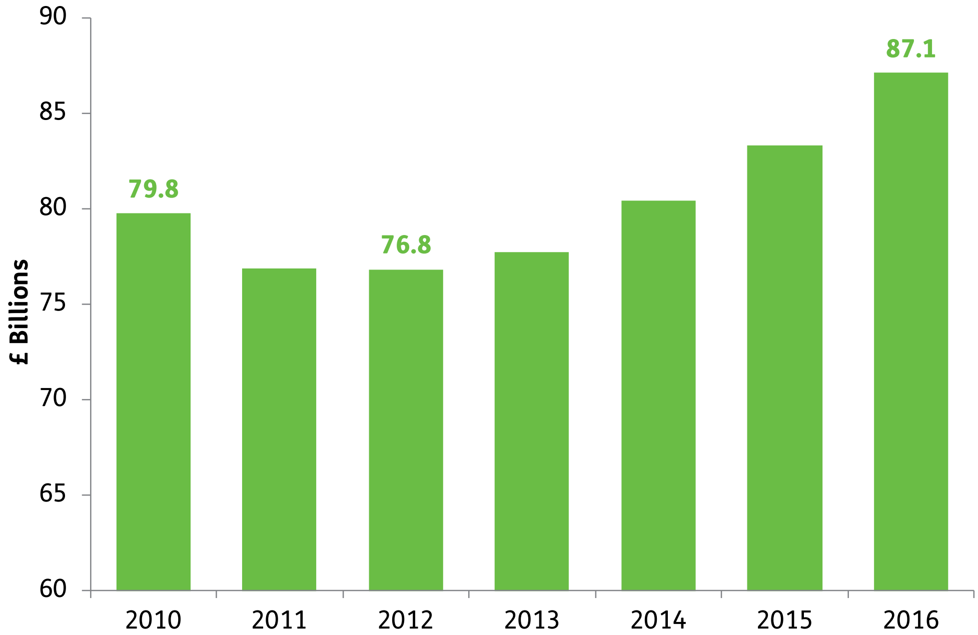


This indicator measures the number of employees (excluding self-employed people) saving into a pension scheme sponsored by their employer who are at least 22 years old, under State Pension age, and earning above the earnings threshold (£10,000 in 2015-16) for automatic enrolment. Data is published annually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

Indicator 6: the total pension saving of eligible employees

The annual total amount saved for eligible employees stood at £87.1 billion in 2016 compared to £83.3 billion in 2015. Total annual savings are now £10.3 billion higher than the £76.8 billion saved in 2012, when automatic enrolment was introduced.

Total pension saving of eligible savers



This indicator measures the total amount saved into pension schemes by eligible savers, defined as those eligible employees who are saving into a workplace pension. The amount is the combined total of employee, employer and tax relief contributions. Data is published annually in the DWP official statistic 'Workplace pension participation and trends'. An increase denotes an improvement in this indicator. More detail on this indicator can be found in the DWP technical annexes on www.gov.uk.

Indicator 7: percentage of pensioners with a low income

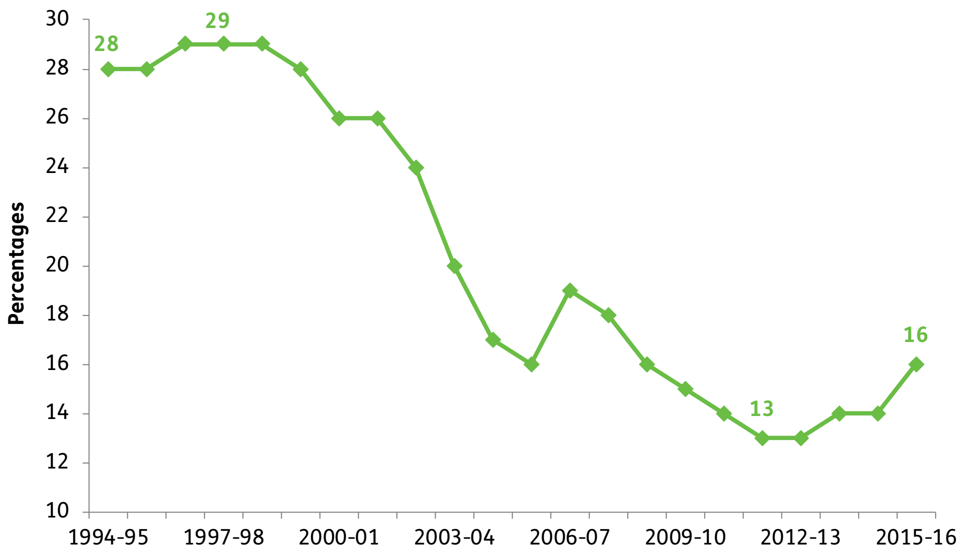
Living standards for pensioners have been rising steadily for many years. The percentage of pensioners in low income households remains lower than for the overall population. The proportion living in a low income household, at 16% after housing costs (AHC), is still low by historical standards.

Nearly 75% of pensioners live in homes that are owned outright and, therefore, they have minimal housing costs. This compares to around 20% of the working-age population. The government's preferred measures of low income for the pensioner population are, therefore, estimated on an after housing costs (AHC) basis to draw out the difference in living standards for the minority of pensioners who do have housing costs.

However, the percentage of pensioners falling below headline low income measures AHC increased between 2014-15 and 2015-16. On the absolute basis, low income also rose slightly to 14% but remains in line with positive long-term trends observed for pensioners. Relative low income increased by 2 percentage points to 16% between 2014-15 and 2015-16. None of these short-term changes were statistically significant.

Compared to the overall population, pensioners have been less likely to fall below headline low income measures AHC since 2003-04. Furthermore, the proportion of pensioners living in low income households is now 12 percentage points lower than it was 20 years ago.

Percentage of pensioners with a low income



Source: Households Below Average Income statistics UK 1994-95 to 2015-16

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' on www.gov.uk. A reduction in this indicator would denote improvement. Estimates are derived from a sample survey and subject to statistical uncertainty. Therefore, the focus should be on longer-term trends rather than year-on-year changes which may not be statistically significant.

Children and families

Unemployment and relationship issues among parents can directly impact on a child's social, emotional and cognitive behaviours in later life. It is important that all parents work together in the best interests of their children.

Analysis from 'Improving Lives: Helping Workless Families', published in April 2017, shows stark differences between the outcomes for children in workless households and children in working households.

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What we've been doing

◆Helping couples in relationship distress so fewer children live with parental conflict

Responsibility for relationship support moved to our department in 2013 from the Department for Education. We tightened up the contracts already in place primarily by strengthening elements of payment by results.

Through our providers we are providing universal and targeted preventative support for couples and parents during key life events. In 2016-17 we funded over 62,000 face to face relationship support sessions and just under 32 million online user support opportunities.

◆Encouraging separated couples to work together to agree family-based child maintenance arrangements where appropriate

Child maintenance can make a real difference to the lives of children as it can help to pay for things like food, clothing and other essentials. Family-based arrangements (also called family arrangements, voluntary arrangements or private agreements) are child maintenance arrangements which parents have agreed between themselves.

Child Maintenance Options provides free and impartial information to help parents make informed decisions about child maintenance, including what type of arrangement is best for them, if they require help.

◆Running an effective statutory service for parents who are unable to agree an effective family-based child maintenance arrangement

Child Maintenance Options is the gateway to the Child Maintenance Service which is the statutory child maintenance service for separated parents who cannot agree a family-based arrangement between them. Fees and charging for the statutory service are designed to encourage separated parents to consider making a collaborative family-based arrangement, which can reduce conflict and tend to lead to better outcomes for the children involved, rather than turning to the statutory scheme straightaway.

Separated parents are charged a £20 application fee to use the statutory scheme. Where a child maintenance arrangement is made through the statutory scheme, we encourage separated parents to arrange payments between themselves. We call this 'Direct Pay'. There are no collection charges or fees for 'Direct Pay'. Where this is not possible we can collect and pass on payments but both parents are charged for this service.

The Child Maintenance Service or the Child Support Agency will take action, which may include enforcement action, if child maintenance agreed through statutory arrangements is not paid. Parents paying via 'Direct Pay' must notify the department if payments are not being made and request action be taken.

Latest experimental child maintenance statistics for the current 2012 statutory child maintenance scheme and latest Child Support Agency quarterly statistics for older schemes up to March 2017 show:

- The total caseload[19] in all statutory child maintenance schemes has reduced from 1.43 million in March 2016 to 1.29 million in March 2017.

19 Live caseload for the 1993 and 2003 maintenance schemes and total caseload for the 2012 maintenance scheme.

- 357,500 children benefitted from maintenance under the 2012 statutory maintenance scheme – 13% higher than in the quarter ending December 2016
- 70% of cases in the new 2012 scheme chose to pay maintenance via 'Direct Pay'
- 167,200 children continued benefiting from maintenance under the older statutory schemes – 32% reduction compared to the quarter ending December 2016, as cases are closed and parents choose whether to apply to the 2012 scheme

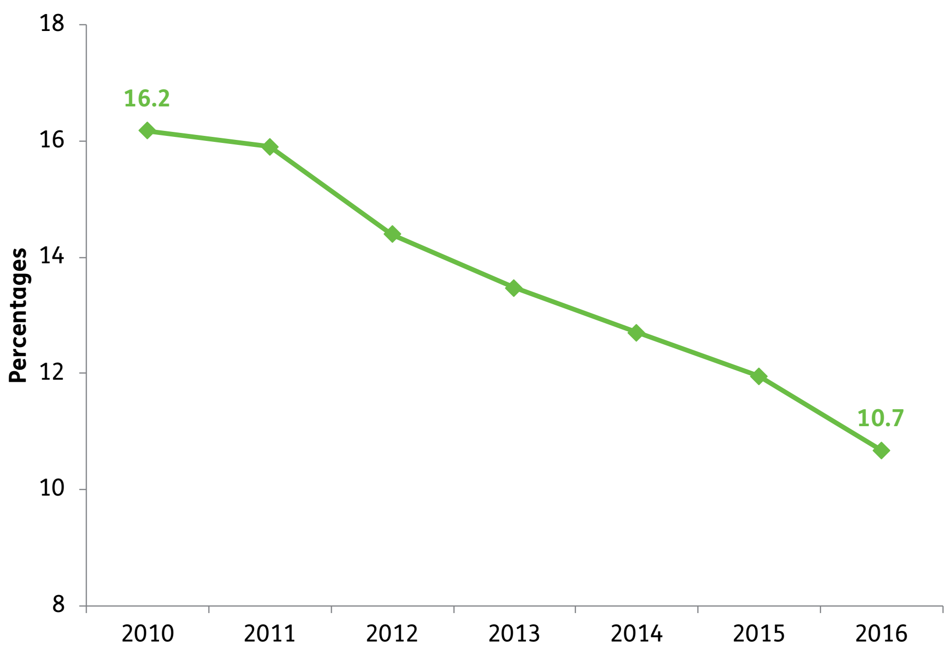
How what we've been doing is making a difference

Indicator 8: percentage of children living in workless households

In October to December 2016 the percentage of children living in workless households was 10.7% – down 5.5 percentage points from 16.2% for the same period in 2010.

Statistics published on 31 May 2017 show 10.6% of children living in workless households for January to March 2017. We are not currently basing our indicator on the January to March or July to September series because there are insufficient data points in those series to provide an informative trend.

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

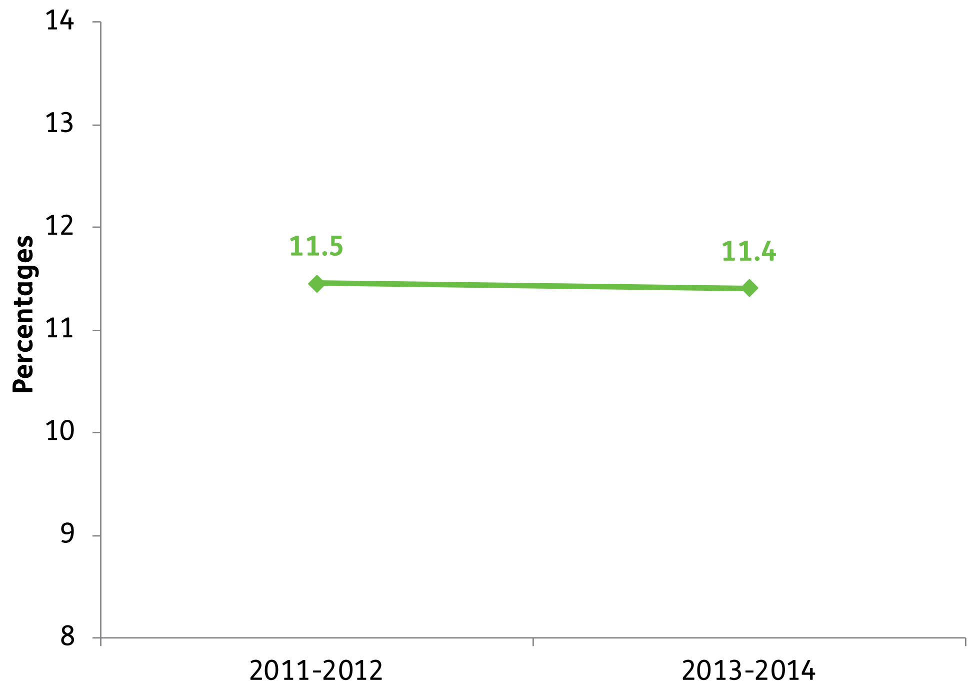


This indicator measures the percentage of children (aged under 16 years) who live in workless households. We define these as households containing at least one person aged 16 to 64 years where none of the members aged 16 years or over are in employment. The statistic, which is based on the Household Labour Force Survey, is published for each quarter. The data is not seasonally adjusted so only year-on-year comparisons are meaningful. The data series for January to March and July to September are relatively new, starting from 2015 and 2014 respectively. To provide a more informative trend, this indicator will continue to report on the April to June and October to December quarters. A reduction denotes an improvement for this indicator.

Indicator 9: proportion of children in couple-parent families reporting relationship distress

The proportion of children in couple-parent families reporting relationship distress was 11.4% in 2013-14. This is the latest available data. This represents a fall of 0.1 percentage points from 11.5% in 2011-12 which is not a statistically significant change.

Proportion of children in couple-parent families reporting relationship distress



A couple-parent family is classified as experiencing relationship distress if either parent responds that most or all of the time they consider divorce, regret living together, or quarrel, in response to questions asking about their relationship with their partner. A reduction denotes an improvement in this indicator. The data is derived from the Understanding Society survey using questions around relationship quality which are asked in the survey every 2 years. 2013-14 is our latest available data with data for 2015-16 expected in late 2017. More detail on this indicator can be found in the DWP technical annexes on www.gov.uk.

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Indicator 10: percentage of separated families with a maintenance arrangement

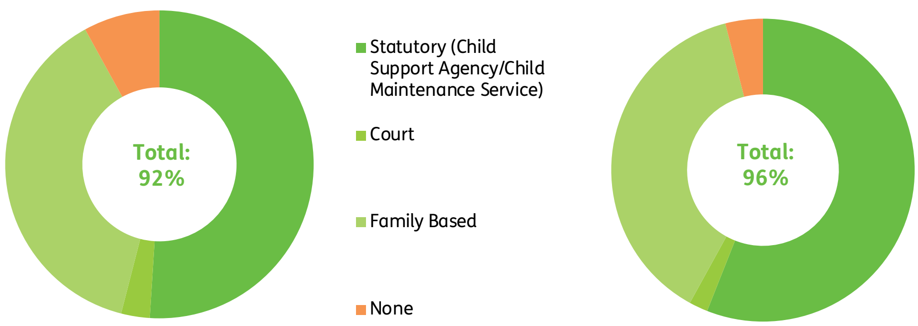
This indicator is based on analysis currently published as experimental statistics. The most up to date analysis uses data up to the end of December 2014, as this is the latest separated family data currently available from the Understanding Society survey. This indicator shows the most current information of the overall child maintenance population that we have. It is not intended as the most recent picture of individual child maintenance populations. The total number of people using a statutory scheme in March 2017 can be derived from the latest publication on each scheme and show a reduction from 1.44 million in December 2014 to 1.29 million in March 2017. An update relating to all 2015-16 data will be published later this year.

There were 2.6 million separated families in 2013-14, our latest available estimate. Over half (56%) of the population had a statutory maintenance arrangement (including 'Direct Pay') and 38% had a family-based arrangement, while 2% had a court-based arrangement and 4% had no arrangement. In total 96% of all separated families had a maintenance arrangement in place, an improvement of 4 percentage points from 2011-12.

While we want all separated families to have a maintenance arrangement in place, it is also important that the arrangements in place are effective. In 2013-14, 67% of families had an effective arrangement in place, a 4 percentage point improvement from 63% in 2011-12. An update relating to 2015-16 data will be published later this year.

Separated families by type of arrangement 2011-12

Separated families by type of arrangement 2013-14



The above data uses a combination of Understanding Society survey, administrative data on Child Support Agency statistics published in the Quarterly Summary Statistics 2016, 2012 statutory child maintenance scheme: November 2016 (experimental): and data from the Office for National Statistics' Labour Force Survey.

There are different child maintenance arrangements covered in this analysis, which can be described as follows:

- Statutory: customers who came into contact with the Child Support Agency (CSA) or Child Maintenance Service (CMS). The 2012 child maintenance scheme was introduced using a staged implementation process starting in December 2012. Statutory arrangements for payments can be Direct Pay or Collect and Pay.
- Court: court arrangement is in place
- Family-based: a voluntary or private arrangement is in place. These arrangements are made privately between the paying parent and the receiving parent. They can be varied and include both financial and non-financial element
- None – where no arrangement is in place

This analysis is examining the wider separated family population, which includes all child maintenance arrangements including family-based arrangements and statutory arrangements (those through the CSA/CMS). For 2013-14 data there are cases from the CMS included in the total for the statutory arrangements. CMS data only makes up a small percentage of the 2013-14 admin statistics, which is a reflection of the CSA case closure programme and scheme changes.

The CSA administrative data is used to adjust the undercount of the CSA data from Understanding Society. This is applied to the data by reducing those with No Arrangements by the same amount as the undercount. This follows previous published methodology and assumes that there is no reason to believe that there is an undercount from the FBA or Court arrangements. It can be argued that this is not an accurate reflection of the situation and maybe there is a case for future methodology changes to additionally adjust the numbers of family based and court estimates as well. However, administrative data with which to compare the Court and Family-Based arrangements estimates are not available. Therefore in making these adjustments it is assumed that both the administrative data and the survey estimates are accurate. We continue to work on this methodology.

An effective arrangement is defined differently for different types of arrangements. More detail on this indicator and other available statistics can be found in the DWP technical annexes on www.gov.uk.

Departmental services and expenditure

Expenditure

Government spending is divided into 2 categories:

- Departmental expenditure limit (DEL) spending is set over a forward period at a Spending Review and is used to pay for administration and programme costs. More detail is available on pages 50 to 58.
- Annually managed expenditure (AME) is demand-led expenditure that is more difficult to control and where forecast spending changes twice a year at fiscal events. More detail is available on pages 58 to 62.

DEL expenditure

The 2015 Spending Review set out our departmental expenditure limit (DEL) to 2019-20. In 2016-17 this was £6.6 billion. DEL mostly relates to running costs including salary costs, contract costs (including estates, technology and contracted programmes for employment and health assessments) and other costs such as change programmes like Universal Credit. Many of our change programmes are critical to securing DEL and AME savings.

In 2016-17 we reduced our annual running costs by £300 million. Overall, since April 2009, we have reduced our annual running costs by around £2.9 billion with a cumulative year-on-year cash saving of £11.8 billion.

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	£millions	£millions	£millions	£millions	£millions	£millions	£millions	£millions
Annual running costs[20]	9,060	9,152	7,624	7,496	7,606	7,145	6,473	6,161

Source: Core Table 1 (unaudited) DWP Annual Report and Accounts 2016-17 and 2014-15.

This significant reduction has been partly driven by the economic recovery reducing the demand for our services and partly through significant changes in how we spend our funding, for example by reducing our expenditure on estates and technology contracts. More detail is available on pages 52 to 54.

HR played a critical role enabling wider changes to take place which help manage DEL expenditure and improve customer service. In 2016 through our Employee Deal, 65,000 employees in the administrative assistant to higher executive officer grades adopted modern terms and conditions. Operational staff across the department commenced new regular working patterns to better match our trading hours with customer demand. In February 2017 staff, including corporate centre staff, moved to a single flexi-time policy. HR also supported the people elements of digital transformation to enable us to recruit and retain digital specialists more effectively in a competitive market.

20 Departmental expenditure limit (DEL) excluding capital DEL and depreciation

Our commercial strategy is also critical to improving services and securing greater value for money. Our 20-year PRIME estate contract with Telereal Trillium expires in March 2018. Through our People and Locations programme (PLP) we have used this opportunity to rationalise our property portfolio and negotiate more flexible terms to realise savings from Universal Credit through ongoing reductions in our workforce. More information on digital, commercial and what we are doing to be a smaller more skilled workforce is set out in more detail below. This is followed by information on AME, Fraud, Error and Debt and what we are doing to improve our customer service.

Digital

At the start of 2016-17 we brought together our Technology Group and Business Transformation Group to create the DWP Digital Group. This enabled us to take a single approach by bringing together digital design, enterprise IT, data and security to better support coordinated design and delivery of our products.

Digital transformation is critical to landing several areas of change, most significantly Universal Credit full service which offers claimants 24-hour access to a simple online account that they can use to manage their claim and communicate with their work coach.

We had four key goals to support digital transformation in 2016-17:

- Maximising operational performance and eliminating downtime by starting to upgrade our IT systems, which in some cases are 25 years old and represent one of the biggest and most complex IT estates in Europe. We improved the availability of our services for a second consecutive year, and achieved a record average of 99.4% availability for our most critical services in 2016-17. When our systems are down, customers' lives are affected, and that is why we place great importance on operational service stability. The Permanent Secretary has listed the need to maintain IT services while effecting digital transformation as a significant control issue. More detail on this can be found on page 100.

- Designing, delivering and evolving products and services which deliver policy intent and meet user needs. In 2016-17 we continued to evolve the Universal Credit full service, and enabling rollout remains our single biggest priority, as well as continuing to develop and implement important digital services across retirement, disability and health and children. For example, we implemented the new State Pension service on time and almost entirely from existing systems, developed systems to underpin Personal Independence Payment and launched around 12 digital services with new updates every fortnight. 'Check your State Pension' and 'Get your State Pension' are our fastest growing digital services with over 3.5 million views delivered last year.

- Securing the department, and protecting employee and customer information and physical assets. We continued to build the department's resilience in the face of daily attacks, including addressing further system vulnerabilities and building staff awareness of their role in protecting the department. Managing the security of our systems and the data they hold as we transform our services is challenging and as such has also been listed as one of the Permanent Secretary's significant control issues. We work continually to increase our intelligence and regularly monitor our network for threats, while remaining ready to respond. More detail on what we are doing can be found in the governance statement on page 99.

- Building capability to take control of our digital future and reduce supplier overheads by creating BPDTS Ltd to enable us to in-source technical expertise. BPDTS Ltd will provide us with some of the capability necessary to support our digital transformation but recruiting and retaining people with digital specialist skills remains challenging.

To further improve our customer services and to create more efficient and effective services, this year we also:

- changed banking interfaces to speed up transactions on one of the UK's largest payments platforms
- set up large scale hybrid cloud infrastructure to improve reliability and reduce costs
- upgraded telephony for staff
- continued implementing a digital workplace which is already facilitating collaboration for thousands of our staff

Commercial contracts

We keep all our commercial contracts under review to ensure we are getting the best possible service at the best possible price. At the same time we are building a commercial workforce with a greater focus on strategic commercial activity. We reduced our operating locations from 30 to 5, and have transformed our staffing structure by bringing in more senior commercial staff, including from outside the civil service, to manage our major procurement programmes.

As a result we delivered total savings of just over £344 million[21] (£199.7 million cash and £144.5 million efficiency) in 2016-17 alone.

The following paragraphs show where some of the savings have been made:

Technology contracts

There has been a significant shift over the last 12 months as we replaced large, long-term legacy IT contracts with flexible arrangements.

In support of DWP Digital Group's plan to deliver better value for money, we have negotiated savings of £133.8 million (£86.5 million cash and £47.3 million efficiency) in 2016-17 on IT contracts. We achieved this through the effective disaggregation of our large expiring IT contracts to buy better value and create more competition. Our growing expertise is enabling DWP Digital Group to take greater control of Europe's largest IT estate, and in doing so, make significant savings while delivering transformation at scale and pace.

Estate contract

We are reducing our estate by regularly reviewing our requirements and vacating sites when we can. We increased the number of sites where jobcentres co-locate with our partners. We are also progressing plans in support of the One Public Estate agenda and supported the Government Digital Service to establish its Government Digital Academy from our premises in the North East.

21 All commercial savings quoted are taken from the DWP commercial tool and not from our General Ledger. Therefore, they do not appear in our accounts.

To support Universal Credit rollout we are firming up plans with HM Revenue and Customs to ensure a smooth transition of both people and sites.

The contract covering many of our buildings runs out at the end of March 2018. The People and Locations Programme is working to deliver a flexible estate that will meet our changing requirements. We have set out a new strategic plan for our estate and we are negotiating a package of contracts aimed at delivering value for money. We expect these changes to help us make better of our office space by delivering a more efficient, more flexible, right-sized estate that divests under-used space while allowing us to deliver our services and ensure that customers can access the support they need to get back to work.

Together with a new estates operating model which will transform our facilities management, these changes are expected to make significant savings over 10 years in estates running costs. Work is underway to implement our planned changes and already through the rationalisation of our estate we secured validated cash savings of £22.9 million for 2016-17. Through better designed workspaces, smarter working[22] practices and implementation of more co-locations we will continue to make further progress.

The People and Locations Programme is working to put in place its new estate requirements by the end of the current contract. In January 2017 we announced site plans and begun conversations with staff affected by the changes. We are helping staff to make decisions around relocation and redeployment through one-to-one discussions. We recognise that for some staff neither of these options may be reasonable and as a result some exits may be required. We are working to minimise the impact wherever we can but recognise some staff may leave as a result of our estate changes.

Health and disability contracts

This year we declared savings of £43.9 million (£26.6 million cash and £17.3 million efficiency) within the health category. Our focus was to proactively manage our existing contracts, maximise performance and engage with the market on potential strategic change. On the latter, in January 2017, we successfully delivered a significant market engagement event to support the 'Improving Lives' green paper and offered suppliers an opportunity to input to the formal consultation process.

With HM Treasury approval, we reviewed the Personal Independence Payment (PIP) contracts with both of our providers and agreed better service performance measures, including for quality. We are currently working with the providers to review and impact the 14 recommendations from the second statutory review of the PIP assessment process by Paul Gray CB which reported in March 2017. We are also working to understand the level of performance variation between our Personal Independence Payment providers. The Permanent Secretary has included performance variation in health service assessments as a significant control issue. More information is available on page 98.

22 Smarter working is changing the way businesses think about location, technology and humanity. In this department we are transforming towards corporate hubs and service centres, with technology changes enabling this.

The contract for the delivery of Health and Disability Assessment Services (HDAS), which includes work capability assessments, commenced in March 2015. This year service delivery stabilised and performance improved across all areas. The current HDAS contract expires in February 2018. We are currently leading dialogue with Cabinet Office and HM Treasury to agree a future commercial approach in this area and an overarching commercial strategy for the future provision of all health assessments.

National Work Programme and employment support contracts

The employment category delivered savings of £105.8 million (£38.5 million cash and £67.2 million efficiency) in 2016-17.

We let an Employment and Health Related Services 'Umbrella Agreement' (UAEHRS) that will enable our department and other departments to fulfil potential future employment and health-related service requirements. This agreement is being used for the proposed Work and Health Programme which will follow the Work Programme and Work Choice.

We also launched 14 New Enterprise Allowance (NEA) phase 2 contracts on time and at lower cost.

Document storage contract

In January 2017 we secured a new managed service for our records storage. The new record storage IT system is user-friendly and introduces many new features, including real-time updates and shortcuts to everyday tasks, which are supporting users to do their jobs more efficiently. We worked in partnership with the provider and operational colleagues to develop learning and guidance products ahead of going live.

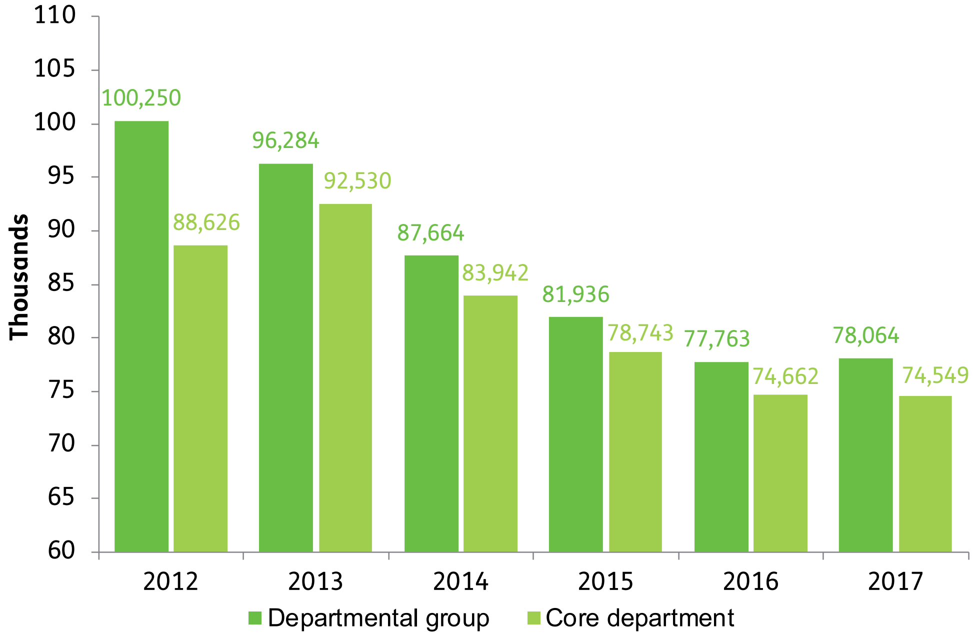
A smaller, engaged, more skilled and flexible workforce

Our aspiration is to be a great place to work. We are focusing on a number of priority areas. Cutting across all these areas and underpinning our transformation is our work to develop leadership and line management capability and confidence, alongside work to become a more diverse and inclusive employer.

Resourcing

Since March 2012, core department staffing has decreased by 14,077 whole time equivalents and staff costs have fallen by £403 million.

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



Note: Departmental group includes our core department and our arm's length bodies that fall within our accounting boundary. See page 80 for more information.

Source: DWP Resource Management System

We have a robust strategic workforce planning strategy in place that enables us to match demand with supply. In 2016-17 we managed 14,000 new postings through recruitment and promotion and managed around 3,500 people out of the department through voluntary exit schemes, although only 500 exits were funded in the 2016-17 financial year. We take a strategic approach to workforce resourcing which enables us to transform the way we operate, make efficiencies and introduce major reform. Using natural turnover of around 5,000 people each year and targeted exits in areas of the business where changes, such as greater automation, reduce the need for clerical input creates headroom to invest our resource in priority areas and in the right locations.

We have also recently piloted a new fast track approach to recruitment which has seen the 'street to seat' timescale improve from 14 weeks to 6.

Next year we face workforce challenges as we try to balance business as usual, with Universal Credit rollout, staff changes due to the People and Locations Programme and digital resourcing. We are confident in our ability to effectively manage these challenges and work is already well underway. The role of HR in our People and Locations Programme is increasing as they lead work on employee relations, local interventions and individual case work.

We continue to lead across government on creating apprenticeships. In 2016-17 we achieved 3,463 apprenticeship starts spread across the UK.

Apprenticeship starts in our department	
2015-16	751
2016-17	3,463
Total	**4,214**

We are also supporting digital transformation through the bulk transfer of contracted IT staff into a new government-owned company known as BPDTS Ltd.

Employee Deal

As our service transforms so must our workforce. Through our Employee Deal collective agreement over 80% of our workforce have adopted modern terms and conditions of employment which include flexibility in hours, location and mobility. This has strengthened our workforce flexibility. 83% of our administrative assistant to higher executive officer grades chose to accept the Employee Deal and a 4-year pay deal which simplifies and streamlines our pay structures.

Staff have also adopted a new flexible working hours policy that better matches our operating hours with customer demand and delivers a consistent approach to working flexibly across our department.

We are focused on embedding the new ways of working enabled by the Employee Deal by creating the cultural change required as well as monitoring the benefits as we transform our business.

Leadership

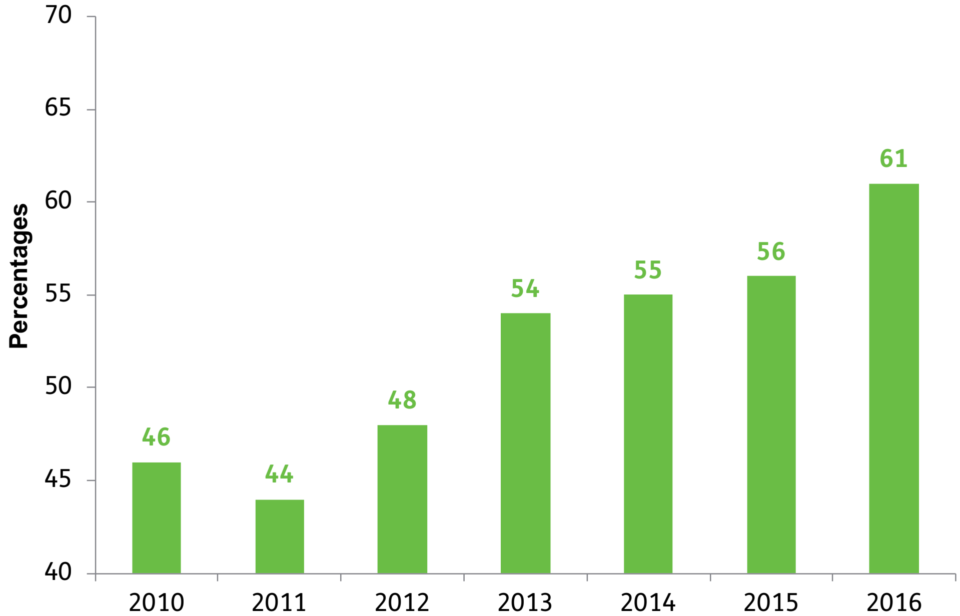
Our leadership development offer expanded to all DWP staff as our focus shifts increasingly towards team development and leading others through change. This is to support the implementation of significant change activity affecting our staff and reinforces our message that leadership is part of everyone's role, regardless of their grade. In the People Survey 2016, 88% of our staff agreed with this. Our flagship 'Changing Futures' programme users a leader-led learning approach, with over 200 staff across the business trained to deliver this leadership intervention. Throughout 2016-17 around 7,000 staff attended a 'Changing Futures' event.

This year we reached phase 11 of the 'DWP Story' which under the theme of 'Building our DWP together' engaged over 4,000 senior leaders in 40 different locations across the UK. In May 2017 we launched phase 12 of the 'DWP Story'. The 'DWP Story' is the vehicle through which our senior leaders communicate key messages to all staff.

Staff engagement

Staff engagement is important to us. Our actions to increase employee engagement aim to achieve long-term cultural change. We want to create the right environment so all our staff give of their best each day and feel a personal connection to the work we do. In 2016 our staff engagement score increased for the fifth year in a row to 61%. This is the highest score of the 5 largest government departments and one percentage point above the civil service median score. Over 57,000 staff completed the survey. Staff engagement is measured by experience at work through 9 themes. This year we improved our score in every theme by between 1 and 11 percentage points.

Our staff engagement score



Rewarding and recognising the achievements of our workforce plays a key role in staff engagement. We are consulting with staff on changes to our performance management approach with a view to introducing a new approach from April 2018. In the meantime we have implemented some initial changes, following consultation with staff, from April 2017.

Capability

Our departmental programme of capability improvement is delivered through our Heads of Profession and is supported by a range of HR interventions including learning, talent development and specialist recruitment as part of 'build, borrow, buy' strategy. Our 2016-17 people capability review demonstrated we had reduced our capability gaps at expert and practitioner levels. Specific professions objectives to build on this success and continually improve have been built into our 2017-18 capability improvement plan.

Staff health, safety and wellbeing

The health, safety and wellbeing of our staff matters to us. We demonstrate this through a range of activities and services. Our achievements were recognised by the Royal Society for the Prevention of Accidents who awarded us gold for the eighth consecutive year for our safety management systems.

Working Well Together

We recognise the costs associated with high levels of employee sickness absence. Our approach to managing sickness absence is work-focused and aims to minimise absences while supporting employees who are absent to return to work. Our continued focus on attendance management has contributed towards the average number of working days lost (AWDL) due to sickness remaining at a record low of 6.2 days in March 2017. This is below the civil service average.

In November 2016 we launched our new and exciting 'Working Well Together' health and wellbeing strategy. As we move our business towards 2020 and beyond, it is vital that we maintain a healthy, resilient, engaged and motivated workforce. Making sure we look after ourselves will help us face changing times and deliver excellent customer service. Through a wide range of toolkits and resources, we are inspiring our employees to look after their own health and to support each other. Our toolkits focus on delivering support in areas that are important to individuals including mental wellbeing, healthy lifestyle, and financial wellbeing.

Mindful that AWDL by itself is not a sufficient indicator of employee health and wellbeing, this year we are developing a new set of positive metrics against which the success of our approach can be measured.

Benefit expenditure

We make benefit and pension payments to around 18 million[23] claimants each month to support them through life events such as being out of work, retirement and disability. In 2016-17 these payments totalled £173 billion[24]. This was £1.9 billion more than in 2015-16 with the increase being mainly due to the annual uprating of the State Pension.

Overall, more than two-thirds of benefit spending went to pensioners, with the State Pension, at £91.6 billion, accounting for more than half of all spending. Equalising the State Pension age meant that the number of people receiving a State Pension was down slightly this year at around 12.9 million. However, uprating of the basic State Pension in line with average earnings at 2.9% meant spending was higher.

Nearly 30% of benefit spending (just under £50 billion) supported people with a disability or health condition[25]. Spending was slightly higher than in 2015-16 with growth in all areas except industrial injuries and Housing Benefit[26]. The total includes disability benefits worth £22 billion, incapacity benefits worth £15 billion and £8 billion of the £23 billion Housing Benefit bill.

Around £17 billion was spent on a range of other benefits, broadly evenly split between pensioners and working-age people. This was similar to 2015-16, although Universal Credit spend grew from £0.5 billion to £1.6 billion as Universal Credit rollout progressed. Pension Credit spend fell as the rise in the qualifying age reduced the caseload.

The **welfare cap**, which limits total benefit spending, applies to a subset of welfare benefits paid across our department, HM Revenue and Customs, Department for Business, Energy and Industrial Strategy and the Northern Ireland Department for Communities. The current welfare cap was set in line with the Office for Budget Responsibility's (OBR) forecasts at Autumn Statement 2016 on the basis that the 2015 Parliament would end in 2020. The welfare cap will be reassessed at the first fiscal event of the new Parliament.

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

23 Figure taken from DWP MI used for internal management purposes only.
24 Figure includes around £300 million paid out of the departmental expenditure limit (DEL).
25 Disability, incapacity, industrial injuries and carer benefits, and associated Housing Benefit.
26 This is partly because incapacity and carer-related Housing Benefit now occurs in Universal Credit which is not included in the total.

Fraud, error and debt

In 2016-17 we paid out £174.1[27] billion in benefits and pensions to millions of UK citizens through a complex welfare system. While we do our utmost to ensure the accuracy of each claimant's payments against their entitlement, errors do happen in a system of this scale and complexity. It is also inevitable that some individuals will seek to deliberately cheat the system.

The overall level of gross overpayments has continued to rise since 2015-16 and now stands at 2.0%, or £3.5 billion, of total benefit expenditure. However, we remain resolute in our determination to tackle fraud and error. This increase means the net loss due to fraud and error, which we calculate by subtracting the benefit overpayments recovered in year, is now 1.4%, or £2.4 billion. The net loss due to fraud and error is unaudited.

We estimate the gross loss on State Pension to be 0.1% against spend of £91.6 billion. State Pension has relatively simple conditions of entitlement and as a result, fraud and error is low. The remaining £82.4 billion spent on benefits has a gross loss of 4.1%.

The Comptroller and Auditor General has qualified his opinion on our accounts on regularity due to the material level of fraud and error in benefit expenditure since 1988-89. The Permanent Secretary has retained monetary value of fraud and error as a significant control issue. More detail is available on page 97.

Uniting our approach

In January we brought together all our fraud and error analytical, policy, operations, strategy and quality assurance teams into a single directorate, the Counter Fraud and Compliance Directorate. This enables us to take an end-to-end approach to reducing fraud and error. With the National Insurance Number allocation teams also in the new directorate, we are further securing the gateway to our welfare system to prevent fraud and error.

We recognise some claimants make mistakes because they don't understand what is required of them. Using behavioural insight and trials we are improving customer understanding to encourage prompt, timely and easy reporting of changes in circumstances. We developed an approach to strengthen claimant responsibility to provide us with the correct information at the outset of, and during the life of, their claim. We also introduced a holistic Quality Framework to improve our service delivery and reduce error at the first point of contact. Claimant error remains at the lowest recorded level of 0.5%. We anticipate that these preventative initiatives will help to reduce error even further.

Housing Benefit fraud and error is an area of significant loss. It is important that we support local authorities to drive losses down. While we own Housing Benefit policy and hold the funding for it, it is for local authorities to determine how they deliver Housing Benefit. We provided a Fraud and Error Reduction Incentive Scheme (FERIS) to incentivise local authorities to achieve Housing Benefit accuracy and reduce fraud and error. FERIS is continuing in a more focused manner under the new name of the Right Benefit Initiative from 1 April 2017. As Universal Credit rolls out, working-age claimants will receive their housing costs as part of their Universal Credit award.

27 Benefit expenditure of £174.1 billion represents the latest available forecast expenditure for 2016-17 at the time of the preliminary estimate published in May 2017.

Universal Credit uses HM Revenue and Customs' Real-time Information to confirm claimant's earnings before benefit payments are made. We are rolling this principle out across our other benefits. Our Wider Use of Real-time Information (WURTI) project reduces earnings-related losses in both new and existing claims by alerting staff to revise benefit entitlements in real-time as changes occur. We successfully delivered this into Pension Credit and are deploying it across Housing Benefit during 2017-18. Because WURTI rollout for all new Pension Credit claims commenced in April 2016, with reviews rolling out from June 2016, the full impact on fraud and error has yet to be felt, as 2016-17 preliminary estimates only reflect the 12 months ending September 2016.

While we remain focused on preventing fraud and error in our existing claims, we expect the main prevention returns to come from welfare reform, with Universal Credit being the strategic lynchpin for our department. Claimants are better able to understand their entitlement and obligations. The Universal Credit system has greater sensitivity to income changes, and therefore, the chances of incorrect payments are reduced. We expect to save around £1 billion in expenditure each year through reduced fraud and error overpayments, with a further £1 billion from increased sensitivity to changes in earnings compared to Tax Credits.

Deterring fraud

We prosecute and penalise fraudsters and publicise our successes to deter others. Last year we referred 5,235 benefit claimants to the Crown Prosecution Service (or Procurator Fiscal in Scotland) with 4,645 successful prosecutions. In addition, 5,968 claimants accepted an Administrative Penalty as an alternative to being prosecuted. Almost 97,000 civil penalties were issued for non-fraud related cases where the claimant was thought to be culpable for creating the overpayment.

We launched the 'Report Benefit Fraud' digital service to provide the public with a user-friendly, confidential and effective way of reporting suspected fraud online through gov.uk. The service ensures quality and useful information is requested and submitted. We expect the new service to capture over 20,000 referrals each month and it will route them into our fraud and error service for an intervention.

Fraud prevention and robust cyber security have been built into the design of Universal Credit, however, its online nature means cyber fraud remains a risk so we are continuing to strengthen our cyber-resilience through increased web-enabled fraud detection capability.

We have created a new web-enabled fraud capability to support our move to providing digital services such as Universal Credit. This is a developing capability that identifies fraudsters' and organised criminals' changing behaviour to exploit the low visibility and anonymity provided by digital interaction. An automated rule set has been developed that enables analysis of data left behind when users interact with the online system. Alerts generated from anomalous behaviour are already being identified and referrals made to the investigating services.

Recovering overpayments

We invested more resource into recovering overpayments. Last year, the department recovered around £375 million in benefit overpayments. Working together with local authorities who recovered an estimated £680 million in Housing Benefit overpayments, we estimate a record £1.1 billion in total benefit overpayments was recovered.

Our debt management business is not solely focused on the recovery of benefit overpayments and, therefore, once social fund loans and compensation recoveries are also taken into account, the total debt recovered by our department in 2016-17 rose to a record £1.36 billion.

In April 2016 an IT interface was delivered to enable the automated transfer of Tax Credit debt associated to a Universal Credit claim. The interface and associated process is working well and as at end of March 2017 £146 million of Tax Credit debt had been transferred to our department. The Tax Credit transfer will continue to increase in 2017-18 in line with the Universal Credit rollout.

In February 2017 we announced a joint initiative with HM Revenue and Customs (HMRC) to transfer around £0.8 billion of Tax Credit debt to our department for recovery. This Budget 2017 initiative is focused on Tax Credit debt associated with people no longer in receipt of Tax Credits who are working (PAYE) and earning on average £15,000 per year. As these individuals are not currently in receipt of Tax Credits, they will not come across to our department as part of the Universal Credit managed migration. The debt will begin to transfer to us in April 2018. We will use our stronger recovery powers including Direct Earnings Attachments to recover through employers.

Focused on reducing underpayments

We understand the importance of ensuring our claimants receive the money to which they are entitled, and so we continue to tackle the causes of underpayments. As a result we have set a global target for underpayments to be no more than 0.9% of expenditure in 2017-18.

Our focus on accuracy and quality helps ensure claims are correct. We introduced a suite of internal quality measures in autumn 2016 which give us a broader view of performance and quality. These include a focused approach to ensure accuracy at critical process points in the customer journey.

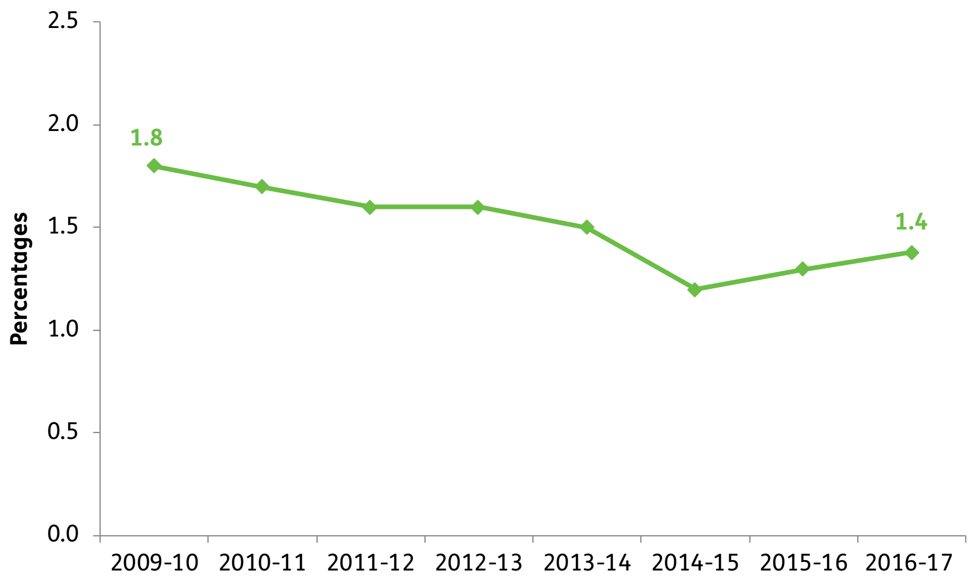
Claimant error is the biggest cause of underpayments, accounting for over 69%, or £1.1 billion, of underpayments. We are reaching out to claimants to make them aware of our services and their responsibilities. As with overpayments, we are strengthening claimant responsibility through clearer signposting on how to report changes, making improvements to our content on gov.uk and reviewing the content of our letters, and we continue to promote our services in many locations including GP surgeries and jobcentres.

It is encouraging to see early results in the preliminary estimates showing the global level of underpayments for 2016-17 reduced to 0.9% from a record high in 2015-16.

Indicator 11: net loss due to Fraud and Error as a percentage of overall benefit expenditure

In 2016-17 the preliminary estimated level of net loss due to Fraud and Error as a percentage of overall benefit expenditure arising from fraud and error, after offsetting overpaid benefit recovered, was 1.4%[28]. This is 0.2 percentage points higher than the final level of 1.2% in 2015-16. Final estimated figures for 2016-17 will be published in November 2017.

Net loss due to Fraud and Error as a percentage of overall benefit expenditure[29]



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 occurred. The fraud and error estimates are based on a sample of cases and so are subject to sampling error. A reduction denotes an improvement for this indicator. More detailed information on this indicator can be found in the DWP Technical Annexes on www.gov.uk.

Estimates of gross overpayments as a percentage of benefit expenditure are included in note 23 of the financial statements and published on www.gov.uk.

28 This method deducts money recovered this year, regardless of when the overpayment occurred, from the money estimated to have been overpaid this year. Money recovered this year includes in-year figures for directly administered benefits plus Housing Benefit recovery as detailed in the Housing Benefit and Debt Recovery statistics. This indicator is unaudited. Further information can be found on www.gov.uk by searching for Fraud and Error in the Benefit System 2016-17.

29 The title of this indicator has changed since the publication of our Single Departmental Plan 2016.

Customer service

In 2016-17 every working day, on average, we supported thousands of people with getting into work, and getting the help they needed.

Our operational focus on delivering a high standard of service continued throughout 2016-17 with performance standards for processing and customer contact generally being maintained across the range of benefits, alongside an ever increasing focus on improving customer outcomes and accuracy of decision making.

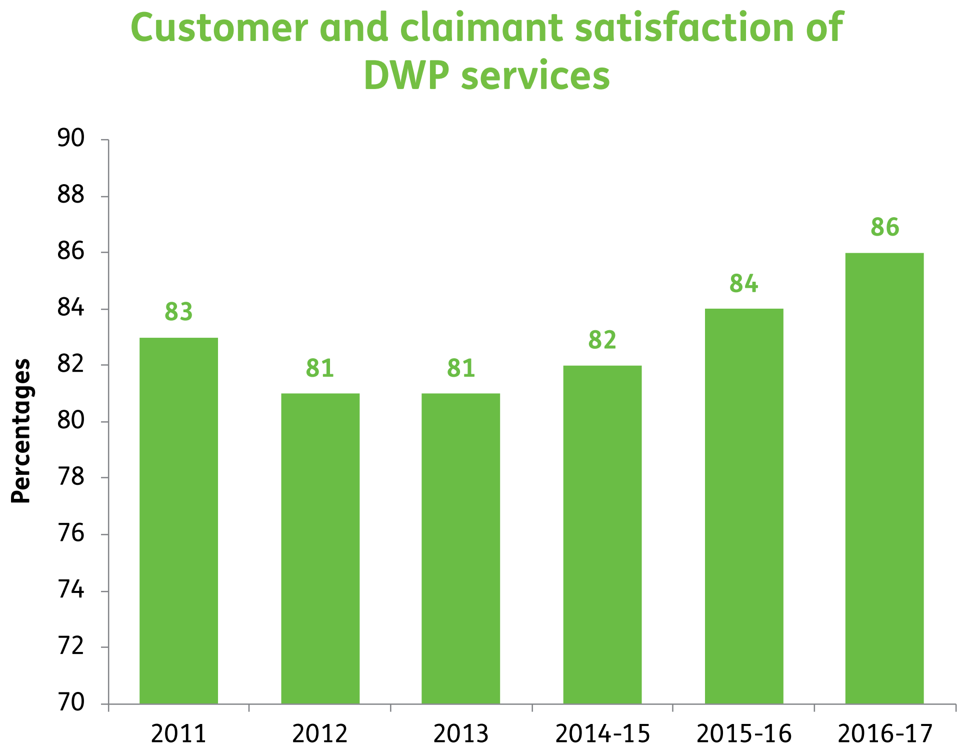
We have expanded our once and done Service Centre approach across our working-age, disability and specialist sites so that we can meet a claimant's needs during the first call whenever possible. We continue to review and identify opportunities for integrating telephony and benefit processing activity to further improve the service we deliver. For example, we amended our approach to making Short Term Benefit Advance decisions so that agents can now complete this action over the telephone, thereby better supporting our claimants when they are most in need.

In supporting people in retirement we have made significant reductions to the length of time taken from claim to payment or to get information, through the introduction of International State Pension claims by telephone, promoting digital take up of State Pension online, and implementation of a new online service called 'Check your State Pension' in February 2016.

To improve our service to Child Maintenance Service customers we streamlined and digitised both inbound and outbound contact channels, including simplifying the security process and introducing SMS text messages for customer updates to reduce the need for customers to contact us.

Indicator 12: customer and claimant satisfaction rate with DWP services

Latest data shows we achieved an overall customer and claimant satisfaction rating of 86% in 2016-17, an improvement of 2 percentage points on last year's score.



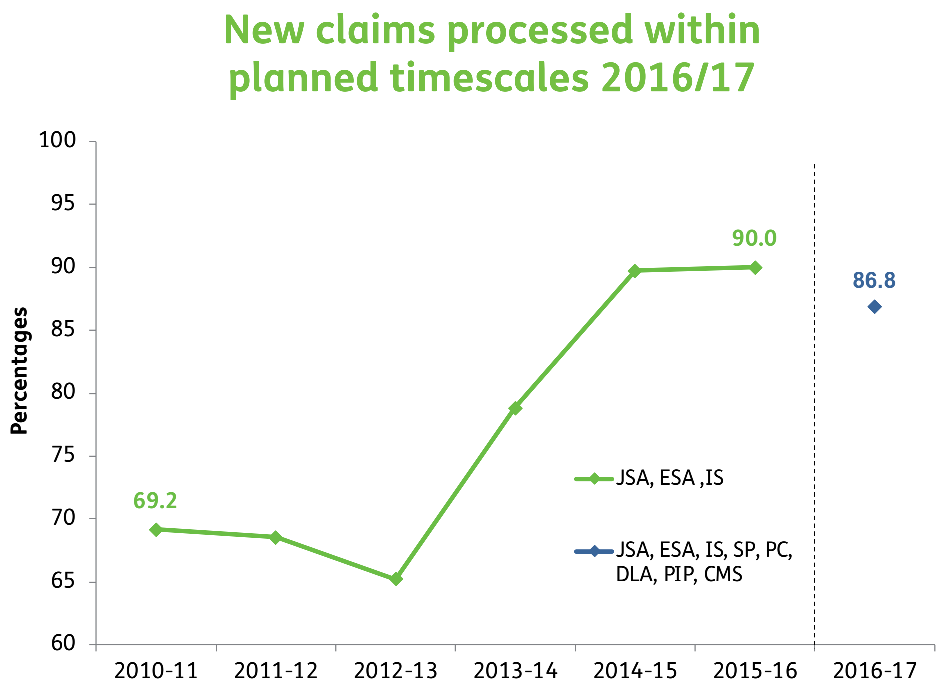
Source: Claimant Service and Experience Survey conducted by a third-party research organisation and analysed by DWP (2011, 2012, 2013, 2014-15, 2015-16, 2016-17).

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 the methodology and sample has changed over the years only the scores between 2014-15 and 2016-17 are directly comparable. The 2 percentage point difference between 2015-16 and 2016-17 is a statistically significant change.

The 2016-17 figure is based on our initial analysis of the data and a full publication will be released later in 2017. More detail on the background methodology can be found in the 2015-16 publication.

Indicator 13: new claims processed within planned timescales

In 2016-17, 86.8% of new claims for Jobseekers Allowance (JSA), Employment and Support Allowance (ESA), Income Support (IS), State Pension, Pension Credit, Disability Living Allowance, Personal Independence Payment and statutory child maintenance were processed within planned timescales. This is a new indicator which builds on the 'key out-of- work benefits processed within planned timescales' measure. No data is available before 2016-17 for this new indicator but historical data for the 'key out-of-work benefits processed within planned timescales' (JSA, ESA and IS) is shown below for information. Due to the change in the methodology the measures are not directly compatible.



Data for years 2010-11 to 2015-16 is based on Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA) and Income Support (IS). Data for 2016-17 includes new claims for JSA, ESA, IS, State Pension, Pension Credit, Personal Independence Payment, Disability Living Allowance for Children, and child maintenance. More information on this indicator can be found in the DWP technical annexes on www.gov.uk.

Customer feedback

We have a well-established complaints process which covers all our services, and we publish details of how to complain online and in leaflets. To improve accessibility, we introduced an online complaints service in 2015 for Universal Credit and Jobseeker's Allowance claimants. This year we worked to refine this complaints portal, taking into account claimant activity and feedback. We have improved the look and layout of the portal and reviewed the positioning of the link on www.gov.uk. Our analysis indicates that claimants can now access the service faster and are finding it easier to register their complaint.

In 2016-17 we received 50,817 complaints. This is a marginal increase on the 47,458 complaints we received a year earlier. This is because we are running new benefits, such as Universal Credit and Personal Independence Payment, alongside the old-style benefits that they are replacing. There is a similar picture in Child Maintenance Group where child maintenance liabilities made under previous schemes are being closed.

We welcome feedback from customers and use this to improve our services. This year we have made the following improvements as a direct result of claimant feedback:

- We introduced case conferences to discuss cases which the Independent Case Examiner (ICE) upheld to consider the lessons we can learn. As a result of this we have made a range of improvements including:
    - improving signposting in Access to Work cases
    - ensuring outcomes of appeals are actioned promptly
- In response to feedback from the ICE Annual Report 2015-16, we are making a change to the process for investigating complaints against members of staff. Once fully rolled out, the accountable officer will assign an investigation to an appointed investigation officer who has no link to the member of staff.
- In response to feedback from customers and stakeholders we have reworded a range of customer materials across benefits and services including staff guidance on Personal Independence Payment and payments procedures for child maintenance cases.

The rollout of Universal Credit and gradual cessation of Tax Credits, along with our agreement to collect Tax Credit debts on behalf of HM Revenue and Customs (HMRC), has led to some complaints spanning both departments. We work with HMRC to provide customers with a seamless service, resulting in a single response covering both departments. The 2 departments are working well together and the majority of complaints are resolved satisfactorily. For the period April to June 2017 the teams handled 293 complaints, with just 4 of them requiring further work and none of them escalated to the Independent Case Examiner.

We chair the Cross-government Complaints Forum which meets 3 times a year. The forum shares best practice and discusses innovations in complaint handling. Recently, we refreshed the cross-government complaint resolution standards and benchmarked ourselves against them to determine how well we are doing. Members of the forum form a complaints ambition. Our ambition is to maximise customer channels, particularly digital channels to future proof the complaint process for Universal Credit and wider welfare reforms.

Our Complaint Review Team used customer insight from Universal Credit complaints and feedback to improve staff training on mandatory reconsiderations and Subject Access Requests.

In addition to the improvements made as a result of customer feedback, revised performance measures have been developed to help us focus on the right complaint handling behaviours and improve accountability.

If customers who complain are still unhappy after we have tried to put matters right for them we ensure they know how to escalate their complaints. Customers can ask the Independent Case Examiner (ICE) to investigate their complaint if they are not happy with our response. The Parliamentary and Health Service Ombudsman (PHSO) acknowledged this service in December 2016 when it said many complaints are resolved by ICE before going to the Ombudsman. The Ombudsman's report also mentions that 'DWP continues to demonstrate leadership in learning from complaints across Whitehall'.

In 2015-16 the ICE dealt with 811 DWP complaints. Of these:

- 67 were withdrawn by the complainant
- 168 had an agreement brokered by the ICE between the relevant parties
- 417 were upheld, fully or partially, by the ICE
- 159 were not upheld

Complaints considered by the Independent Case Examiner	2013-14	2014-15	2015-16[30]
	1,042	715	811

If a complainant is unhappy with the ICE's decision, they can ask the Ombudsman to investigate their complaint. In 2013 the Ombudsman changed its gateway criteria resulting in more complaints being accepted for investigation. Despite this our upheld rate remained consistent in 2013-14 and 2014-15. However, in 2014, the Ombudsman decided to accept complaints about Access to Work before we had completed our own complaints process to address customers' issues. In total they accepted 56 complaints, 21 of which were completed in 2015-16. All 21 complaints were upheld, which was to be expected as the cases were accepted prematurely and therefore, there were issues which we had not yet had the opportunity to address.

Complaints investigated by the Parliamentary Ombudsman	2013-14	2014-15	2015-16
no of complaints investigated	83	201	196[31]
% of complaints upheld	22%	22%	39%

The Ombudsman acknowledge that our upheld rate had increased in 2015-16 because of the Access to Work cases. If we exclude these cases our upheld rate reduces to 27% which is below the overall upheld rate for government departments of 37%. The Ombudsman has agreed to clarify matters in their 2017 report. This is helpful as their next report will include 20 upheld cases completed in 2016-17, and we therefore expect a similar upheld rate.

30 Dates have been restated from previous Annual Reports. The 2015-16 data was published in October 2016.

31 Includes 2 complaints resolved through intervention, 5 complaints discontinued and 189 complaints reported on.

Complaints to the Parliamentary Ombudsman in 2015-16

Departmental business area	complaints accepted for investigation	complaints resolved through intervention	complaints reported on	complaints fully or partially upheld	complaints not upheld	complaints discontinued	recommendations complied with (some complaints have more than one)	Recommendations not complied with
Jobcentre Plus	19	2	34	30	4	1	83	0
Independent Case Examiner	76	0	117	21	96	3	28	0
Child Maintenance Group	8	0	10	7	3	0	18	0
Pension, Disability and Carer's Service	0	0	4	3	1	0	5	0
DWP corporate	5	0	15	13	2	0	9	0
Pension Protection Fund	1	0	0	0	0	0	0	0
Pensions Regulator	2	0	2	0	2	1	0	0
Atos Healthcare	1	0	0	0	0	0	0	0
Health and Safety Executive	5	0	7	3	4	0	3	0
Total	**117**	**2**	**189**[32]	**77**	**112**	**5**	**146**	**0**

Special payments

We make special payments to people who have incurred additional costs, losses or other effects due to our maladministration. In 2016-17 we authorised 7,447 ex-gratia payments totalling £1.1 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 2016-17 was £556,000. 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.

Ministerial correspondence

We received 13,336 letters from MPs and 8,476 letters from members of the public last year. We responded to 92% of the letters within 20 working days, exceeding the target of 90%. The most common subjects that received enquiries were the increase in State Pension age for women, Personal Independence Payment and Universal Credit. Some TV programmes such as Benefits Britain also lead to a flurry of letters.

32 Excludes complaints discontinued and complaints resolved through intervention.

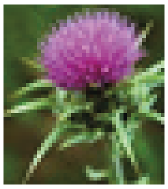
Supporting government-wide initiatives

Devolution

The UK Government is committed to the principles of devolution and establishing clear, strong and stable constitutional arrangements for all nations within the UK. As part of this, we are overseeing a substantial shift of powers and responsibilities from the UK Parliament to devolved legislatures in Scotland, Wales and Northern Ireland.

For our department, devolution means a fundamental change to the way welfare and employment support is to be delivered across Great Britain as a whole.

The Scotland Act 2016 delivers the Smith Commission Agreement to transfer wide ranging powers to the Scottish Parliament and Government including constitutional matters and revenue and borrowing powers. The 2016 Act increases responsibility for welfare policy and delivery in Scotland through the devolution of welfare and employment support powers.



The transfer of the welfare powers contained in the 2016 Act was a challenging task. Spend on existing DWP benefits that are being transferred was worth £2.8 billion in Scotland in 2015-16.

In 2016-17 the welfare and employment powers in the 2016 Act were transferred to the Scottish Government and many of these powers became available to the Scottish Government from September 2016. In accordance with the Scottish Government Fiscal Framework Agreement, we made an initial baseline adjustment to support the Scottish Government's delivery of contracted employment support and Discretionary Housing Payments from 1 April 2017.

From May 2017 the Scottish Government has the power to legislate on the remaining welfare powers covering disability, industrial injuries and caring benefits, as well as maternity, funeral and heating expenses being transferred by the 2016 Act.

We have established a Scottish Devolution Programme team specifically to manage the implementation of the new devolution settlement provided for in the 2016 Act. Our programme team is leading the work with the Scottish Government and DWP stakeholders to consider joint planning and delivery arrangements under the new powers. Our team worked closely and proactively with the Scottish Government on their known plans and commitments. This included work on their new April 2017 employment programmes, commitments to pay Carer's Allowance at a higher rate and their plans for the use of their Universal Credit flexibilities. Future activity will build on this shared and collaborative approach.

We recognise that it may take some time before the Scottish Government is in a position to fully deliver all devolved benefits under their new 'social security agency' so it is possible that we will need to continue to deliver a number of devolved benefits as we do now to people in Scotland under Agency Arrangements.

The Wales Act 2017 does not change our responsibilities and employment and welfare continue to remain reserved to the UK Parliament. Nevertheless our department has an interest in the provisions for a Welsh Rate of Income Tax (WRIT) from 2019 following the Act's removal of the need for a referendum on the subject. We already have action underway to make any necessary amendments to relevant secondary legislation to take account of the new tax and also on the limited impact on our IT systems.

Social Security in Northern Ireland is a devolved matter but we expected Northern Ireland to maintain legislative parity. Fundamentally, parity ensures that a person in Northern Ireland has the same benefit entitlements as a person in England, Scotland or Wales regardless of their location and whether Northern Ireland can itself generate sufficient revenue to fund the benefits.

Following the Stormont House and Fresh Start agreements we are legislating on behalf of Northern Ireland for a limited time to return Northern Ireland to social security parity with the rest of the UK. We have legislated for the equivalent of the Welfare Reform Act 2012 and the Welfare Reform and Work Act 2016 through two Orders in Council. We continue to work with the Department for Communities on delivering the regulations that sit underneath these two Orders.

Devolution Deals

Last year we reported that we were negotiating devolution deals on an individual basis between local areas and central government. Following further negotiations, we are now working on co-designing the new Work and Health Programme for people with a disability and people who are long-term unemployed. We are working with Sheffield City Region, West Midlands Combined Authority, Liverpool City Region, West of England Combined Authority and Cambridgeshire and Peterborough Combined Authority. We also agreed with Cardiff Capital Region to co-design the new programme through their City Deal designed to unlock significant economic growth across their Capital Region.

To further support the above City Regions and Combined Authorities in England to help local residents find sustainable work, we are helping them develop innovative pilots to support the hardest people to help in their areas. We have also extended this opportunity to Tees Valley Combined Authority.

In parallel we are working separately with London and Greater Manchester to jointly commission the Work and Health Programme and every element of the commissioning process from strategy to service design, to managing provider relationships and reviewing service provision. During this process we transferred funding to the London sub-regions and Greater Manchester so they can produce, administer and deliver a local Work and Health Programme. This work will give us insight into how best to support local employment support in the future.

Sustainable Development

We are mainstreaming sustainable development so that it becomes central to the way we make policy, run our buildings and purchase goods and services. Through our services we are contributing to social wellbeing, safeguarding the environment and supporting the UK economy.

Our approach is to balance different, and sometimes competing, needs in everything we do against an awareness of the environmental, social and economic limitations we face as a society.

Our sustainability report for 2016-17, which can be found on www.gov.uk, includes more detail on the sustainability topics listed below but here is a summary of what we have been doing.

Initiative	Activity in 2016-17 includes:
Mainstreaming sustainability	• incorporating life chances into all our new contracts • assessing the social and environmental impact of policies during the development process • delivering sustainability training during staff induction process • maintaining a network of over 900 environmental champions across our sites
Sustainable procurement	• procuring more sustainable and efficient products • working to increase spend with small and medium-sized enterprises (SME) through a SME action plan to increase SME expenditure and by developing online support for SMEs bidding for DWP accounts • in 2015-16 we achieved 17.36% of our contracted spend with small and medium-sized employers which is an improvement on 16.18% achieved in 2014-15. The figure for 2016-17 will be available in late July 2017
Climate change adaptation	• working with the Department for Business, Energy and Industrial Strategy to assess our involvement in the UK Climate Change Risk Assessment (CCRA) • using flood risk assessments to inform business continuity plans
Rural proofing	taking steps to meet the needs of rural communities, businesses and people including: • Devon, Cornwall and Somerset District funded a local not-for-profit organisation to support claimants in rural South Devon who were considering self-employment. Forty-three people started on the programme. Within 13 weeks, 16 claimants had moved into employment. • London and Home Counties District supported outlying villages with poor transport links near Biggleswade by putting in place a small job shop so local people could drop in to do job search and receive support.
Biodiversity	increasing biodiversity activity on our estate through projects such as: • creating wildflower areas and planting daffodils at the Crown Buildings in Chatham • planting spring bulbs at many sites including Broadlands on the Isle of Wight, Gloucester House in Bognor Regis and Clearbook House in Plymouth • creating a small wildflower area and sowing seeds at Griffin House in Wigan
Life chances of disadvantaged people	improving the life chances of the most disadvantaged people in our society by: • driving emerging policy across government to deliver wider economic and social impacts from our spend with major suppliers • holding a strategic supplier meeting to promote the life chances agenda among our suppliers

Greening Government Commitments

We continue to reduce our impact on the environment. The table below gives a summary of our progress since 2010 and reports against the new targets published in January 2017. The previously reported water best practice targets were removed under the new Greening Government Commitments reporting requirements.

Summary of our performance against the Greening Government Commitments					
compared to a 2009-10 baseline, the government will by 2019-20:	**2009-10 baseline**	**2014-15 performance**	**2015-16 performance**	**2016-17 performance**	**2020 Target performance**
reduce greenhouse gas emissions by 32% from the whole estate and UK business transport (bespoke targets apply to each department – our target is to reduce emissions by 10% from our 2015-16 figure by 2020) (TCO2e)					
total greenhouse gas emissions	202,341[33]	132,352	122,564[34]	113,380[35]	target of 110,307 by 2020 not yet met
reduce the number of domestic business travel flights taken by 30%					
number of domestic flights	21,931	9,042	8,867	7,568	achieved (65%)
reduce waste sent to landfill to less than 10% of overall waste, by continuing to reduce the amount of waste generated and increase the proportion of waste which is recycled					
total volume of waste produced (tonnes)	16,626	10,612	8,916	8,896[36]	met
volume of waste recycled (tonnes)	10,522	6,680	5,718	5,776[37]	-
percentage of total waste to landfill	36.7%	37.1%	35.9%	35.1%	not met but decreasing
reduce the amount of paper used by 50%					
A4 reams	2,061,685	890,570	777,360	700,680	achieved (66%)
A3 reams	8,606	3,610	3,595	3,635	
cost of cut paper	n/a	£1,691,958	£1,349,882	£1,181,630	-
continue to further reduce water consumption each year					
total water consumption (m^3)	810,701	595,194	591,650	606,029	not met

33 This baseline was adjusted due to new conversion factors. It was originally 204,621.
34 Actual fugitive emissions and off contract rail data were unavailable when previously published. The figure was originally 122,901.
35 Estimated fugitive emissions data for final quarter of 2016-17 included as actual figure not available at time of publication
36 This figure does not include ICT waste as it was not recorded in the baseline.
37 Our waste management costs are included in our overall facilities management fee. It is not possible to separate out the cost of waste management.

Reserves Challenge

In January 2017 we had 70 employees actively serving as reservists in HM Armed Forces. This is an increase of 15 since January 2016. Our reservists have undertaken many duties this year including protecting the Falkland Islands and training for deployment in Kenya.

Our staff took part in activities across the country to celebrate Armed Forces Day and Reserves Day. Activities included:

- one of our reservists featuring in a film to highlight the opportunities and benefits that service in the reserves offers civil servants
- organising jobs fairs with representatives from HM Armed Forces
- information sessions for work coaches to learn more about careers in HM Armed Forces

Helping our local communities

Every year many of our staff take part in activities to support local and national charities. Activities this year included:

- a Pension Centre customer adviser running all over Scotland to raise over £2,000 for RNLI Lifeboat Fund
- a partnership manager taking part in the Inter-Departmental Offshore Race in the Isle of Wight to raise over £1,400 for the Lifeboat Fund
- two members of staff from Carer's Allowance helping to build a new centre for carers in Blackpool

Better Regulation

The Small Business, Enterprise and Employment Act 2015 requires the government of the day to publish a Business Impact Target (BIT) in respect of qualifying regulatory provisions that come into force or cease to be in force during the current Parliament. On March 2016, the government announced a target to deliver a saving of £10 billion to business and voluntary or community bodies from qualifying measures that come into force or cease to be in force during the current Parliament.

Our department and its regulators, the Pensions Regulator and the Health and Safety Executive, have made a significant contribution to the Business Impact Target (BIT).

The legislative measures and activities of regulatory provision are set out in the government's 'Business Impact Target: Interim Report 2016-17' which was presented to Parliament on 26 April 2017 and can be found on www.gov.uk. We expect the final report to be published imminently.

Public Sector Equality Duty (DWP customers)

The **Public Sector Equality Duty** covers the 9 protected characteristics: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage and civil partnerships.

Under the Public Sector Equality Duty we give due regard to eliminating discrimination, advancing equality of opportunity and fostering good relations between different people when carrying out our business. We consider how our services may affect different groups of people and in different ways. We recognise that complying with the Duty helps us to carry out a business more efficiently, particularly in terms of improving decision-making and policy development, and thereby enabling us to develop services that are more appropriate to a diverse range of customers.

Our departmental role is to deliver essential services on work, welfare, pensions and child maintenance, while reducing inequality and promoting fairness. The performance analysis section sets out the policies and services we deliver to advance equality of opportunity for each of our key claimant and customer groups, which include groups whose characteristics are covered by the Duty.

We assess our performance against our objectives, as set out in the performance overview section, through our Single Departmental Plan (SDP) headline indicators.

The table below sets out the availability of information on protected characteristics for each of our 2016 headline indicators.

2016 SDP Objective and Indicators	Publication and (Data Source)	Availability of information on protected characteristics in 2016-17
Running an effective welfare system that enables people to achieve financial independence by providing assistance and guidance into employment		
Overall UK employment rate	Labour Market Statistics	Splits are currently published by age (table A05), disability (A08), ethnicity (A09), and gender (A02). Religion information is not routinely published.
Employment rate of disabled people		This indicator covers disability. Splits are currently published by gender (Table A08). Age, ethnicity and religion are not routinely published.
Percentage of young people not in full-time education who are in employment		This indicator covers age. Splits are currently published by gender. Disability, ethnicity and religion are not routinely published.
Number of people on key out-of-work benefits	Quarterly Statistics Summary	No further breakdowns for 2016-17 are currently published. Additional breakdowns by individual benefits are available in the supporting data for the Quarterly Statistics Summary.

Increasing saving for, and security in, later life		
Number of eligible employees in a pension scheme sponsored by their employer	Workplace Pension and Trends publication	Splits are currently published by age, disability, ethnicity and gender.
Pensioners on a low income (%)	Households Below Average Income	Splits are currently published by age, disability, ethnicity and gender.
Creating a fair and affordable welfare system which improves the life chances of children and adults		
Forecast spending within the welfare cap	Data by protected characteristics is not appropriate for this indicator.	
Children living in workless households (%)	Working and workless households	No further breakdowns are routinely published. Age, ethnicity and gender of child are not routinely published.
Delivering outstanding services to our customers and claimants		
Customer and claimant satisfaction of DWP services (%)	DWP Claimant Service and Experience Survey	Splits are currently published by age, disability, ethnicity and gender.
Percentage of key out-of-work benefits processed within planned timescales	Data by protected characteristics is not appropriate for this indicator. The data is drawn directly from the department's MISP system which simply supplies an aggregate count of claims cleared within particular timescales. It's not therefore possible to link with any claimant characteristics and can't be disaggregated.	
Net benefit overpayments as a percentage of overall benefit expenditure	Monetary Value of Fraud and Error in the Benefits System national statistics	Gross overpayment splits are currently published by age and gender.

Customer satisfaction

Each year we survey customers' satisfaction with the department's services. We use customer feedback to improve our operational and policy development.

A summary of findings from 2014-15 to 2015-16 is as follows:

Age – people of State Pension age have the highest satisfaction with people aged 66 to 74 years at 97% satisfaction. Improvements in all other groups of customers aged under 60 years were made between 2014-15 and 2015-16, with 35 to 44 year olds improving from the lowest satisfaction score in 2014-15 of 79% up to 83% in 2015-16.

Gender – women are more satisfied with our services at 85% than men at 83%. Both groups showed similar improvements between 2014-15 and 2015-16, improving by 2 percentage points.

Disability – satisfaction of the department's services for people with a disability has improved from 80% in 2014-15 to 83% in 2015-16 but is below people who do not have a disability at 86% in 2015-16. The gap has reduced from 5 percentage points to 3 percentage points between 2014-15 and 2015-16.

Ethnicity – satisfaction among different ethnic groups showed little difference between most of the ethnic groups in 2015-16, ranging between 82% for mixed backgrounds to 85% for Asian and white backgrounds. This is partly due to an 8 percentage point improvement in satisfaction from people of black backgrounds, up to 83% in 2015-16 from 75% in 2014-15. Satisfaction in the 'Other Ethnic' group remains low at 74%.

Employment

As set out on pages 23 to 29, we offer a range of support to help people who can work, to find work along with providing more specialist help when needed. The table below sets out the latest data on employment rate gaps for 4 protected characteristics:

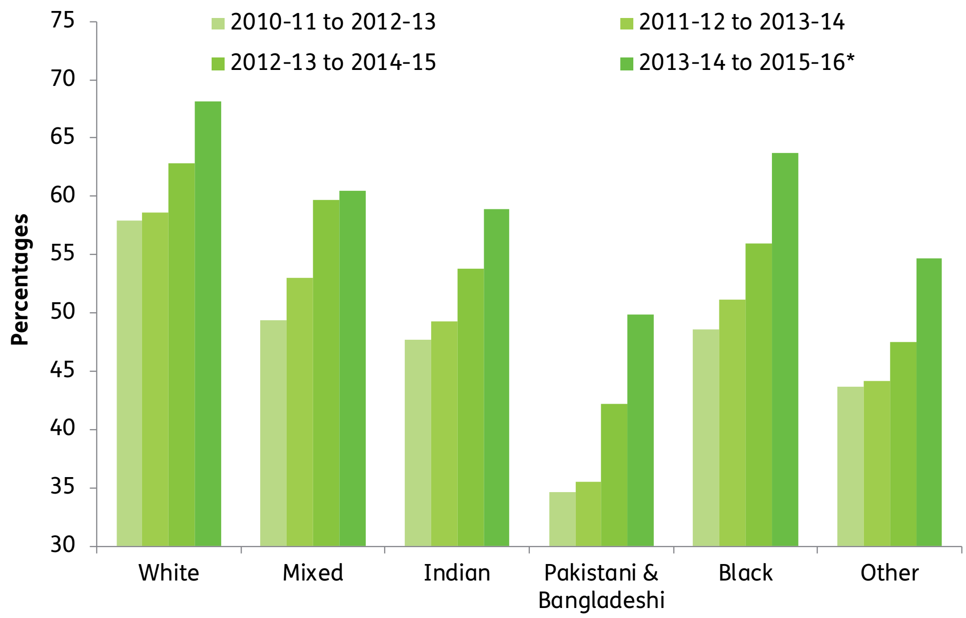
Characteristic	Employment Gap Jan-Mar 2016 (percentage points)	Employment Gap Jan-Mar 2017 (percentage points)	Change (percentage points)
Gender (between males and females)	10	9.3	- 0.7
Disability (between those who are declared disabled and non-disabled)	33.1	31.3	- 1.8
Ethnicity (Between those who are white and those from a BME background)	13.3	12.6	- 0.7
Age (Between those 50-64 and 35-49)	13.7	12.8	- 0.9

Pensions

At present the percentage of people over State Pension age in low income is 16%, which compares favourably to the equivalent figure for the working-age population of 21%. However, the rate for pensioners in low income from a black background is 30% compared to 14% from white backgrounds.

Through automatic enrolment we aim to improve equality and reduce poverty for future pensioners. Before automatic enrolment, people from ethnic backgrounds were far less likely to be participating in a pension scheme. Since automatic enrolment has been introduced the gap for all ethnic groups has reduced.

Participation in all pensions by ethnicity



** Ethnicity analysis used a three year rolling average in order to account for volatility in single year results which are caused by small sample sizes and clustering effects.*

Automatic enrolment is also increasing the proportion of 22 to 29 year olds with a pension scheme. In 2012, just 35% of eligible 22 to 29 year olds were participating in a pension scheme representing a 27 percentage point gap to people aged between 50 years and State Pension age. This gap reduced to 9 percentage points by 2015, with 68% of eligible 22 to 29 year olds now saving for retirement.

More Information

Further details on equality and diversity and links to other department publications that are available with various characteristic breakdowns can be found on www.gov.uk.

Further information is available on diversity and inclusion of the department's staff in the people and remuneration section of this report.

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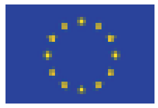
Exiting the EU



Since the EU referendum last year, we have been working closely with the Department for Exiting the EU to identify areas of the department and its agencies which are likely to be impacted by the UK's withdrawal from the EU. Although the detail and scale of this impact will to some extent be contingent on the upcoming negotiations, we are working closely across government to minimise associated risks. We have put in place internal governance and planning arrangements to ensure we are well prepared.

Sir Robert Devereux KCB
Permanent Secretary

Accountability report

Corporate governance report

The Secretary of State for Work and Pensions, appointed by the Prime Minister, has overall responsibility for the departmental family and Social Justice. The Secretary of State also has responsibility for the departmental group's expenditure and management.

The Permanent Secretary is responsible for the effectiveness and efficiency of our department's work to support ministerial policies and objectives. The Permanent Secretary is the Principal Accounting Officer, responsible for the propriety and regularity of the departmental group's expenditure. Our funding sits in a number of categories and HM Treasury hold us accountable to agreed funding limits for each category. Detail of outturn against these funding limits is shown in the Statement of Parliamentary Supply on page 121. The Permanent Secretary is also responsible for the department's leadership, management and staffing.

The departmental family

The departmental family consists of the core department and 12 arm's length bodies. The core department consists of our public services and our corporate centre.

The arm's length bodies consist of non-departmental bodies and public corporations. They operate independently but are accountable to the department. The arm's length bodies provide a number of functions including the regulation of pensions and nuclear industries, protection and safeguards for the public and advice and guidance. Collectively the arm's length bodies employ around 3,300 staff on average with a net expenditure of around £217 million each year. A new Code of Good Practice, launched by the Cabinet Office in February 2017, sets out a cross-government framework and a set of principles that arm's length bodies and departments are expected to adhere to in order to provide a consistent approach while recognising the unique role of each arm's length body.

Classification	Pension Bodies	Other bodies
Public corporations	• Pension Protection Fund • National Employment and Savings Trust Corporation	• Office for Nuclear Regulation
Executive non-departmental public bodies	• The Pensions Regulator • The Pensions Advisory Service	• Health and Safety Executive • Disabled People's Employment Corporation (GB) Ltd
Tribunal or advisory non-departmental public bodies	• Pensions Ombudsman • Pension Protection Fund Ombudsman	• Industrial Injuries Advisory Council • Social Security Advisory Committee
Other (not formally classified)		• BPDTS Ltd

All but 3 of the arm's length bodies fall within our accounting boundary. The exceptions are the Office for Nuclear Regulation, the Pension Protection Fund, and the National Employment and Savings Trust (which is also an executive non-departmental public body).

In addition to the arm's length bodies listed above, the Secretary of State has responsibility for Remploy Pension Trustees Ltd.

Senior decision-making forums

The Secretary of State is supported by the Permanent Secretary, ministers, non-executive members and executive directors general. They operate through two senior decision-making forums: the Departmental Board and the executive team.

Departmental Board members as at 31 March 2017

The board met 4 times this year.

Rt Hon Damian Green MP

Secretary of State for Work and Pensions and Chair

Appointed 14 July 2016

Attended 4 meetings

Penny Mordaunt MP

Minister of State for Disabled People, Health and Work

Appointed 15 July 2016

Attended 3 meetings

Damian Hinds MP

Minister of State for Employment

Appointed 15 July 2016

Attended 1 meeting

Rt Hon Lord Henley

Minister for Work and Pensions (Lords)

Appointed 9 January 2017

Attended 2 meetings

Caroline Nokes MP

Minister for Welfare Delivery and Parliamentary Under Secretary of State

Appointed 16 July 2016

Attended 2 meetings

Richard Harrington MP

Minister for Pensions and Parliamentary Under Secretary of State

Appointed 16 July 2016

Attended 4 meetings

Dame Clara Furse DBE

Lead non-executive member

Appointed 1 July 2011

Attended 4 meetings

Lieutenant General (Retired) Andrew Graham CB CBE

Non-executive member

Appointed 12 March 2015

Attended 4 meetings

David Lister

Non-executive member

Appointed 1 July 2011

Attended 4 meetings

Departmental Board and executive team members

Sir Robert Devereux KCB
Permanent Secretary
Appointed 1 January 2011
Attended 4 meetings

Andrew Rhodes
Director General, Operations
Appointed 28 March 2016
Attended 4 meetings

Peter Schofield
Director General, Finance
Appointed 18 July 2016
Attended 4 meetings

Mayank Prakash
Director General, Technology
Appointed 17 November 2014
Attended 4 meetings

Executive team members

Jeremy Moore
Director General, Strategy, Policy and Analysis
Appointed 27 January 2014

Debbie Alder
Director General, Human Resources
Appointed 1 January 2014

Neil Couling CBE
Director General, Universal Credit Programme
Appointed 1 October 2014

Claire Johnston
Director General, Legal Services
Appointed 12 January 2015

Susan Park
Director General, Universal Credit Operations
Appointed 20 February 2017

The **Departmental Board** is chaired by the Secretary of State and consists of our ministers, the Permanent Secretary, our directors general for finance, technology and operations and non-executive members from outside of government. Collectively they form the strategic and operational leadership. Dame Clara Furse DBE stepped down from the role of lead non-executive member in April 2017 and Sara Weller CBE was appointed on 20 April 2017 to take over from her. The board focuses on achieving outcomes from ministerial policies, gives advice on the impact of policies and maintains oversight of performance and longer term strategy. The board met 4 times this year.

The board has 5 main responsibilities:

1. Performance	agreeing the Single Departmental Plan and overseeing progress towards it	scrutinising the performance of the arm's length bodies	setting standards and values
2. Strategy and learning	setting the vision and ensuring all activities contribute towards it	ensuring strategic decisions are based on a collective understanding of policy issues	horizon-scanning and using outside perspectives to ensure we can be held to account for our outcomes
3. Resources and change	ensuring sound financial management and signing off large projects and programmes	scrutinising financial and human resource allocations along with succession planning	ensuring organisational design supports achieving the strategic objectives
4. Capability	ensuring we have the capability to deliver	ensuring we plan to meet current and future needs	
5. Risk	setting the risk appetite	ensuring controls are in place to manage risk	

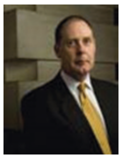
The Departmental Board has 3 sub-committees: the Departmental Audit and Risk Assurance Committee, Nominations Committee and Digital Advisory Committee (formerly known as Technology Advisory Committee). The board delegates work to the sub-committees so they can examine issues in more detail.

The **Departmental Audit and Risk Assurance Committee** provides an independent view of the appropriateness, adequacy and value for money of our governance, risk management, and control processes. The committee also regularly reviews the control issues. The committee presents its findings to the Departmental Board for discussion and conclusion.

Departmental Audit and Risk Assurance Committee

The committee met 5 times this year.

Lieutenant General (retired) Andrew Graham CB CBE
Non-executive member and chair
Appointed 1 April 2013
Attended 5 meetings



Martin Hagen
Non-executive member
Appointed 1 April 2014
Attended 5 meetings

Lynne Turner
Non-executive member
Appointed 1 April 2013
Attended 5 meetings

Ashley Machin
Non-executive member
Appointed 30 June 2016
Attended 2 meetings

The **Nominations Committee** advises on identifying and developing leadership and staff with high potential, our incentive scheme and succession planning arrangements. The committee presents its findings to the Departmental Board for discussion and conclusion.

Nominations Committee

The committee met 2 times this year.

Sir Robert Devereux KCB
Permanent Secretary and Chair
Attended 2 meetings

Dame Clara Furse DBE
Lead non-executive member
Attended 2 meetings

David Lister
Non-executive member
Attended 2 meetings

Debbie Alder
Director General, Human Resources
Attended 2 meetings

The **Digital Advisory Committee** met formally for the first time in May 2016. The committee provides independent and expert advice on technology issues including advice on the future direction of our technology strategy, our approach to delivering digital technology and on keeping our systems safe and secure. The committee reports to the technology executive team after each meeting and produces an annual report summarising its conclusions from work undertaken during the year.

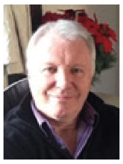
Digital Advisory Committee

The committee met 5 times this year.

Mayank Prakash
Director General Technology and Chair
Attended 5 meetings

Annette Sharkey[1]
Chief Operating Officer, Technology
Appointed 1 June 2015
Left 13 January 2017
Attended 2 meetings

David Lister
Non-executive member
Attended 3 meetings



Jim Arnott
Non-executive member
Appointed 15 December 2015
Attended 4 meetings

Robin Johnson
Non-executive member
Appointed 1 January 2016
Attended 4 meetings

Ashley Machin
Non-executive director
Appointed 15 December 2015
Attended 5 meetings

In March 2017 the **executive team** consisted of the Permanent Secretary and 8 directors general, 3 of whom also sit on the Departmental Board with the Permanent Secretary. The executive team is responsible for supporting the Permanent Secretary in the management of the department's business in line with ministerial priorities.

The executive team have collective responsibility for:

- considering the strategic implications of major policy development and agreeing major corporate policies
- challenging and making corporate planning and investment decisions
- prioritising, approving and overseeing our change portfolio while supporting senior responsible owners to deliver their change programme objectives and benefits
- managing performance and strategic risks
- working together as one team with accountability for the success of the department as a whole

The executive team was supported by 3 sub-committees: Investment Committee, Risk Advisory Board and People and Resources Committee.

1 Tamara Bruck replaced Annette Sharkey from 14 January 2017. She did not attend any DAC meetings during 2016-17.

The **Investment Committee** has a collective responsibility on behalf of the executive team for ensuring that we invest our funds in the most effective way. The committee oversees our investment portfolio. It focuses on our ability to deliver strategic outcomes by assessing deliverability, capacity, capability and interdependencies. From October 2016 this committee became a formal sub-committee of the People and Resources Committee.

The **Risk Advisory Board**[2] ensures there is an effective risk management process in place, and one single joined-up view of risk. The board supports the executive team to fulfil their risk management duties and provides assurance that risks are being managed effectively.

This year we set up a new sub-committee: the **People and Resources Committee**. This committee has responsibility for providing senior decision-making and governance on the key strategic people and financial issues relating to the running of the department.

Changes to the senior decision-making forums in 2016-17

The following changes took place between 1 April 2016 and 31 March 2017:

Role	Name	Change
Secretary of State for Work and Pensions	Rt Hon Stephen Crabb MP	left the department on 14 July 2016
Minister of State for Employment	Rt Hon Priti Patel MP	left the department on 13 July 2016
Minister of State for Pensions (Lords)	Baroness Altmann CBE	left the department on 14 July 2016
Parliamentary Under Secretary of State for Pensions (Commons)	Shailesh Vara MP	left the department on 15 July 2016
Minister for Disabled People	Justin Tomlinson MP	left the department on 15 July 2016
Minister of State for Welfare Reform (Lords)	Lord Freud	retired 31 December 2016
Non-executive member	Dr Doug Gurr	left the department on 27 April 2016 owing to a change in his business commitments
Director General, Finance	Jon Fundrey	temporary appointment ended on 17 July 2016
Director General, Digital Transformation	Kevin Cunnington	moved to Government Digital Services on 31 August 2016
Secretary of State for Work and Pensions	Rt Hon Damian Green MP	joined the department on 14 July 2016

2 The Risk Advisory Board's terms of reference were revised on 28 March 2017. The board no longer forms part of formal governance in 2017-18.

Role	Name	Change
Minister of State for Disabled People, Health and Work	Penny Mordaunt MP	joined the department on 15 July 2016
Minister of State for Employment	Damian Hinds MP	joined the department on 15 July 2016
Minister for Work and Pensions (Lords)	Rt Hon Lord Henley	joined the department on 9 January 2017
Minister for Welfare Delivery and Parliamentary Under Secretary of State	Caroline Nokes MP	joined the department on 16 July 2016
Minister for Pensions and Parliamentary Under Secretary of State	Richard Harrington MP	joined the department on 16 July 2016
Director General Finance	Peter Schofield	joined the department on 18 July 2016
Director General, Universal Credit Operations	Susan Park	appointed to this role on 20 February 2017

Changes to the ministerial team in 2017-18

Following the general election on 8 June 2017, there have been further changes to the ministerial team. These changes are:

Role	Name	Change
Secretary of State for Work and Pensions	Rt Hon David Gauke MP	appointed 12 June 2017
Minister of State for Employment	Damian Hinds MP	reappointed 13 June 2017
Minister of State for Disabled People, Health and Work	Penny Mordaunt MP	reappointed 13 June 2017
Minister for Pensions and Financial Inclusion	Guy Opperman MP	appointed 14 June 2017
Minister for Family Support, Housing and Child Maintenance	Caroline Dinenage MP	appointed 14 June 2017
Minister for Work and Pensions (Lords)	Baroness Buscombe	appointed 15 June 2017

The Rt Hon Damian Green MP, Rt Hon Lord Henley, Caroline Nokes MP and Richard Harrington MP have all left the department following the general election. We are awaiting confirmation of their formal leaving dates.

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (GRAA) HM Treasury has directed me, Sir Robert Devereux KCB, to prepare consolidated resource accounts for the Department for Work and Pensions for each financial year. These accounts detail the resources acquired, held, used or disposed of during the financial year by the departmental group. The departmental family consists of the core department and its arm's length bodies.

The accounts are prepared on an accruals basis and give a true and fair view of the state of affairs of the departmental group. The accounts 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 have complied with the requirements of the Government Financial Reporting Manual (FReM). In particular I have:

- observed the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis
- ensured that I have in place appropriate and reliable systems and procedures to carry out the consolidation process
- made judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by our arm's length bodies
- stated whether applicable accounts standards, as set out in the FReM, have been followed, and disclosed and explained any material departures in the accounts
- prepared the accounts on a going-concern basis

As far as I am aware, there is no relevant audit information of which the auditors are unaware and I have taken all steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

HM Treasury appointed me as the Accounting Officer of the Department for Work and Pensions. I have appointed the chief executive of each arm's length body as the accounting officer of their arm's length body. I remain responsible for ensuring that appropriate and reliable systems and controls are in place to ensure that monies paid to our arm's length bodies are used for the purposes intended.

I confirm that this Annual Report and Accounts 2016-17 is, as a whole, fair, balanced and easy to understand.

The responsibilities of an accounting officer, including responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, keeping proper records and safeguarding the assets of the Department for Work and Pensions, are set out in Managing Public Money published by HM Treasury.

Sir Robert Devereux KCB
Permanent Secretary

Governance Statement

This section sets out the system of control that the Principal Accounting Officer has put in place and the assurances which he has received from his executive directors and internal audit on how the system of control is operating. It concludes with his assessment of the effectiveness of the system of control, and sets out the control issues which he judges to be significant.

The system of control

We are governed by:

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

The system of control also includes the Departmental Board sub-committees, the executive team and its sub-committees and the arm's length bodies along with our control framework which is supported by internal and external assurance processes.

There were no ministerial directions in 2016-17.

The Departmental Board

In 2016-17 the Departmental Board met four times to discuss issues including the impact of EU exit on our department, our digital strategy, our operational performance and our long-term commercial strategy.

The board's effectiveness evaluations confirmed that it continues to operate well and that our non-executive members use their expertise effectively to support, and to challenge, our performance.

The board is satisfied that we complied with the principles in 'Corporate Governance in Central Government Departments: Code of Good Practice'. Several successive changes in our board membership meant we have delayed the three-yearly independent element of our effectiveness review during 2016-17, but this will now take place during autumn 2017. No concerns have been raised about the quality of information received by the board or its sub-committees in 2016-17. Members sponsor agenda items and ensure the paperwork meets agreed standards. This ensures paperwork is of a similar quality and supports focused discussion on key issues.

The lead non-executive member's report contains more detail on the board's work.

The Departmental Board has three sub-committees which, during 2016-17, undertook the following activities:

- The **Departmental Audit and Risk Assurance Committee** discussed cyber security, stewardship of the arm's length bodies, EU exit, compliance and quality within operations devolved funding, the Accountability System Statement, and fraud and error reduction initiatives. The committee also tested the risks around the delivery of the Government Banking Services Programme
- The **Nominations Committee** discussed succession planning for the executive team, the Employee Deal, senior civil service pay and people performance management
- We have used the expertise of our **Digital Advisory Committee** to understand how best to apply successful agile working and to build and retain digital capability

The executive team

The Permanent Secretary is responsible for maintaining a robust system of internal control that helps us achieve our policies, aims and objectives, while safeguarding public funds and our assets. He is supported by a team of directors general who collectively form the executive team. The executive team is the senior decision-making body for departmental management, and agrees the organisational structure, plans and resources that will deliver the department's agenda.

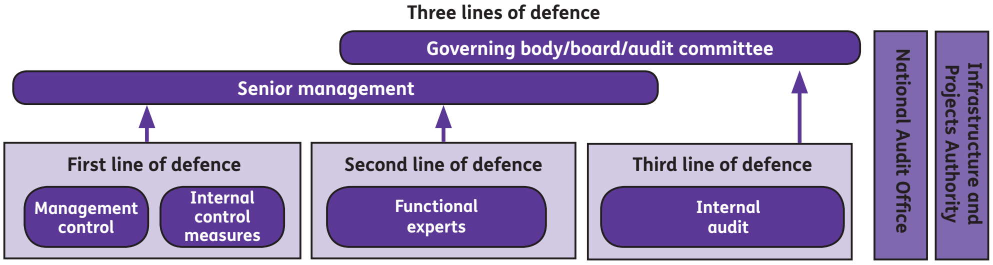
The executive team maintains a strategic oversight of the department's major delivery commitments. In October 2016 the team refined its approach to performance discussions to improve assurance by focusing its weekly meetings on a specific business area with discussions led by a group of directors from across strategy, digital and operational delivery teams. Together the team support each business area to make the right decisions.

In October 2016 we also established the People and Resources Committee as a sub-committee of the executive team. This sub-committee is chaired by the Permanent Secretary with membership being the same as the executive team with the exception of the Director General, Legal who attends when relevant. The People and Resources Committee is responsible for strategic decision making and governance on people and financial issues. This year, the sub-committee discussed our planning and resources for current and future years, the Employee Deal and the People and Locations Programme.

The executive team members have appropriate delegated financial and risk management authority. They escalate risks that may affect other business areas to reach a collective decision.

Risk management

During 2016-17 we continued to strengthen our risk management arrangements in line with the 'three lines of defence model'.



Our risk management function supports and challenges senior leaders to improve the way we manage risk and seeks assurance on contingency arrangements and mitigations. Assurance is sought through structured risk management reviews, deep dives, maturity assessments, and observations to test the effectiveness of our mitigations. External bodies, such as the National Audit Office and the Infrastructure and Projects Authority, continue to give us independent external assurances which complement internal and other external assurance activity.

In July 2016 we undertook an annual horizon scanning exercise to review our key external risks which include pandemic, terrorism, banking infrastructure failure and surge in customer demand.

We strengthened the indicators and triggers that tell us to invoke our contingency plans when external events impact on us. We tested our contingency plans at a senior level to examine our response and identify improvements.

In January, a new government framework, 'Management of Risk in Government: A framework for boards' was published. We examined the framework to highlight areas of best practice already in place and identified some areas for improvement.

Change Portfolio management

The Investment Committee, chaired by our Finance Director General, approves new change programmes and projects onto our major change portfolio. The Investment Committee was a formal sub-committee of the executive team but became a formal sub-committee of the new People and Resources Committee in October 2016. The Investment Committee has senior representation from all our business areas. It agrees programme governance arrangements and approves delivery tolerances for our senior responsible owners to manage within. The committee helps us to focus on our ability to deliver strategic outcomes by realistically assessing affordability, deliverability, capacity, capability and interdependencies.

The programme boards have defined roles and responsibilities. Each programme board member has defined accountabilities with appropriate authority and they provide assurance to the Investment Committee and their own director general on compliance issues and deliverability of the project or programme.

The accountabilities of senior responsible owners are formally delegated through appointment letters issued by the Permanent Secretary and the Chief Executive of the Infrastructure and Projects Authority (available through www.gov.uk).

We work closely with the Infrastructure and Projects Authority and HM Treasury who provide independent assurance of our major projects and programmes. There were 10 external reviews covering 8 of our projects in 2016-17. Delivery confidence ratings awarded reflect the complexity to deliver both ministerial policy and transformational change. In addition, our internal gateway reviews generate recommendations to prompt further improvements to programme and project delivery.

Security and information management

Departmental security is managed by the Chief Security Officer (CSO) who chairs the Departmental Security Oversight Board. The CSO is represented at Departmental Board and executive team by the Chief Digital and Information Officer who is also our Senior Information Risk Owner (SIRO). The SIRO is accountable for our information risk management and is supported by the CSO, leaders in our Digital Group, and a network of deputy SIROs.

Each deputy SIRO is accountable in their part of the business for identifying and understanding information assets and championing good security behaviours. Our programme senior responsible owners and business service owners are responsible for understanding their information risks and ensuring they are managed through business processes. Digital product owners have accountability for specific and ongoing technical mitigations, through existing processes and by creating new solutions.

Our Security and Resilience team oversees and advises on security and business continuity planning; capability building; incident response; and protective and defensive measures for our department's information, people and premises.

This team also supported the creation of a formal security function across government, and the Cabinet Office's Transforming Government Security (TGS) agenda, by sharing skills and exploring efficiencies through shared services. We now lead one of the TGS clusters which aim to offer new services in 2018-19. This will require substantial discovery and external engagement work, and will bring both opportunities and risks next year.

We continuously monitor and assess our information risks to address weaknesses and make improvements. We continue to upgrade our technology infrastructure and this will further reduce the risks from electronic storage, although it will require careful management and ongoing continuous monitoring over several years as we transform our business.

In 2016-17 no personal data incidents were formally reported to the Information Commissioner's Office.

Service provider management

During 2016-17 we continued to improve our contract management and supplier management. Senior contract owners (SCOs) provide single point accountability and responsibility for our major programmes and contracts. They have an independent challenge process which ensures their accountabilities and responsibilities are validated by senior officials outside of their line management structure. The SCOs also provide a signed declaration confirming their accountabilities for each of their contracts.

We complied with the Cabinet Office Commercial Standards and the Public Account Committee's recommendations regarding improvements to contract management.

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We recognise the value of effectively managing our supplier relationships and, through our major projects, continue to increase capability, effectiveness and accountability in these relationships.

Our commercial policy and guidance reflects the new Cabinet Office Commercial Standards and we baselined our level of compliance. In 2017-18 our aim is to continue improving by raising our performance against this baseline.

Shared Services Connected Ltd

Shared Services Connected Ltd (SSCL), a joint venture organisation which delivers services to multiple government departments, provide our back office functions for human resources, finance and procurement. Cabinet Office act as Framework Authority and provide an annual Letter of Assurance (LoA) to all customers based upon the overall SSCL audit and assurance programme.

For 2016-17, the LoA draws attention to some exceptions found by auditors PricewaterhouseCoopers when completing an independent ISAE 3402 examination of SSCL's controls regime. Analysis of these findings indicates that the majority of 'exceptions' relate to timing and incomplete record keeping rather than specific control gaps. An action plan attached to the LoA shows that most of the exceptions have already been actioned by SSCL and the remainder will be cleared early in 2017-18. Cabinet Office has advised all SSCL's customer departments to work with the audit community and within their business to assess the potential impact that the exceptions might have on financial statements for 2016-17.

Having considered all the evidence from the overall audit and assurance programme and taken into account the specific exceptions found, we have concluded that the exceptions raised are unlikely to have a fundamental impact on the DWP Annual Report and Accounts 2016-17.

Analytical models management

We use the quality assurance framework agreed in 2014 which covers our business-critical analytical models. Our lead analysts are accountable for the quality of the models in their area and we provided best practice guidance and training to all staff developing models.

Our Policy Costings and Forecast Scrutiny Committee scrutinised our fiscal costings and forecasts at both of the fiscal events in 2016-17. This improved quality, and provided feedback and learning to analysts.

We conducted an in-depth audit of non-financial analytical models to assure the quality of each model's level of risk and impact. New business critical models were subjected to internal independent scrutiny, and the Office for Budget Responsibility have instituted a rolling review of models that feed into their fiscal forecasts, including those held by our department. We are also developing more detailed guidance on producing forecasts and fiscal costings.

Assurance about the operation of the system of control

Assurance from executives

At the end of the financial year, each director general provided the Permanent Secretary with their assurance on the effectiveness of the controls that support their business activities and delivery of the department's policies.

The Permanent Secretary is satisfied that, collectively, his directors general have an effective grasp of the governance and internal control structures within the businesses they lead and that he can rely on them to manage risks within their business. The directors general have identified a number of challenges this year which they are managing effectively within their teams. These include but are not restricted to:

- supporting the delivery of the People and Locations Programme that will rationalise our estate
- scaling up of the Universal Credit full service from October 2017
- developing effective policy and governance positions following the EU Referendum

Assurances covering our arm's length bodies (ALBs)

The Strategy, Policy and Analysis Director General provides assurances to the Principal Accounting Officer on the governance and control arrangements for our 13 ALBs[3] which deliver outcomes on our behalf. The ALB Partnership Division is responsible for holding our ALBs to account and ensuring that they work to the high standards expected of them. The Departmental Board receive regular updates and assurance on ALB performance through a dashboard of measures.

This year we introduced an annual assurance assessment to ensure we have a good overview of each ALB. This helps us to review our partnership arrangements which are also subject to internal audit scrutiny.

During 2016-17, we continued to develop our ALB controls and monitor standards of delivery and consistency with good practice. We are already broadly compliant with the new Cabinet Office 'Partnership with arm's-length bodies: code of good practice'. In March 2017, we launched the code to our ALBs at our first ALB Senior Leaders Forum and have worked with the ALBs to submit a gap analysis. We will continue to hold regular forums through 2017-18 and will conduct ongoing annual assurance.

The ALBs are 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 of the ALBs. While 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 partnership division.

3 Two of which are not administratively classified

Assurance opinion of DWP Group Chief Internal Auditor

The DWP Group Chief Internal Auditor provides independent assurance to our Permanent Secretary 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.

Based on the consolidated findings and recommendations from our reviews during 2016-17, and internal audit's cumulative knowledge and experience of the department and its operations, in their opinion, the governance, risk management and control arrangements throughout the year have provided a moderate assurance. This is defined as 'some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control'.

They are satisfied that improvements are being made to address the limitations identified to manage the continuing challenges and risks the department faces. They report that there was progress in improving the control and management of information security risks arising from a range of threats, but vulnerabilities remain and solutions are taking longer than originally envisaged to implement.

Whistleblowing

We have continued to promote the whistleblowing policy to promote a culture of openness in the department. We encourage our employees to give their name when reporting incidents under a promise of support and confidentiality. During 2016-17 there were 27 whistleblowing complaints with, following investigation, only one case to answer. This compares to 24 whistleblowing complaints in 2015-16 with 4 cases to answer.

The whistleblowing complaint received in 2016-17 highlighted health and safety risks due to overcrowding at a contractor's premises. Following receipt of the complaint and the intervention of our contract management team, a substantial number of desks were removed to comply with current space standards. Contract management protocols and liaison arrangements were reviewed and improved and the contractor reminded of their responsibilities.

Accountability System Statement

The Accountability System Statement (available on www.gov.uk) has been updated for 2016-17. This sets out the systems which the Principal Accounting Officer has put in place to meet their responsibilities in relation to the resources allocated to local authorities and other local bodies outside the department's direct control. This statement only applies to allocations that are not governed by contractual arrangements, because they are grants, a benefit or benefit subsidy, or fund transactions undertaken by local organisations and local authorities on our behalf.

Following the government's response to recommendations from the Public Accounts Committee, the DWP Accounting Officer System Statement for 2017-18 will, in future, cover all of the relevant accountability relationships within the department, including relationships with arm's length bodies and third party delivery partners.

Permanent Secretary's assessment of the system of control and the significant control issues

From the developments recorded above in the system of control, and the assurances I have received, I consider that the department continues to make improvements in the controls it operates, and I share the Chief Internal Auditor's view that the controls provide 'moderate assurance'.

Within the overall system of control there are 5 control issues which I regard as significant. Each of these, and the action we are taking, is described below and shows where my assessment of the significance of the issue has changed over the year, as illustrated in the following key:

Significance increased from 2015-16	Significance unchanged from 2015-16	Significance decreased from 2015-16

Firstly, I no longer consider one control issue reported in 2015-16 as significant. This is the issue that reflected the need to 'transform our professional skills, experience, and flexibility of our workforce, to achieve our DWP 2020 vision'. In 2016-17 we have made significant progress through:

- a DWP-wide programme of capability improvement delivered through our Heads of Profession and supported by a range of HR interventions including learning, talent development and specialist recruitment
- the Employee Deal Programme which we put in place following agreement with departmental trade unions to maximise the flexibilities agreed with our workforce to support improved customer service and outcomes
- our leadership development offer which we expanded to all our colleagues as our focus shifts increasingly towards team development and leading others through change

My 5 control issues are:

1. monetary value of fraud and error
2. performance variation in health service assessments
3. keeping our systems and data safe
4. maintaining IT services while effecting digital transformation
5. delivering Universal Credit full service

Monetary value of fraud and error

Control issue

This continuing control issue is to protect the annual spend on benefits and pensions against fraud and error. The Comptroller and Auditor General has again qualified his opinion on our accounts on regularity due to the material level of fraud and error in benefit expenditure, which has been the case since 1988-89.

What we have done

We have established a new Counter Fraud and Compliance Directorate, bringing together operational, strategy and analytical roles in a new structure responsible for progressing fraud, error and debt measures within our department.

We have implemented benefit-specific fraud and error strategies, which focus on the main causes of fraud and error which include earnings. The application of the Fraud and Error Framework to individual strategies has helped target risk and focus resource effectively. We continue to work with other parts of government. We extended our use of HM Revenue and Customs' Real-time Information on earnings while the Fraud and Error Reduction Incentive Scheme (FERIS, but now known as the Right Benefit Initiative from 1 April 2017) continued to incentivise local authorities to tackle earnings-related fraud and error.

My assessment of this control issue

Preliminary estimates show that the level of overpayments due to fraud and error in 2016-17 was 2.0% (or £3.5bn) of total benefit expenditure. Working together with local authorities, we estimate that we recovered £1.1 billion of overpayments resulting in an estimated net loss of 1.4% (£2.4bn). We estimate that we underpaid benefits by 0.9% (or £1.6bn).

These figures are not significantly different from previous years, and the new Directorate had not yet been in place long, so for now my overall assessment of the significance of this control issue is unchanged.

Plans for 2017-18

We have a coherent fraud, error and debt strategy. The pillars of this are:

- our welfare reforms, in particular Universal Credit, which will help deliver significant fraud and error savings
- strengthening our operational delivery, including a stronger focus on quality and on maximising recoveries where overpayments occur
- using the data we have to identify and target risk areas

Further detail on fraud and error is covered in the performance analysis section on pages 59 to 62 and in the Incorrect Payments note on pages 205 to 211.

Performance variation in health service assessments

Control issue

In 2015-16 this control issue was broader, covering our reliance on contractors to deliver welfare reform services, and was shown as a decreasing concern as our contract management capability had strengthened and new contracts had been agreed. The control issue now focuses on the variation in performance of our health service assessment providers.

What we have done

The independent audit of health contracts continues to monitor the quality of assessments for the Personal Independence Payment (PIP) and Health Disability Assessment Service (HDAS) contracts. Overall, quality for the Centre of Health and Disability Assessments and the PIP contracts is on an improving trend. This has been achieved through tight performance management and detailed quality improvement activity. In PIP we are focussing on the consistent application of criteria as part of a wider quality and consistency exercise. This will drive out continuous improvement in the current contract, and provide an evidence base to inform future contracting rounds.

Following HM Treasury approval in May 2016, we concluded contract reviews for PIP 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 providers' contract finances.

My assessment of this control issue

We have seen improved HDAS performance through our partnership approach to managing the contract. Provider capacity for HDAS and PIP is in place to manage the forecast volumes of assessments. However, there remains a high level of performance variation between our Personal Independence Payment providers including between geographical locations.

Weighing up these factors, my assessment of the significance of this (revised) control issue is unchanged.

Plans for 2017-18

Assessment consistency is important for everyone claiming PIP, regardless of where they live and who delivers their assessment. Actions to deliver greater consistency include:

- function first: health professionals starting the assessment with a functional review, rather than a medical history, while emphasising that PIP is not awarded based on condition
- clinical coaching: increased coaching, now focusing on what happens in assessments not just at audit
- consistency plans: both providers have these in place with an increasing focus on individual assessor activity and outliers
- learning and development: all learning being fed into improved clinical training for Health Professionals

We are also establishing a measure to compare consistency across and within providers which we can use to drive consistent, sustainable delivery.

Keeping our systems and data safe

Control issue

This continuing issue reflects that the department holds a huge amount of personal data that we need to keep secure, in the face of increasing frequency of attacks on both public services and high profile companies. There is also the ongoing challenge to reinforce good information security practices and build new technical capabilities at a time of rapid transformation to digital services.

What we have done

Our Security and Resilience Programme focuses on the protection of all our data and ensures our systems are secure through continuous improvement, integrated activities and increasing and maintaining our security maturity level.

We continue to build our capability, through a focus on security threats and risks, assessing vulnerabilities and impacts, prioritising activities to ensure we protect our critical business operations and sensitive data. This involves looking at security risks relating to our staff, our information systems and services, and our premises, to ensure that we apply and monitor appropriate controls to maximise our data protection at all times.

My assessment of this control issue

Keeping the sensitive personal data we hold and our information systems safe and secure from a range of threats, which include malicious or criminal intent and accidental breach, remains challenging.

Despite the growing scale of the threats and the increased frequency of cyber-attacks on public bodies and big data systems of high profile companies, my assessment of no change in significance reflects the progress that the department has made in keeping our systems secure, the increased awareness of our people around data security and our future strategy.

Plans for 2017-18

We will continue to focus our attention on:

- maintaining our external and internal threat intelligence
- continuing to improve protective monitoring across our networks and systems
- increasing our security breach readiness across all our organisational levels
- meeting our security compliance and regulatory obligations
- the specialised capabilities needed to implement a cyber-security programme that is industry-current and in keeping with the needs of our department

Maintaining IT services while effecting digital transformation

Control issue

This continuing control issue is to build our digital future at pace while we continue to manage the critical interface between old and new IT systems until our older systems are phased out or replaced.

What we have done

We focused on operational performance to reduce service hours lost through outages and degradation of our most used digital services. Over the last 12 months we lost around 0.6% of our service hours to major incidents, which is well below our 1% target. We achieved this by fixing longstanding problems, solving problems before they became significant and monitoring services to provide early warnings. As we continue to run and refresh a complex network of ageing systems we are also carefully managing our dependencies and risks.

My assessment of this control issue

This year we have made significant progress in transforming all our lines of business and refreshing our ageing IT infrastructure, but there remains much to do to consume accumulated technological debt.

Based on the positive progress being made my assessment is that the significance of this issue has decreased.

Plans for 2017-18

We will continue to grow digital services, build next generation platforms, create authoritative sources of data and scale hybrid cloud hosting. In addition to buying leading products and services, we will invest further in our own digital capability, recruiting experts from across a wide range of specialist disciplines, and enhancing the skills of existing colleagues – all organised in 'Practice' communities which support professional development and improve standards. We will further strengthen multi-disciplinary working with colleagues from other parts of our department to co-create secure, scalable user-centred digital products which deliver DWP's policy intent and meet user needs.

Delivering Universal Credit Full Service

Control issue

Following our progress in delivering most of our largest and most complex welfare reform programmes, such as new State Pension and Child Maintenance, this continuing control issue now focuses on the safe and secure delivery of Universal Credit full service.

What we have done

As set out earlier in this report, Universal Credit has made good progress and the full service is now live in 64 jobcentres. The programme has put in place a robust set of controls and assurance to underpin delivery of the rollout plan and ensure that the UC service will be able to scale up from October 2017. An Infrastructure and Projects Authority (IPA) health check on the revised plan in September 2016 resulted in an amber rating, which was repeated in a further review in March 2017.

Six high level outcomes have been set, for each of the following areas: affordability, capacity and capability, case progression, security, fraud and error and service stability. Each of these areas present challenges which we are proactively managing through a rigorous control framework and go-to-green plans.

My assessment of this control issue

While there is still much to be done, on what remains a complex programme, both recent progress and the developments in train, give confidence about the ability to deliver UC full service safely and securely. Therefore, my assessment is that the significance of this control issue has decreased.

Plans for 2017-18

We are on track to expand the roll out of Universal Credit Full Service to 30 offices in July and then to 50 jobcentres each month from October. We will monitor the critical outcomes and entry criteria set out above which reflect the issues we most need to focus on to ensure delivery.

Sir Robert Devereux KCB
Principal Accounting Officer

26 June 2017

Lead Non-executive member's report

This year saw the Departmental Board membership change beyond recognition, with new appointments in both official and executive capacities. In addition to seeing a change of Secretary of State, the new Prime Minister also subsequently appointed a completely new Ministerial Team, with only Lord Freud retaining his position, thereby making him the longest serving member of the board. In December 2016, Lord Freud announced his retirement and Lord Henley was duly appointed his successor as Lords Minister. Of the executive board members, Peter Schofield was appointed Director General, Finance.

Such considerable change has resulted in a refocused board and we are consequently operating differently; with shorter, sharper agendas concentrating on specific business areas. During the course of the year we have considered the department's digital infrastructure, governance and capability, undertaken a deep dive into operational performance, and considered the emerging plans for our long term Commercial Strategy. The board has sustained its effective operation, with non-executive members continuing to use their expertise and external insight to support and challenge the team in these discussions.

The most significant headline this year for DWP, and indeed right across Whitehall, was undoubtedly the referendum result and the decision that Britain is to exit the EU. While the department has continued as scheduled with its unprecedented programme of welfare reform, work has been underway in parallel to assess and plan for the ramifications that this momentous decision will have on existing departmental policies. It has been a stimulating, very challenging time, and this will continue as the picture begins to clarify.

I have just been reviewing an updated version of the Single Departmental Plan for 2016-17, and have been impressed with the way in which the department has continued to use this document to monitor and report its achievements against it's objectives to the Cabinet Office. SDPs are one of Sir Ian Cheshire's – the government's Lead Non-Executive – key priorities, and I am gratified that DWP has developed and used this tool so effectively during 2016-17.

My non-executive colleagues and I have had another busy and interesting year as we endeavoured to support and challenge the department and expand the areas in which we are working. Andrew Graham, David Lister and I found a visit to Hounslow Jobcentre to look at Universal Credit full service in operation very rewarding. We were all greatly impressed with the dedication and expertise behind the coaching of jobseekers and the commitment that the team demonstrated.

Andrew Graham has continued to put great effort and skill into chairing the Departmental Audit and Risk Assurance Committee, and in this capacity participated in a peer risk review with colleagues in the Ministry of Defence. Outputs from these reviews were fundamental to the development of a recently published cross-government risk management framework. He also led and stimulated the recent board discussion on operational performance.

David Lister has been an integral member of the Digital Advisory Committee and led the recent board discussion which reflected on how far the department has come in building its digital capability. He was invited to become DWP's official non-executive commercial lead in response to a request from the government's Chief Commercial Officer. In this capacity David has worked closely with Commercial Directorate in reviewing their future blueprint. Additionally, both David and Andrew now sit on the cross-government Talent Advisory Group, which has seen a refresh of its membership and chairman this year.

I was delighted to be asked to give a presentation to DWP's Summer School at the beguiling venue of King's College, Cambridge in September. This is the department's flagship development programme, through which 100 students are selected to participate in a year-long curriculum via a challenging and competitive application process. I was impressed by the students – the breadth and incisiveness of the questions I was asked showed real energy, knowledge and aptitude. My overriding feeling was of wanting to meet more motivated DWP people – and more often – and I came away very encouraged.

I have again worked closely with the Permanent Secretary and Secretary of State in overseeing a selection process for Departmental Board non-executive candidates. I am sad to be stepping down from DWP's board in April 2017 after six years as a non-executive member – for nearly three of these I was proud to be lead non-executive. I am delighted, however, to be able to formally welcome my successor – Sara Weller CBE. Sara has great breadth of experience in executive and non-executive roles within both the public and private sector, and will be a major asset to the board in this role.

I am very proud to have been a part of DWP's ambitious transformation over the past six years, and will remember my time with great affection. I have had the pleasure and privilege of working with many remarkable and dedicated people. I look forward to keeping a close eye on how the department moves forward and thank all of my DWP colleagues for their commitment to the department's immensely important work. I am confident that my non-executive colleagues, with Sara's leadership, will continue to provide a strong level of support and challenge to ensure that the department and its ministers can deliver their agenda effectively, resourcefully and successfully.

Dame Clara Furse DBE
Lead Non-executive member

Remuneration and staff report

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

Ministers' pay

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

Ministers	2016-17					2015-16			
	Salary £	Full year equivalent £	Severance payments £	Pension benefits to nearest £1,000[4]	Total to nearest £1,000[5]	Salary £	Full year equivalent £	Pension benefits to nearest £1,000[4]	Total to nearest £1,000[5]
Rt Hon Damian Green MP from 14 July 2016	48,270	67,505	-	13,000	61,000	-	-	-	-
Rt Hon Stephen Crabb MP from 19 March 2016 to 14 July 2016	19,417	67,505	16,877	5,000	41,000	-	67,505	-	68,000
Damian Hinds MP from 15 July 2016	22,568	31,680	-	6,000	28,000	-	-	-	-
Penny Mordaunt MP from 15 July 2016	22,568	31,680	-	6,000	29,000	-	-	-	-
Richard Harrington MP from 16 July 2016	15,879	22,375	-	4,000	20,000	-	-	-	-
Caroline Nokes MP from 16 July 2016	15,879	22,375	-	4,000	20,000	-	-	-	-
Baroness Altmann CBE from 12 May 2015 to 14 July 2016	22,692	78,891	19,723	4,000	47,000	69,984	78,891	18,000	88,000
Rt Hon Priti Patel MP from 12 May 2015 to 13 July 2016	9,027	31,680	-	2,000	11,000	26,900	31,680	8,000	35,000
Justin Tomlinson MP from 12 May 2015 to 15 July 2016	6,496	22,375	5,594	1,000	13,000	19,849	22,375	5,000	25,000

Shailesh Vara MP was appointed Parliamentary Under Secretary of State for DWP on 9 July 2015 and left on 15 July 2016. Shailesh was also a Parliamentary Under Secretary of State at the Ministry of Justice. His remuneration and severance is disclosed in the Ministry of Justice annual report and accounts.

Lord Freud did not receive any salary, he was appointed on 14 May 2010 and retired from his ministerial position in the department on 31 December 2016.

Lord Henley did not receive any salary, he was appointed Parliamentary Under Secretary of State for DWP on 9 January 2017.

Details of Stephen Crabb's 2015-16 salary and pension benefits were disclosed by The Welsh Office.

Government departments bear only the cost of the additional ministerial salary. Salaries for services as MPs (£74,962 from 1 April 2016) and other allowances are borne centrally.

No Minister received any benefit in kind.

4 To calculate the 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.

Executive directors' pay

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

	2016-17					2015-16			
Executive directors	Salary £000	Bonus payments £000	Benefit in kind £	Pension benefits £000	Total £000	Salary £000	Bonus payments £000	Pension benefits £000	Total £000
Sir Robert Devereux KCB from 1 January 2011	185-190	-	-	-	185-190	180-185	15-20	-	200-205
Kevin Cunnington from 14 October 2013 to 31 August 2016	60-65 (FYE 150-155)	-	-	24	85-90	150-155	-	58	205-210
Debbie Alder from 1 January 2014	125-130	-	-	49	170-175	125-130	-	49	170-175
Jeremy Moore from 27 January 2014	135-140	15-20	-	-	150-155	125-130	15-20	87	230-235
Neil Couling CBE from 1 October 2014	140-145	-	-	158	295-300	120-125	15-20	163	300-305
Mayank Prakash from 17 November 2014	195-200	15-20	-	-	215-220	195-200	-	-	195-200
Andrew Rhodes from 28 March 2016	135-140	10-15	37,600	118	305-310	0-5 (FYE 130-135)	-	(7)	-
Jon Fundrey from 1 April 2016 to 17 July 2016	40-45 (FYE 125-130)	-	-	16	55-60	-	-	-	-
Peter Schofield from 18 July 2016	95-100 (FYE 135-140)	-	-	39	135-140	-	-	-	-
Susan Park from 20 February 2017	10-15 (FYE 120-125)	-	-	16	30-35	-	-	-	-

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 such her remuneration is disclosed in their annual report and accounts.

Andrew Rhodes' benefit in kind relates to taxable travel expenses. No other director 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 2016-17 relate to performance between 1 April 2015 and 31 March 2016.

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

We keep a register of our directors' and ministerial board members' interests. This contains details of company directorships and other significant interests held by those members. None of our ministers or directors held directorships which conflicted with their management responsibilities in 2016-17.

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

Non-executive directors' fees

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

Non-executive directors	**Board**	**Fees 2016-17 to the nearest £1,000**	**Benefit in kind 2016-17 to the nearest £100**	**Fees 2015-16 to the nearest £1,000**	**Benefit in kind 2015-16 to the nearest £100**
Dame Clara Furse DBE from 10 November 2014	Departmental Board	Honorarium of 20,000 waived	-	Honorarium of 20,000 waived	-
David Lister from 1 July 2011	Departmental Board	15,000	-	15,000	-
Lynne Turner from 1 April 2013	DARAC	15,000	-	15,000	-
Lt Gen (retd) Andrew Graham CB CBE from 1 April 2013	Departmental Board and DARAC	20,000	1,100	20,000	100
Sir Robert Walmsley from 29 July 2013	Universal Credit Programme Board	15,000	-	15,000	-
Martin Hagen from 1 April 2014	DARAC	15,000	700	15,000	800
Jim Arnott from 15 December 2015	Digital Advisory Committee	15,000	-	4,000	-
Ashley Machin from 15 December 2015	Digital Advisory Committee and DARAC	15,000	-	4,000	-
Robin Johnson from 1 January 2016	Digital Advisory Committee	15,000	200	4,000	-
Dr Douglas Gurr from 1 January 2016 to 27 April 2016	Departmental Board	1,000	-	4,000	-
Total		**126,000**	**2,000**	**96,000**	**900**

Benefit in kind figures relate to rail travel.

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 2016-17 and 2015-16 was £215,000 to £220,000. This was 9.13 (2015-16: 9.49) times the median pay of the workforce, which was £23,813 (2015-16: £22,928).

	Pay band of highest paid executive director	Median total pay	Ratio
2016-17	£215,000-£220,000	£23,813	1:9.13
2015-16	£215,000-£220,000	£22,928	1:9.49

In 2015-16 and 2016-17 no employee was paid more than the highest-paid director. Pay bands ranged from £15,500-£16,000 to £215,000 to £220,000 in both years. The slight decrease in the ratio is due to a slight increase in the median pay.

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 2017 £000	Real increase in pension at age 65 £000	Cash equivalent transfer value at 31 March 2017 £000	Cash equivalent transfer value at 31 March 2016 £000	Real increase in cash equivalent transfer value £000
Rt Hon Damian Green MP	5-10	0-2.5	91	74	10
Rt Hon Stephen Crabb MP	5-10	0-2.5	60	57	1
Damian Hinds MP	0-5	0-2.5	15	10	2
Penny Mordaunt MP	0-5	0-2.5	17	12	2
Richard Harrington MP	0-5	0-2.5	10	6	2
Caroline Nokes MP	0-5	0-2.5	3	-	1
Baroness Altmann CBE	0-5	0-2.5	26	20*	3
Rt Hon Priti Patel MP	0-5	0-2.5	13	11	-
Justin Tomlinson MP	0-5	0-2.5	4	3*	-

* These figures have been updated due to incorrect CETV data being provided by the pension provider in 2015-16. The error was identified and corrected during production of our 2016-17 account.

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 2017 £000	Real increase in pension and related lump sum at pension age £000	Cash equivalent transfer value at 31 March 2017 £000	Cash equivalent transfer value at 31 March 2016 £000	Real increase in cash equivalent transfer value £000
Sir Robert Devereux KCB (opted out of PCSPS)*	80-85 plus 240-245 lump sum	-	1,832	1,856	(18)
Kevin Cunnington	10-15	0-2.5	148	131	13
Debbie Alder	15-20	2.5-5	243	204	24
Jeremy Moore**	-	-	-	-	-
Neil Couling CBE	50-55 plus 160-165 lump sum	5-7.5 plus 20-22.5 lump sum	1,058	879	135
Mayank Prakash ***	-	-	-	-	-
Andrew Rhodes	25-30	5-7.5	300	228	54
Jon Fundrey	30-35	0-2.5	449	435	11
Peter Schofield	45-50 plus 120-125 lump sum	0-2.5 plus 0-2.5 lump sum	754	724	17
Susan Park	55-60 plus 175-180 lump sum	0-2.5 plus 0-2.5 lump sum	1,267	1,250	15

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 KCB 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.

**Jeremy Moore opted out of PCSPS from 1 April 2016 as such there is no requirement to disclose his pension values.

***Mayank Prakash has opted into a partnership pension scheme, his 2016-17 employer contributions were £32,700 (rounded to 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 at: www.mypcpfpension.co.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.

Further details of the scheme are available at mypcpfpension.co.uk

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 3.8% 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 8% and 14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

					2016-17	2015-16
					Number	Number
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Number of staff	75,000	3,416	6	2	78,424	79,203
Staff engaged on capital projects	32	-	-	-	32	21
Total	**75,032**	**3,416**	**6**	**2**	**78,456**	**79,224**
Of which:						
Core department	71,794	3,348	6	2	75,150	75,965
Arm's length bodies	3,238	68	-	-	3,306	3,259

Senior civil servants

Our executive directors are all senior civil servants. In total there were 207 individual senior civil servants, totalling 203.68 whole-time equivalents, as at 31 March 2017. This is 14 less than last year.

Senior civil servant headcount by payband		March 2013	March 2014	March 2015	March 2016	March 2017
Permanent Secretary	£142,000- £200,000	1	1	1	1	1
SCS3	£105,000-£208,100	5	7	7	8	6
SCS2	£86,000-£162,500	54	45	47	49	42
SCS1	£63,000-£128,900	165	167	158	163	158
Total		**225**	**220**	**213**	**221**	**207**

Staff expenditure

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

	2016-17		2015-16	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Administration staff costs	393,037	441,976	328,368	378,349
Programme staff costs	2,204,659	2,344,357	2,187,819	2,321,699
Total staff costs	**2,597,696**	**2,786,333**	**2,516,187**	**2,700,048**

Staff expenditure comprises:

	Permanently employed staff	Others	Ministers	Special Advisers	2016-17 Total	2015-16 Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,032,117	146,949	181	163	2,179,410	2,158,984
Employers' National Insurance	183,107	468	19	24	183,618	131,053
Superannuation and pension costs	403,371	7,971	-	29	411,371	410,011
Severance costs	11,863	-	42	29	11,934	-
Total	**2,630,458**	**155,388**	**242**	**245**	**2,786,333**	**2,700,048**
Less recoveries in respect of outward secondments	(2,057)	-	-	-	(2,057)	(2,157)
Less other recoveries of staff costs	(5,684)	-	-	-	(5,684)	(3,559)
Total net costs	**2,622,717**	**155,388**	**242**	**245**	**2,778,592**	**2,694,332**

2015-16 severance costs were not disclosed separately but they were included in wages and salaries.

	Charged to Administration budgets	Charged to Programme budgets	Charged to Capital budgets	Total
	£000	£000	£000	£000
Core department	393,037	2,204,659	4,743	2,602,439
ALBs	48,939	139,698	-	188,637
Total	**441,976**	**2,344,357**	**4,743**	**2,791,076**

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 resource accounts of the Cabinet Office (civilservicepensionscheme.org.uk).

For 2016-17, we paid employer contributions of £409.6 million to the PCSPS (2015-16: £406.8 million). These were at one of four rates in the range 20.0% to 24.5% of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions of £42.9 million (2015-16: £42.2 million) were payable to the Civil Superannuation Vote at 31 March 2017 and are included in trade payables and other current liabilities (see note 20).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In total we paid employers contributions of £1.7 million (2015-16: £1.5 million) to three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. We also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0.1 million, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £0.2 million. There were no prepaid contributions at that date.

In 2016-17, 138 people (2015-16: 115 people) retired early on ill-health grounds. The total additional accrued pension liabilities in the year were £0.133 million (2015-16: £0.197 million).

Reporting of Civil Service and other compensation schemes – exit packages

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

Table 1: 2016-17

	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	1	132	**133**	1	137	**138**
£10,001-£25,000	6	176	**182**	6	204	**210**
£25,001-£50,000	1	118	**119**	1	151	**152**
£50,001-£100,000	-	25	**25**	-	34	**34**
£100,001-£150,000	-	2	**2**	-	2	**2**
£150,001-£200,000	-	1	**1**	-	1	**1**
Total number of exit packages	**8**	**454**	**462**	**8**	**529**	**537**
Total cost £000	**126**	**9,545**	**9,671**	**126**	**11,737**	**11,863**

Table 2: 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**

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.

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 HM 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 2016-17.

Table 1: All existing off-payroll engagements, as at 31 March 2017, 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 2017	**300**	**7**	**307**
Length of existing engagement:			
Less than a year at time of reporting	125	3	128
Between 1 and 2 years at time of reporting	131	4	135
Between 2 and 3 years at time of reporting	42	0	42
Between 3 and 4 years at time of reporting	2	0	2

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 2016 and 31 March 2017, 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	**501**	**13**	**514**
Right to request assurance about income tax and National Insurance obligations	437[6]	13	450
Requests for assurance made	495[7]	13	508
Assurance has been received	475	12	487
Assurance has not been received	20[8]	1	21
Engagement terminated as a result of assurance not being received	-	-	-

We have recruited additional contractors during 2016-17 to help us deliver our new IT strategy which insourced a significant amount of work that was previously bought in. Due to the pace and specialist nature this required some short term off payroll resources.

Table 3: Board members and senior officials with significant financial responsibility between 1 April 2016 and 31 March 2017

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	70	32	102
off-payroll	-	-	-

6 Engagements without the contractual clause allowing the department to request assurance relate primarily to Technology Service contracts which have more recently been used to augment digital skills. These engagements were assessed as having some of the features of contingent labour so have been included within the off-payroll assurance process. The omission of this clause has had no impact on the Department's ability to seek or obtain the assurance required.

7 However, we did request confirmation in all but 6 cases this was where the individual left the department and we did not have contact details.

8 Assurance has not been received from 20 individuals. No contracts were terminated as the individuals had already left the department. Where individuals have not produced assurance their details have been provided to HMRC for their consideration.

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 £9.7 million on consultancy compared with £10.9 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)	2016-17	2015-16
Core department	9.0	10.6
Arm's length bodies	0.7	0.3
Departmental group	**9.7**	**10.9**

Temporary (off-payroll) staff (£m)	2016-17	2015-16 *restated
Core department	128.8	54.7
Arm's length bodies	4.0	2.4
Departmental group	**132.8**	**57.1**

Departmental group whole time equivalent off payroll staffing as at 31 March	March 2017	March 2016
Core department	450	510
Arm's length bodies	15	38
Departmental group	**465**	**548**

*Temporary staff figures have been restated, this is due to them previously including some on-payroll casual and seconded staff.

During 2016-17 we have reclassified approximately £45m of costs from Information Technology service costs to contractor costs.

The departmental group whole time equivalent off payroll staff numbers relate to the position at the end of the year, throughout the year the requirement fluctuated peaking at approximately 680 during summer 2016.

Sick absence data

Our continued focus on attendance management has contributed towards the average number of working days lost (AWDL) due to sickness remaining at a record low of 6.2 days in March 2017. This is below the civil service average.

Diversity and inclusion

We are committed to building a diverse and inclusive workforce that understands and reflects the citizens we serve. We expect our people to show respect for and appreciation of differences in ethnicity, gender, age, national origin, disability, sexual orientation, religion or belief and social background. But diversity is more than this. We value the different and diverse perspectives, experiences and contributions of every member of staff.

We encourage our people to voluntarily share their personal diversity information, and promote the benefits of gathering this information, which helps us to identify gaps and take action to close them. However, not every member of staff is willing to share their information and the data tables below only include staff who have shared their disability and ethnicity details. During 2016-17 we made good progress in encouraging our people to indicate their sexual orientation and religious beliefs. However, these numbers remain too low to report on and we will continue our efforts to increase them.

Staff diversity by gender (core department)		March 2015	March 2016	March 2017
Workforce	Women %	68.9	68.4	67.3
Senior civil servants	Women %	36.6	38.9	39.2
Ministers	Women %	20.0	33.3[9]	33.3
Non-executive members	Women %	28.6	25.0[10]	25.0
Executive team	Women %	22.5	22.2	33.3

The proportion of women in our workforce is above the civil service average in all grades except the senior civil servant grade where we are 1.4% below the 40.6% average. To improve our representation rates we have implemented anonymised recruitment, trialled new recruitment approaches and implemented a Senior Civil Service Attraction Strategy.

Staff diversity by declared disability (core department)		March 2015	March 2016	March 2017
Workforce	Disabled %	6.9	7.0	8.7
Senior civil servants	Disabled %	3.6	3.0	6.1

As at 31 March 2017 the proportion of employees who had shared information on disability was 81.2%.

We have made good progress here, but our proportion of disabled colleagues is below the civil service average in all grades except the senior civil servant grade. Increasing representation and improving the experiences of disabled staff is a key priority. Our department has achieved 'Disability Confident Leader' status, hosts the Civil Service Workplace Adjustments Team and has delivered disability focussed conferences and recruitment pilots, but recognises further targeted action is required.

Staff diversity by declared ethnicity (core department)		March 2015	March 2016	March 2017
Workforce	Ethnic minority %	11.5	11.6	12.2
Senior civil servants	Ethnic minority %	5.6	5.4	4.9

As at 31 March 2017 the proportion of employees who had shared information on ethnicity was 79.3%.

The proportion of Black, Asian, Minority Ethnic (BAME) staff is above the civil service average of 11.2%. The numbers fall in grades higher executive officer to grade 6, but at senior civil servant grade are significantly higher than the civil service average of 3.4%.

To improve our position further we have included BAME as one of the eligibility criteria for a place on the Civil Service Positive Action Pathway development programmes and have asked our employees for their views on what other activities need to be undertaken to address BAME under representation. In 2016 our Race Champion won Business in the Community's Race Equality Award (Champion and Executive Sponsor public sector category).

The award was made for formulating a race equality strategy by collaborating with DWP employees, setting up race forums to engage colleagues from all ethnic backgrounds and holding diversity events for staff to share their experiences.

9 This figure has been restated from the Annual Report and Accounts 2015-16 as it was incorrect.
10 This figure has been restated from the Annual Report and Accounts 2015-16 as it was incorrect.

Some more of our key achievements as an employer in 2016-17 include:

- increasing our inclusion and fair treatment score in the annual People Survey – from 77% in 2015 to 79% in 2016 – to 3 percentage points higher than the civil service benchmark
- introducing greater diversity into senior civil servant selection panels
- recruiting 3,463 apprentices (22% were aged 45 years or over)
- committing to recruit, retrain and retain older workers – 45.3% of our people are aged 50 to 64 years
- improving diversity on our Future Leaders and Senior Leaders Schemes
- being awarded Silver Status in the a:gender (civil service transgender network) health check
- launching a comprehensive Health & Wellbeing Strategy
- delivering two inclusive DWP conferences focused on race, disability and wellbeing

We take our responsibilities under the **Public Sector Equality Duty** very seriously. Equality Analysis is embedded into all our decision making processes and equality data is used to monitor the impact of our policies and procedures. This data can be found on **www.gov.uk**.

In relation to our future focus we are committed to delivering the civil service aspiration of being the most inclusive employer in the UK. We already have plans in place for further action in areas such as:

- disability confidence and mental health
- bullying, harassment and discrimination including closing gaps in relation to experiences around engagement, performance management, pay and promotion
- supporting the 'Fuller Working Lives: a Partnership Approach' that we launched in February 2017

We are also engaging our staff and employee networks to understand their experiences of inclusion and will use this insight to inform the priorities in our Diversity and Inclusion Strategy for 2017-18. Further information will be available in autumn 2017 on **www.gov.uk**.

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 2016-17

							2016-17		2015-16
				Estimate			Outturn	Voted outturn compared with Estimate: saving/ (excess)	
	SOPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Outturn Total
		£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit									
- Resource	1.1	5,788,879	471,487	6,260,366	5,690,205	470,554	6,160,759	98,674	6,476,020
- Capital	1.2	261,701	45,000	306,701	253,182	38,439	291,621	8,519	183,801
Annually Managed Expenditure									
- Resource	1.1	74,250,615	100,358,155	174,608,770	73,265,911	99,654,816	172,920,727	984,704	173,400,083
- Capital	1.2	-	(85,000)	(85,000)	-	(87,198)	(87,198)	-	(148,105)
Total budget		**80,301,195**	**100,789,642**	**181,090,837**	**79,209,298**	**100,076,611**	**179,285,909**	**1,091,897**	**179,911,799**
Non-budget									
- Resource	1.1	2,346,778	-	2,346,778	2,027,303	-	2,027,303	319,475	2,011,446
Total		**82,647,973**	**100,789,642**	**183,437,615**	**81,236,601**	**100,076,611**	**181,313,212**	**1,411,372**	**181,923,245**
Total resource budget		80,039,494	100,829,642	180,869,136	78,956,116	100,125,370	179,081,486	1,083,378	179,876,103
Total resource non-budget		2,346,778	-	2,346,778	2,027,303	-	2,027,303	319,475	2,011,446
Total capital		261,701	(40,000)	221,701	253,182	(48,759)	204,423	8,519	35,696
Total		**82,647,973**	**100,789,642**	**183,437,615**	**81,236,601**	**100,076,611**	**181,313,212**	**1,411,372**	**181,923,245**

	SOPS Note	2016-17		2016-17	2015-16
		Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
		£000	£000	£000	£000
Net cash requirement 2016-17	3	83,388,931	81,253,260	2,135,671	81,194,728

	2016-17 Estimate	2016-17 Outturn	2015-16 Outturn
	£000	£000	£000
Administration costs 2016-17	**941,755**	**879,856**	**837,363**

Explanations of variances between Estimate and Outturn are given on page 129.

SOPS 1. Analysis of net outturn

SOPS 1.1 Analysis of net resource outturn by section

										2016-17	2015-16
							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											
DEL Voted:											
A Operational Delivery	21,570	(207)	21,363	1,861,593	(25,194)	1,836,399	1,857,762	1,933,812	76,050	69,200	1,814,794
B Health and Safety Executive (net)	82,971	-	82,971	50,109	-	50,109	133,080	131,688	(1,392)	814	138,930
C European Social Fund	-	-	-	(5,939)	4,409	(1,530)	(1,530)	(1,740)	(210)	-	18,283
D Executive Arm's Length Bodies (net)	9,836	-	9,836	68,541	-	68,541	78,377	82,427	4,050	4,050	152,323
E Employment Programmes	-	-	-	579,715	(4,177)	575,538	575,538	571,608	(3,930)	-	759,300
F Support for Local Authorities	-	-	-	290,404	-	290,404	290,404	291,478	1,074	1,074	328,503
G Other Programmes	-	-	-	45,274	(81,426)	(36,152)	(36,152)	(33,727)	2,425	2,425	(19,515)
H Other Benefits	-	-	-	162,989	-	162,989	162,989	162,485	(504)	-	156,685
I Departmental operating costs	789,461	(23,775)	765,686	1,954,539	(90,488)	1,864,051	2,629,737	2,650,848	21,111	21,111	2,571,027
Total DEL Voted	**903,838**	**(23,982)**	**879,856**	**5,007,225**	**(196,876)**	**4,810,349**	**5,690,205**	**5,788,879**	**98,674**	**98,674**	**5,920,330**
DEL Non-voted:											
J National Insurance Fund	-	-	-	442,737	-	442,737	442,737	442,737	-	-	525,639
K Expenditure incurred by the Social Fund	-	-	-	27,817	-	27,817	27,817	28,750	933	933	30,051
Total Non-voted	**-**	**-**	**-**	**470,554**	**-**	**470,554**	**470,554**	**471,487**	**933**	**933**	**555,690**

										2016-17	2015-16
							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	-	-	-	234,289	-	234,289	234,289	241,455	7,166	7,166	469,594
M Industrial Injuries Benefit Scheme - Inside Welfare Cap	-	-	-	861,113	-	861,113	861,113	866,480	5,367	5,367	892,012
N Universal Credit -Inside Welfare Cap	-	-	-	634,116	-	634,116	634,116	706,654	72,538	72,538	33,767
O Employment and Support Allowance - Inside Welfare Cap	-	-	-	10,143,435	-	10,143,435	10,143,435	10,275,567	132,132	-	9,814,883
P Income Support - Inside Welfare Cap	-	-	-	2,240,217	(8,340)	2,231,877	2,231,877	2,409,940	178,063	-	2,539,111
Q Pension Credit - Inside Welfare Cap	-	-	-	5,665,585	-	5,665,585	5,665,585	5,713,464	47,879	18,367	6,078,707
R Financial Assistance Scheme - Inside Welfare Cap	-	-	-	261,422	-	261,422	261,422	(78,285)	(339,707)	-	2,674,833
S Attendance Allowance - Inside Welfare Cap	-	-	-	5,482,767	-	5,482,767	5,482,767	5,512,797	30,030	30,030	5,489,544
T Personal Independence Payment - Inside Welfare Cap	-	-	-	5,167,728	-	5,167,728	5,167,728	5,307,788	140,060	140,060	3,011,632
U Disability Living Allowance - Inside Welfare Cap	-	-	-	11,513,613	-	11,513,613	11,513,613	11,632,961	119,348	119,348	13,233,012
V Carer's Allowance - Inside Welfare Cap	-	-	-	2,666,973	-	2,666,973	2,666,973	2,720,088	53,115	53,115	2,545,443
W Housing Benefit - Inside Welfare Cap	-	-	-	21,308,059	-	21,308,059	21,308,059	21,548,085	240,026	239,212	21,792,554

										2016-17	2015-16
							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	-	-	-	2,152,000	-	2,152,000	2,152,000	2,152,000	-	-	2,532,000
Y Non-Contributory Christmas Bonus – Inside Welfare Cap	-	-	-	33,096	-	33,096	33,096	32,282	(814)	-	35,652
Z Jobseeker's Allowance – Outside Welfare Cap	-	-	-	1,611,315	(106)	1,611,209	1,611,209	1,627,940	16,731	16,731	2,003,617
AA Universal Credit –Outside Welfare Cap	-	-	-	951,174	-	951,174	951,174	1,155,302	204,128	204,128	457,030
AB TV Licences for the over 75s – Outside Welfare Cap	-	-	-	627,551	-	627,551	627,551	630,744	3,193	3,193	621,750
AC Housing Benefit – Outside Welfare Cap	-	-	-	1,571,464	-	1,571,464	1,571,464	1,664,389	92,925	75,449	1,807,604
AD Other benefits – Outside Welfare Cap	-	-	-	103,282	-	103,282	103,282	98,583	(4,699)	-	97,857
AE Other Expenditure – Outside Welfare Cap	-	-	-	40,099	-	40,099	40,099	31,760	(8,339)	-	28,431
AF Other Expenditure EALBs (Net) – Outside Welfare Cap	-	-	-	5,059	-	5,059	5,059	621	(4,438)	-	(3,709)
Total AME Voted	**-**	**-**	**-**	**73,274,357**	**(8,446)**	**73,265,911**	**73,265,911**	**74,250,615**	**984,704**	**984,704**	**76,155,324**
Non-voted:											
AG Incapacity Benefit – Inside Welfare Cap	-	-	-	14,895	-	14,895	14,895	11,422	(3,473)	-	61,927
AH Employment and Support Allowance – Inside Welfare Cap	-	-	-	4,687,009	-	4,687,009	4,687,009	4,748,337	61,328	57,855	4,456,672
AI Expenditure incurred by the Social Fund – Inside Welfare Cap	-	-	-	2,087,406	-	2,087,406	2,087,406	2,452,675	365,269	365,269	2,003,872
AJ Maternity Allowance – Inside Welfare Cap	-	-	-	436,458	-	436,458	436,458	442,030	5,572	2,719	440,942

										2016-17	2015-16
							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	-	-	-	557,338	-	557,338	557,338	554,485	(2,853)	-	568,921
AL Other Contributory Benefits -Inside Welfare Cap	-	-	-	126,430	-	126,430	126,430	124,389	(2,041)	-	127,569
AM Jobseeker's Allowance – Outside Welfare Cap	-	-	-	264,290	(22)	264,268	264,268	271,673	7,405	7,405	309,890
AN State Pension – Outside Welfare Cap	-	-	-	91,481,012	-	91,481,012	91,481,012	91,753,144	272,132	270,091	89,274,966
Total AME non-voted	-	-	-	**99,654,838**	**(22)**	**99,654,816**	**99,654,816**	**100,358,155**	**703,339**	**703,339**	**97,244,759**
Budget	**903,838**	**(23,982)**	**879,856**	**178,406,974**	**(205,344)**	**178,201,630**	**179,081,486**	**180,869,136**	**1,787,650**	**1,787,650**	**179,876,103**
Non-budget resource											
Voted:											
AO Cash paid in to the Social Fund	-	-	-	2,027,303	-	2,027,303	2,027,303	2,346,778	319,475	319,475	2,011,446
	-	**-**	**-**	**2,027,303**	**-**	**2,027,303**	**2,027,303**	**2,346,778**	**319,475**	**319,475**	**2,011,446**
Total resource	**903,838**	**(23,982)**	**879,856**	**180,434,277**	**(205,344)**	**180,228,933**	**181,108,789**	**183,215,914**	**2,107,125**	**2,107,125**	**181,887,549**

SOPS 1.2 Analysis of net capital outturn by section

					2016-17		2015-16
	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	1,413	-	1,413	1,600	187	187	3,539
B Health and Safety Executive (net)	10,709	-	10,709	9,220	(1,489)	-	5,100
D Executive arm's length bodies (net)	4,450	-	4,450	915	(3,535)	-	1,165
E Employment programmes	-	(691)	(691)	(798)	(107)	-	(2,883)
G Other programmes	79,500	-	79,500	100,000	20,500	3,332	66,600
I Departmental operating costs	165,659	(7,858)	157,801	150,764	(7,037)	5,000	74,813
Total	**261,731**	**(8,549)**	**253,182**	**261,701**	**8,519**	**8,519**	**148,334**
Non-Voted:							
K Expenditure incurred by the Social Fund	38,439	-	38,439	45,000	6,561	6,561	39,842
Excess capital receipts							(4,375)
Total	**38,439**	**-**	**38,439**	**45,000**	**6,561**	**6,561**	**35,467**
Spending in Annually Managed Expenditure							
Non-Voted:							
AI Expenditure incurred by the Social Fund – inside welfare cap	(87,198)	-	(87,198)	(85,000)	2,198	2,198	(148,105)
AL Other Contributory Benefits – inside welfare cap	39,407	(39,407)	-	-	-	-	-
	(47,791)	**(39,407)**	**(87,198)**	**(85,000)**	**2,198**	**2,198**	**(148,105)**
Total	**252,379**	**(47,956)**	**204,423**	**221,701**	**17,278**	**17,278**	**35,696**

SOPS 2. Reconciliation of outturn to net operating expenditure

Total resource outturn in Statement of Parliamentary Supply		SOPS Note	2016-17 Outturn £000	2015-16 Outturn £000
	Budget	1.1	179,081,486	179,876,103
	Non-Budget	1.1	2,027,303	2,011,446
	Total resource		**181,108,789**	**181,887,549**
Add:	Capital Grants		(37,409)	1,282
	Capital Research and development		2,525	-
	PFI Adjustment		34,427	33,585
			181,108,332	**181,922,416**
Less:	Income payable to the Consolidated Fund	4	(20,040)	(8,732)
	Cash paid to the Social Fund – Voted		(2,027,303)	(2,011,446)
	Non-Budget			
Net operating costs in Consolidated Statement of Comprehensive Net Expenditure			**179,060,989**	**179,902,238**

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

	SOPS Note	Estimate £000	Outturn £000	2016-17 Net total outturn compared with Estimate: saving/ (excess) £000
Net resource outturn	1.1	183,215,914	181,108,789	2,107,125
Capital:				
Adjustment for capital outturn	1.2	221,701	204,423	17,278
Accrual adjustments:				
Non-cash items		(452,981)	(523,995)	71,014
Changes in working capital other than cash		1,000,000	389,699	610,301
Tax Credit receivables		-	(39,407)	39,407
Utilisation of provisions		194,560	202,219	(7,659)
Adjustments for arm's length bodies:				
Voted resource and capital		(224,871)	(231,675)	6,804
Cash grant in aid		224,250	219,818	4,432
Adjustment of non-voted budget		(100,789,642)	(100,076,611)	(713,031)
Net cash requirement of core department		**83,388,931**	**81,253,260**	**2,135,671**

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 2016-17		Outturn 2015-16	
	Income	*Receipts*	Income	*Receipts*
	£000	*£000*	£000	*£000*
Income outside the ambit of the estimate	20,040	*11,349*	8,732	*15,566*
Excess cash surrenderable to the Consolidated Fund	85,000	*85,000*	150,000	*150,000*
Excess capital receipts	-	-	4,375	*4,375*
Total income payable to the Consolidated Fund	**105,040**	***96,349***	**163,107**	***169,941***

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 218 to 234.

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**	**Explanation of variance**
Estimate Line	**£0**	**£0**	**£0**	
Voted Expenditure DEL				
Other Programmes - Capital	100,000	79,500	20,500	The variance wholly relates to NEST Loan requirements which have reduced due to achieving a higher than forecast revenue from NEST pension scheme members.
Voted Expenditure AME				
Universal Credit - Inside the Welfare Cap - Resource	706,654	634,116	72,538	Universal Credit (UC) outturn was lower than expected, reflecting differences in the rollout profile. These differences drive relatively large proportional differences in UC expenditure as UC currently accounts for only a small proportion of the benefits it will replace.
Universal Credit - Outside the Welfare Cap - Resource	1,155,302	951,174	204,128	
Financial Assistance Scheme (FAS) - Resource	(78,285)	261,422	(339,707)	The movement is primarily driven by a change in the cash flow forecast and a movement on the forecasted timing of FAS pension scheme receipts being received by the department.
Non Voted Expenditure AME				
Expenditure incurred by the Social Fund - Resource	2,452,675	2,087,406	365,269	The main reason is due to the mild winter which has resulted in minimum expenditure on Cold Weather payments
Voted Expenditure Non-budget				
Cash paid in to the Social Fund – Resource	2,346,778	2,027,303	319,475	Winter 2016-17 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

(This information is not subject to audit)

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

	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
Resource DEL[1]								
Section A: Operational Delivery	2,865	2,866	2,191	1,815	1,858	1,838	1,755	1,575
Section B: Health and Safety Executive (net)	158	152	136	135	133	126	109	106
Child Maintenance and Enforcement Commission (net)	155	-	-	-	-	-	-	-
Section C: European Social Fund	122	(3)	-	18	(2)	11	-	-
Section D: Executive Arm's Length Bodies (net)	366	354	348	152	78	87	67	67
Section E: Employment Programmes	802	1,037	950	759	576	636	564	509
Financial Assistance Scheme	109	153	-	-	-	-	-	-
Section F: Support for Local Authorities	529	644	536	329	290	283	303	275
Section G: Other Programmes	89	62	50	(20)	(36)	(34)	(22)	(20)
Section H: Other Benefits	90	212	206	157	163	168	148	133
Section I: Departmental operating costs	1,464	1,480	2,147	2,571	2,630	2,807	2,735	2,518
Section J: National Insurance Fund	706	611	547	526	443	458	389	352
Section K: Expenditure incurred by the Social Fund	39	37	33	30	28	29	35	35
Total Resource DEL	**7,496**	**7,606**	**7,145**	**6,473**	**6,161**	**6,410**	**6,083**	**5,550**
Of which:								
Staff costs	3,063	2,995	2,772	2,709	2,785	2,838	2,594	2,377
Purchase of goods and services	2,078	2,242	2,427	2,261	2,047	1,759	2,091	1,905
Income from sales of goods and services	(139)	(220)	(190)	(195)	(207)	(191)	(208)	(204)
Current grants to local government (net)	621	908	724	485	457	468	452	408
Current grants to persons and non-profit bodies (net)	536	555	392	250	166	182	182	169
Current grants abroad (net)	(187)	(139)	(282)	(348)	4	(350)	(400)	(400)

	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
Subsidies to private sector companies	95	108	97	96	104	109	102	93
Subsidies to public corporations	141	120	111	42	46	50	44	40
Net public service pensions[2]	-	-	-	-	-	-	-	-
Rentals	754	693	652	668	640	1,051	712	654
Depreciation[3]	248	183	176	183	156	179	165	155
Change in pension scheme liabilities	-	-	-	-	9	-	-	-
Other resource	287	162	265	322	(47)	315	348	353
Resource AME[4]								
Section L: Severe Disablement Allowance - Inside Welfare Cap	887	860	735	470	234	131	117	115
Section M: Industrial Injuries Benefits Scheme - Inside Welfare Cap	905	901	908	892	861	852	856	853
Section N: Universal Credit - Inside Welfare Cap	-	6	56	34	634	2,338	(1,459)	(2,570)
Section O: Employment and Support Allowance - Inside Welfare Cap	4,475	6,898	8,726	9,815	10,143	10,097	10,224	10,464
Section P: Income Support - Inside Welfare Cap	5,254	3,583	2,893	2,539	2,232	1,991	1,973	2,000
Section Q: Pension Credit - Inside Welfare Cap	7,566	7,042	6,576	6,079	5,666	5,362	5,317	5,292
Section R: Financial Assistance Scheme - Inside Welfare Cap	93	284	688	2,675	261	177	275	268
Section S: Attendance Allowance - Inside Welfare Cap	5,476	5,360	5,422	5,490	5,483	5,508	5,781	6,041
Section T: Personal Independence Payment - Inside Welfare Cap	-	165	1,571	3,012	5,168	8,537	11,042	12,412
Section U: Disability Living Allowance - Inside Welfare Cap	13,430	13,763	13,798	13,233	11,514	8,787	6,051	5,311
Section V: Carer's Allowance - Inside Welfare Cap	1,927	2,088	2,319	2,545	2,667	2,933	3,135	3,326
Section W: Housing Benefit - Inside Welfare Cap	23,434	23,701	23,742	21,793	21,308	20,030	20,754	20,541
Section X: Statutory Maternity Pay - Inside Welfare Cap	2,443	2,258	2,391	2,532	2,152	2,384	2,525	2,620

	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**
Section Y: Non-contributory Christmas Bonus - Inside Welfare Cap	50	-	33	36	33	33	30	30
Section Z: Jobseeker's Allowance - Outside Welfare Cap	4,507	3,812	2,696	2,004	1,611	1,573	2,492	2,541
Section AA: Universal Credit - Outside Welfare Cap	-	-	-	457	951	1,577	-	-
Section AB: TV Licences for the over 75s - Outside Welfare Cap	596	606	612	622	628	641	468	247
Section AC: Housing Benefit - Outside Welfare Cap	-	-	-	1,808	1,571	1,578	2,133	2,186
Section AD: Other Benefits - Outside Welfare Cap[5]	5,129	259	107	98	103	104	104	118
Section AE: Other Expenditure - Outside Welfare Cap	(142)	11	(13)	28	40	(2)	-	-
Section AF: Other Expenditure EALBs (net) - Outside Welfare Cap	(4)	(2)	(1)	(4)	5	-	-	-
Section AG: Incapacity Benefit - Inside Welfare Cap	3,276	1,187	245	62	15	2	(1)	(1)
Section AH: Employment and Support Allowance - Inside Welfare Cap	2,305	3,539	4,101	4,457	4,687	4,730	4,263	4,194
Section AI: Expenditure incurred by the Social Fund - Inside Welfare Cap	2,390	2,106	2,125	2,004	2,087	2,205	2,122	2,105
Section AJ: Maternity Allowance - Inside Welfare Cap	395	400	417	441	436	458	477	495
Section AK: Bereavement benefits - Inside Welfare Cap	593	582	571	569	557	534	520	494
Section AL: Other Contributory Benefits - Inside Welfare Cap	123	123	125	128	126	124	123	122
Section AM: Jobseeker's Allowance - Outside Welfare Cap	662	527	369	310	264	336	358	361
Section AN: State Pension - Outside Welfare Cap	79,735	83,015	86,428	89,275	91,481	93,881	97,120	100,189
Total Resource AME	**165,506**	**163,072**	**167,639**	**173,400**	**172,921**	**176,901**	**176,800**	**179,754**
Of which:								
Purchase of goods and services	1	-	-	-	13	-	-	-

	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**
Current grants to local government (net)	28,308	23,702	23,740	23,600	22,880	21,608	22,886	22,727
Current grants to persons and non-profit bodies (net)	136,307	138,130	142,413	146,631	149,110	154,424	153,101	156,438
Depreciation[3]	2	5	(3)	-	3	(19)	28	36
Take up of provisions	204	442	796	2,631	287	161	274	267
Release of provision	(162)	(156)	(184)	(301)	(203)	(209)	(212)	(219)
Change in pension scheme liabilities	-	-	-	7	7	-	-	-
Other resource	845	948	877	832	824	935	724	505
Total Resource Budget	**173,002**	**170,679**	**174,783**	**179,873**	**179,082**	**183,311**	**182,883**	**185,304**
Of which:								
Depreciation[3]	250	187	173	183	159	159	193	191
Capital DEL[6]								
Section A: Operational Delivery	18	15	12	4	1	-	2	2
Section B: Health and Safety Executive (net)	11	9	8	9	11	9	8	8
Child Maintenance and Enforcement Commission (net)	8	-	-	-	-	-	-	-
Section D: Executive Arm's Length Bodies (net)	1	3	3	1	4	1	1	1
Section E: Employment Programmes	-	6	(4)	(3)	(1)	-	-	-
Section G: Other Programmes	68	60	94	67	80	125	115	101
Section I: Departmental operating costs	272	97	95	75	158	203	82	67
Section K: Expenditure incurred by the Social Fund	44	47	44	40	38	40	47	48
Section L: Consolidated Fund Extra Receipts	-	-	-	(4)	-	-	-	-
Total Capital DEL[6]	**421**	**237**	**251**	**188**	**292**	**378**	**255**	**227**
Of which:								
Staff costs	2	3	2	2	2	2	-	-
Purchase of goods and services	1	1	1	1	-	-	4	4
Capital grants to persons & non-profit bodies (net)	-	-	-	1	2	1	-	-
Capital grants to private sector companies (net)	-	-	(2)	-	-	-	-	-
Capital support for public corporations	-	-	-	67	80	125	86	75
Purchase of assets	307	126	116	98	178	218	107	90
Income from sales of assets	(3)	(6)	(2)	(19)	(6)	(9)	(18)	(16)

	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**
Net lending to the private sector and abroad	45	53	40	37	36	40	47	48
Other capital	68	60	94	-	-	-	29	26
Capital AME[6]								
Section N: Universal Credit - Inside Welfare Cap	-	1	-	-	-	-	-	-
Section Z: Jobseeker's Allowance - Outside Welfare Cap	-	1	-	-	-	-	-	-
Section AI: Expenditure incurred by the Social Fund - Inside Welfare Cap	(17)	(136)	(124)	(148)	(87)	-	-	-
Total Capital AME[6]	**(17)**	**(134)**	**(124)**	**(148)**	**(87)**	-	-	-
Of which:								
Net lending to the private sector and abroad	(17)	(134)	(124)	(148)	(48)	-	-	-
Other capital	-	-	-	-	(39)	-	-	-
Total Capital Budget	**405**	**102**	**126**	**39**	**204**	**378**	**255**	**227**
Total departmental spending[9]	173,156	170,594	174,737	179,729	179,126	183,529	182,945	185,340
Of which:								
Total DEL	7,669	7,661	7,220	6,477	6,296	6,609	6,173	5,622
Total AME	165,487	162,933	167,517	173,252	172,831	176,920	176,772	179,718

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 the year 2012-13 Other Benefits (Section AD), 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 2017, 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. Totals may not sum due to rounding.
11. 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
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
Resource DEL								
Section A: Operational Delivery	249	244	192	41	21	15	17	16
Section B: Health and Safety Executive (net)	102	105	81	82	83	73	65	64
Child Maintenance and Enforcement Commission (net)	44	-	-	-	-	-	-	-
Section D: Executive Arm's Length Bodies (net)	16	18	19	28	10	14	10	10
Section I: Departmental operating costs	768	717	596	684	766	799	734	706
Total administration budget	**1,180**	**1,084**	**888**	**835**	**880**	**901**	**826**	**796**
Of which:								
Staff costs	520	476	448	384	441	462	304	299
Purchase of goods and services	290	408	363	390	379	172	353	344
Income from sales of goods and services	(13)	(79)	(54)	(47)	(59)	(44)	(65)	(67)
Current grants to local government (net)	-	-	-	-	-	29	6	6
Rentals	138	62	55	86	83	170	143	138
Depreciation	231	198	55	29	19	101	86	76
Other resource	14	19	20	(8)	15	11	-	-

1. Totals may not sum due to rounding.

Parliamentary Accountability Disclosures

Losses and Special Payments[11]

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

	2016-17				2015-16			
	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	406,693	408,369	1,107,707	1,109,776	480,514	482,494	1,327,790	1,329,798
Special Payments	2,883	3,612	10,333	11,726	7,786	7,826	10,819	10,821

Overpayments due to fraud and error are not considered losses until recovery options have been exhausted, for more information please see note 1.14.

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

	2016-17 £000
Non-recoverable benefit overpayments	334,791
Where overpayments are non-recoverable we have no legal right to pursue them. These may be overpayments where we are trying to recover under "common law" or may be official error overpayments or overpayments that fall under the small overpayments category. As soon as these are identified they are scheduled for write off as we have no authority to pursue.	
Customer fraud	8,788
We write off overpayments resulting from customer fraud once we've exhausted our debt recovery processes.	
Overpayments to local authorities	3,993
During the early stages of UC development, a number of process errors have resulted in duplicate housing payments being made to claimants. There is no legal right for DWP to pursue recovery.	
Duplicate Christmas bonus	395
We sometimes pay duplicate Christmas bonuses because more than one benefit system can generate the payment. This is classed as official error and the Department has no legal right to recovery.	
Social Fund	45,556
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 often there aren't enough assets in the estate. This year we wrote off 28,735 of these payments, with a total value of £40.5million. Budgeting and crisis loans which can't be recovered are written off subject to strict criteria. This year we wrote off 38,802 of these loans, with a total value of £3.7million. We also wrote off 9,670 irrecoverable grant overpayments amounting to £1.4million.	

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

(ii) Cash losses

	2016-17 £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.	2,365
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.	520
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.	796
European Social Fund errors (ESF 7-13) The loss arose because we funded ESF projects which, when audited, were found to have insufficient evidence to confirm some participant eligibility. This resulted in the payments being irrecoverable from the EU.	2,865

(iii) Constructive losses

	2016-17 £000
ESA Online/Personal Independence Programme (PIP) Digital Following a full review of all change programmes, including the DWP digital portfolio, a decision was made to stop further development of both the ESA and the PIP On Line systems so future investment could be refocused on other areas of greater priority.	4,800
Mobile technology losses Following a review of DWP security the Department disposed of a number of devices. The loss represents the difference between the original purchase and subsequent sale.	329

(iv) Special payments

	2016-17 £000
Following a legal challenge, a number of ex gratia payments were made to 1,388 former Remploy employees following closure of the Remploy factories.	698

(v) Other accountability issues

Fraud

Investigations into suspected fraud or abuse by staff are conducted by the Counter Fraud and Investigation team, a dedicated national resource within the Government Internal Audit Agency.

The following all relate to fraud cases where all avenues of recovery have been exhausted.

A total of 19 internal fraud investigations into salary, expenses, contract and other non-benefit losses proved fraud of £0.232 million.

15 investigations into non-contributory and contributory benefits where fraud was proven of £0.115 million.

1 investigation of potential fraud by contracted employment providers. The total value of this case was £0.003 million.

Serious and organised fraud

The Fraud Investigation Service investigates organised and systematic abuse of the benefits system. It concluded 11 investigations with a value of £0.074 million in 2016-17.

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 Parliamentary reporting purposes. They have arisen within the normal course of business and include, as at 31 March 2017:

- **Disabled People's Employment Corporation (GB) Limited (DPEC) letter of comfort**
  DPEC is due to enter Members' Voluntary Liquidation, we have agreed to settle, on a non-recourse basis, any residual liabilities that might arise in the course of the liquidation, to the extent that DPEC has insufficient funds to do so itself.

Sir Robert Devereux KCB
Permanent Secretary

26 June 2017

Certificate of the Comptroller and Auditor General

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Department for Work and Pensions and of its Departmental Group for the year ended 31 March 2017 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 2017. 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 is 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.

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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.

Opinion on regularity

In my opinion, except for the estimated levels 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 2017 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.

Basis for qualified opinion on regularity

Note 23 to the Accounts records benefit expenditure of £174.1 billion in 2016-17. Within this expenditure the Department estimates:

- overpayments excluding State Pension of £3.4 billion (4.1% of related expenditure); and
- underpayments excluding State Pension of £1.5 billion (1.9% of related expenditure).

Where fraud and error result in over and underpayments the transactions do not conform with the relevant primary legislation specifying benefit entitlement and calculation criteria, and the expenditure is irregular. I consider these levels of over and underpayments to be material to my opinion on the accounts.

For State Pension the Department estimates:

- overpayments of £100 million (0.1% of related expenditure); and
- underpayments of £100 million (0.1% of related expenditure).

I consider these levels of over and underpayments to be immaterial 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.

My report, which follows on pages 144 to 165, provides further detail of my qualified audit opinion on regularity.

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 2017 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 28 June 2017

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 for Work & Pensions' (the department's) total expenditure on benefits in 2016-17 was £174.1 billion, of which £150.8 billion was for benefits paid directly by the department and £23.3 billion was for benefits paid on its behalf by local authorities (Housing Benefit)[1]. Benefit expenditure represents 97% of the department's 2016-17 total net operating costs of £179.1 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 the public resources available for other purposes. Underpayments mean that households are not getting the support they are entitled to. Even where payment errors are later corrected this can lead to additional administrative work and uncertainty for claimants.

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. The department relies on claimants providing timely and accurate information, particularly when their circumstances change; and the complexity of benefits can cause confusion and genuine error. Some benefits, mainly those to which entitlement is means-tested, are more susceptible to fraud and error due to their complexity. The benefits showing the highest estimated rates of fraud and error are Housing Benefit, Pension Credit and Jobseeker's Allowance.

4. This report sets out the reasons and context for my qualified audit opinion; the trends and reasons behind fraud and error; and how the department is adopting a more structured approach to addressing fraud and error based on a more detailed understanding of the causes.

1 Total expenditure on benefits of £174.1 billion represents the latest available forecast expenditure for 2016-17 at the time the department produced the fraud and error estimates, as reflected in note 23 to the accounts.

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

5. I have qualified my opinion on the regularity of the 2016-17 financial statements of the Department for Work & Pensions due to the material level of fraud and error in benefit expenditure, other than State Pension where the level of fraud and error is significantly lower.

6. Under the Government Resources and Accounts Act 2000, I am required to obtain sufficient evidence 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.

7. Legislation specifies the entitlement criteria for each benefit and the method to be used to calculate the amount of benefit to be paid. Where fraud or error result in an over or underpayment of benefit to an individual who is not entitled to that benefit, or is paid at a rate that differs from the amount specified in legislation, the transaction does not conform with Parliament's intention and is irregular.

8. In my opinion the overall value of over and under payments due to fraud and error in benefits other than State Pension remains material by reference to total expenditure on benefits, and the qualification of my audit opinion reflects that. This is the twenty-ninth consecutive year in which I have qualified my opinion on regularity due to material over and underpayments in benefit expenditure.

Estimated level of fraud and error in benefit expenditure

9. In note 23 to the accounts, the department sets out its estimate of benefit over and underpayments due to fraud and error in 2016-17. **Figure 1** summarises the department's results. Total overpayments have increased and underpayments have decreased, as a percentage of expenditure, compared to 2015-16. Within these totals, State Pension overpayments have remained the same and underpayments have decreased.

10. **Figure 2** shows 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. It compares 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. Excluding State Pension, overpayments are at the highest levels since 2009-10, while underpayments are at the highest recorded levels.

Figure 1

Overpayments and underpayments in benefit expenditure due to fraud and error, 2016-17 compared to 2015-16

Excluding State Pension, the level of over and underpayments as a percentage of benefit expenditure has increased in 2016-17

	2016-17 (£bn)	2015-16 (£bn)	2016-17 (%)	2015-16 (%)	Trend
Total overpayments	3.5	3.1	2.0	1.8	▲
Total underpayments	1.6	1.8	0.9	1.0	▼
State Pension overpayments	0.1	0.1	0.1	0.1	◄►
State Pension underpayments	0.1	0.3	0.1	0.3	▼
Overpayments excluding State Pension	3.4	3.0	4.1	3.6	▲
Underpayments excluding State Pension	1.5	1.5	1.9	1.8	▲

Notes

1 Fraud and error figures quoted in this report are central estimates (or 'mid-points') within a 95% confidence interval. The range reported by the department in *Fraud and error in the benefits system: financial year 2016-17 preliminary estimate*, 18 May 2017 reflects the uncertainty within the department's fraud and error estimates.

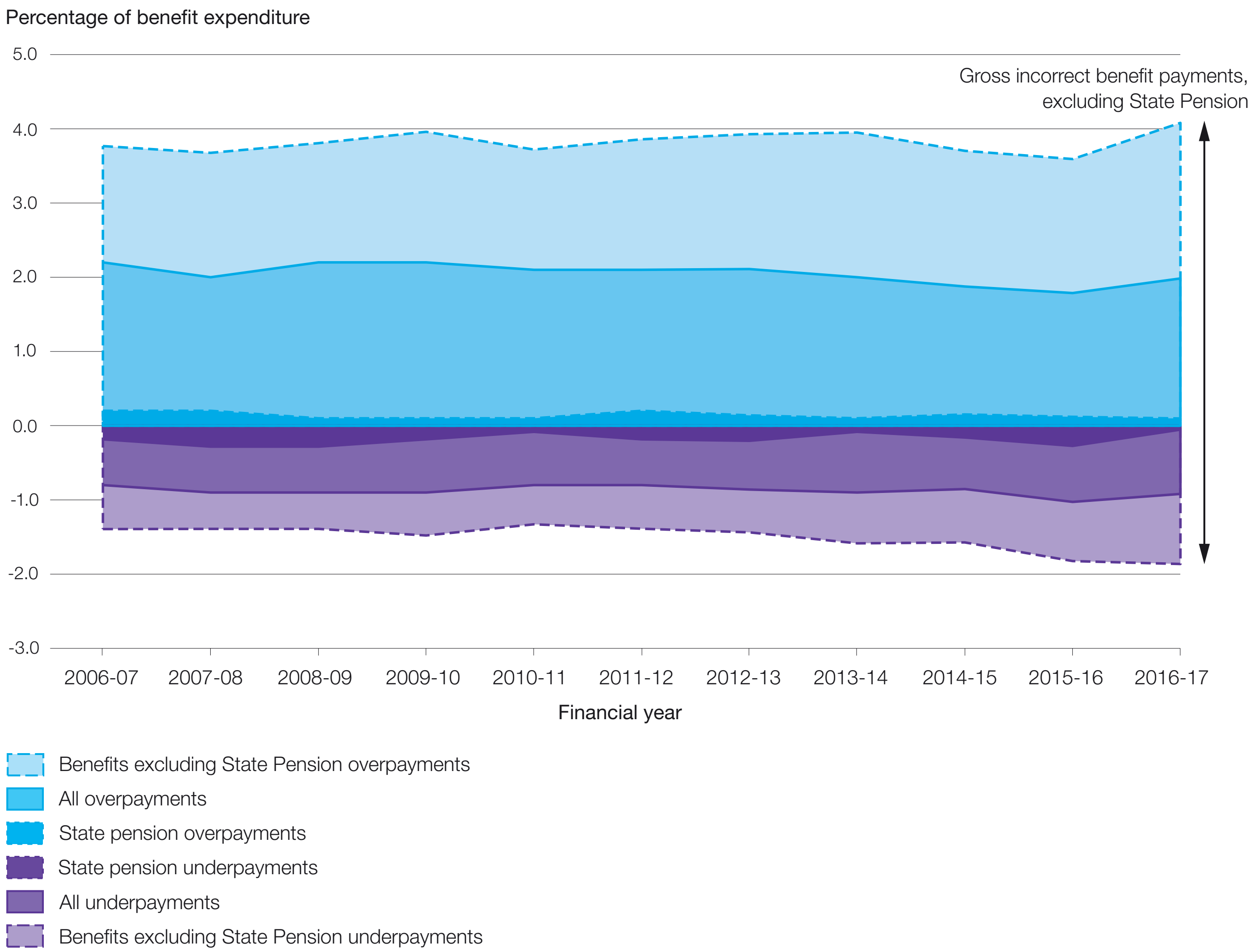
2 The 2015-16 comparatives used here, in the C&AG's certificate and disclosed by the department in Note 23, are taken from *Fraud and error in the benefits system: financial year 2015-16 preliminary estimate*, 19 May 2016, which were the latest available when the 2015-16 accounts were published. The department published its final estimates for 2015-16 in December 2016.

Source: Note 23 of the Department for Work & Pensions *Annual Report and Accounts 2016-17*, June 2017

Figure 2

Over and underpayments in all benefits, excluding State Pension and for State Pension only, 2006-07 to 2016-17

Excluding State Pension, overpayments are at the highest levels since 2009-10, while underpayments are at the highest recorded levels



Note

1 All rates included in the above figure are from the Department for Work & Pensions' fraud and error in the benefit system published statistics. Preliminary results have been used from 2012-13 to 2016-17 as reported in the incorrect payments note of the relevant Department for Work & Pensions' Annual Report and Accounts. Final results have been used for 2006-07 to 2011-12 from the supporting tables accompanying the Department for Work & Pensions' *Fraud and Error in the Benefit System: financial year 2016-17 preliminary estimates*.

Source: National Audit Office analysis of Department for Work & Pensions data included in the *Fraud and error in the benefits system estimates*

11. Figure 3 shows the over and underpayments in individual benefits reported by the department for the last three years. The department considers that overall the level of over and underpayments is not yet showing the benefits of the department's focused efforts to tackle fraud and error (paragraphs 25 to 39).

12. Amongst benefits measured annually for fraud and error, Employment Support Allowance and Housing Benefit overpayments are at the highest recorded levels, and Jobseeker's Allowance overpayments have returned to the highest levels since 2010-11. Pension Credit and Universal Credit overpayment rates have decreased. The decrease in Pension Credit overpayments aligns to the concentrated efforts the department has made in tackling fraud and error (paragraphs 25 to 31). However, the decrease in Universal Credit overpayments is predominantly due to changes in measurement approach (paragraphs 41 to 51).

Fraud and error measurement

13. The department groups over and underpayments into three categories, which it defines as follows:

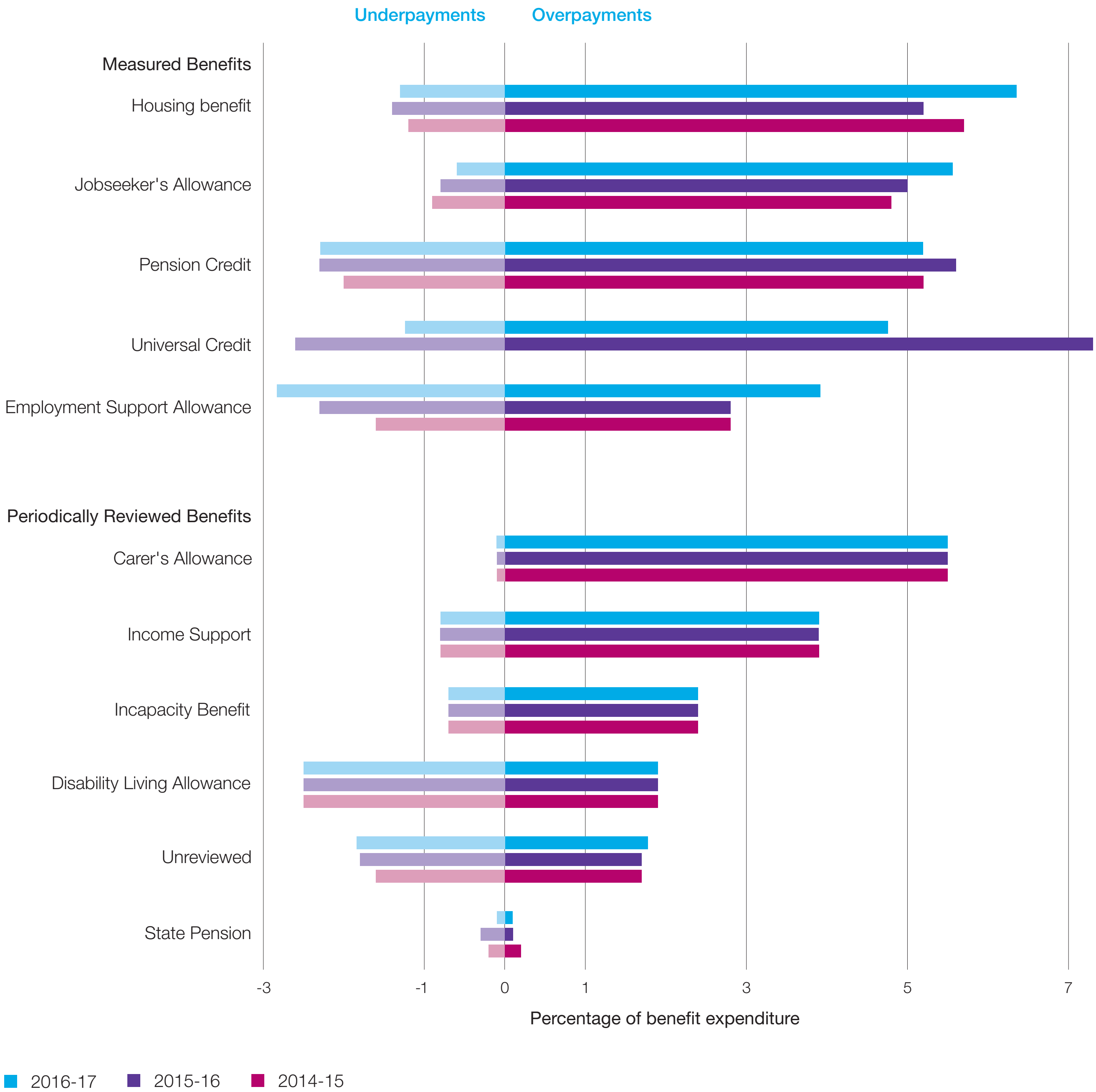
- **official error**, which arises when a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the department, a local authority or HM Revenue & Customs;
- **claimant error**, which occurs when claimants make mistakes with no fraudulent intent; and
- **fraud**, which arises when claimants deliberately seek to mislead the department or local authorities that 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 23 to the accounts. In 2014-15, the department changed the way it categorises overpayments, such that there is a higher burden of proof for the claimant to demonstrate error, and failure to provide evidence is now classified as claimant fraud. This change and other uncertainties in the measurement explained in note 23 mean that caution should be exercised when examining the estimates for trends.

Figure 3

Percentage over and underpayments per benefit 2016-17

Fraud and error overpayments of Employment Support Allowance, Housing Benefit and Jobseekers Allowance increased in 2016-17, while overpayments of Pension Credit and Universal Credit decreased



Notes

1 The measurement methodology for Universal Credit "Live Service" changed between 2015-16 and 2016-17, which means that the two years should not be compared (paragraphs 40 to 50). Universal Credit fraud and error was not measured prior to 2015-16.

2 The department does not measure fraud and error in all benefits annually, see paragraph 15 and Figure 4.

Source: National Audit Office analysis of Department for Work & Pensions *Tables: Fraud and error in the benefits system: financial year 2016-17 preliminary estimates*, 18 May 2017

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15. The estimated levels of fraud and error in some benefits are several years old, while fraud and error in some benefits have never been measured. Figure 4 shows which benefits are measured annually or periodically, and those that are not reviewed, where the fraud and error level is estimated using a proxy. Only 27% of benefit expenditure is annually measured for fraud and error.

16. The absence of up-to-date information on error rates in large benefit streams creates a risk that the department is not targeting its fraud and error interventions effectively. For example, Disability Living Allowance, which accounted for £11.5 billion of expenditure in 2016-17, has not been measured for fraud and error since 2004-05. However, Disability Living Allowance claimants have changed significantly in that time and will change further over coming years, as around half of claimants have or will migrate to Personal Independent Payments, with only those under 16 years old or over 65 still eligible for Disability Living Allowance. This may mean that historic rates of fraud and error are no longer an appropriate indicator looking ahead.

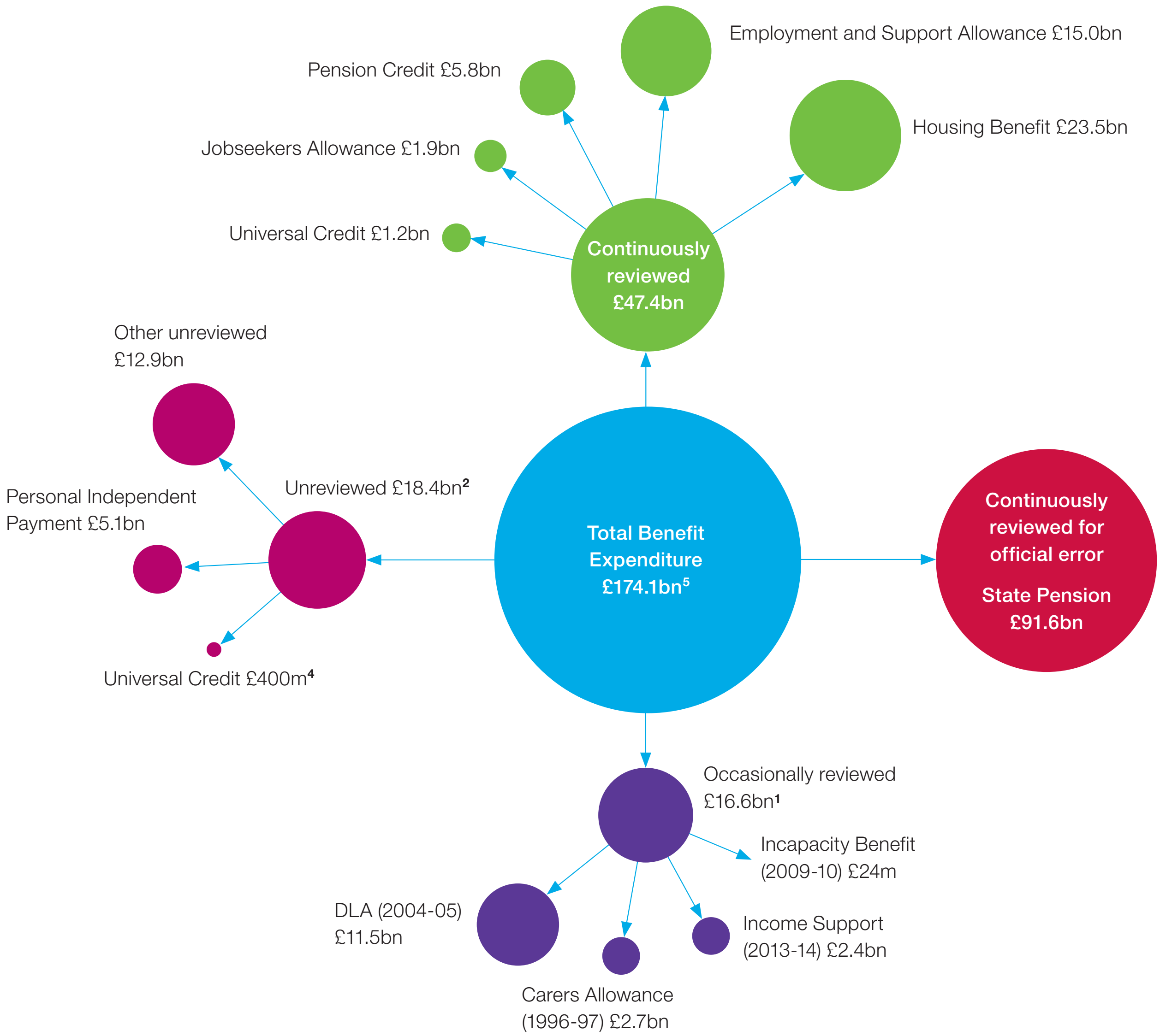
17. Recently introduced benefits, Universal Credit and Personal Independence Payment, differ significantly from legacy benefits and present new challenges for measuring fraud and error, leading to more uncertainty around the interpretation of early estimates. The department's approach to measuring fraud and error needs to be adapted to new benefits appropriately to ensure that fraud and error are measured accurately. The way the department estimates fraud and error for new benefits will need to be refined as it gains more experience of the nature of fraud and error in those benefits. Universal Credit measurement is detailed in paragraphs 40 to 50.

18. Although originally planned for this year, the department has not yet published fraud and error estimates for Personal Independence Payment. It is taking time to learn lessons from the measurement of other benefits before publishing. For example how to evaluate the impact of gradual changes in claimants' conditions that are not reflected in the claimants' awards but would lead to a different benefit assessment if re-performed at a later date. Such gradual changes are inherent in the nature of the Disability Living Allowance and Personal Independence Payment claimant populations. The department will need to carefully consider how to address this issue when measuring fraud and error in Personal Independence Payment.

Figure 4

Analysis of estimated 2016-17 benefit expenditure by measurement approach

The Department measures fraud and error in 27% of benefit expenditure annually



Notes

1 For occasionally reviewed benefits the above diagram includes the date they were last measured.

2 There are several unreviewed benefits, including Attendance Allowance, Bereavement Benefits, Maternity Allowance and others. Fraud and error in these benefits is estimated using proxies, more details on unreviewed benefits can be found at Department for Work & Pensions, *Fraud and Error in the Benefit System: Background Information and Methodology*.

3 Figures may not sum due to rounding.

4 Universal Credit is included twice in this analysis. Fraud and error in Universal Credit live service is measured, but Universal Credit full service is not yet measured. Universal Credit live service expenditure was £1.2 billion in 2016-17, Universal Credit full service expenditure was £400 million. In note 23 the full £1.6 billion has been included in the continuously reviewed figures.

5 Benefit expenditure of £174.1 billion represents the latest available forecast expenditure for 2016-17 at the time the department produced the fraud and error estimates, as reflected in note 23 to the accounts. The department refers elsewhere in its Annual Report and Accounts to final outturn benefit expenditure of £173 billion, as reported in the Statement of Parliamentary Supply on page 121.

Source: National Audit Office analysis of Department for Work & Pensions *Tables: Fraud and error in the benefits system: financial year 2016-17 preliminary estimates*, 18 May 2017.

Fraud and error targets

19. The department has recently introduced new targets for fraud and error in benefit expenditure: a 0.9% underpayments target by 2017-18; and a 1.6% joint (with HMRC – Her Majesty's Revenue and Customs) net loss target by 2017-18.

20. The department set out its underpayments target in January 2017 in response to a recommendation made by the Committee of Public Accounts following the July 2016 session on *Universal Credit and fraud and error – progress review*[2]. The underpayments target is important as underpayments mean the most vulnerable people in society are not receiving what they are entitled to. The department achieved its underpayments target in 2016-17, but may wish to review it to ensure the target is sufficiently challenging in the future.

21. The joint net loss target is the level of in-year fraud and error overpayments for both the department's benefits and HMRC Tax Credits, less the department's in year recoveries. The target is to reduce fraud and error to 1.6% by 2017-18, however this is unlikely to be formally reported on until 2018-19 due to the time taken to finalise Tax Credit awards and estimate fraud and error.

22. In its Annual Report the department has also reported a department only net loss for the second time. The 2016-17 net loss has increased compared with 2015-16 – 1.4% and 1.3% respectively. An increase in recoveries from £1.0 billion to £1.1 billion compared with 2015-16 is outweighed by the increase in overpayments due to fraud and error.

23. Both of these net loss measures look at estimated overpayments made in year, less actual and estimated recoveries in year, regardless of whether the recovery related to an overpayment made during that year or to one made in previous years. Overpayments can take many years to recover, and so the net loss target as currently constructed does not indicate the inaccuracy of benefit payments made in year. For example, overpayments of Income Support in 2016-17 were estimated to be £90 million, but delays in recovering overpayments mean that the estimated recoveries were £110 million.

24. As I noted in my 2015-16 report[3], 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 gross over and underpayments as the clearest indicator of the total level of benefit payments made at an incorrect rate. I will continue to use the gross total over and underpayments to inform my view of the level of fraud and error in benefits, and the regularity of the department's benefit expenditure.

2 HC Committee of Public Accounts, *Universal Credit and fraud and error: progress review*, Twenty-third Report of Session 2016-17, HC 489, November 2016.

3 Comptroller and Auditor General, Department for Work & Pensions, *Report by the Comptroller and Auditor General, Fraud and error in benefit expenditure*, HC 331, June 2016.

The department's approach to tackling fraud and error

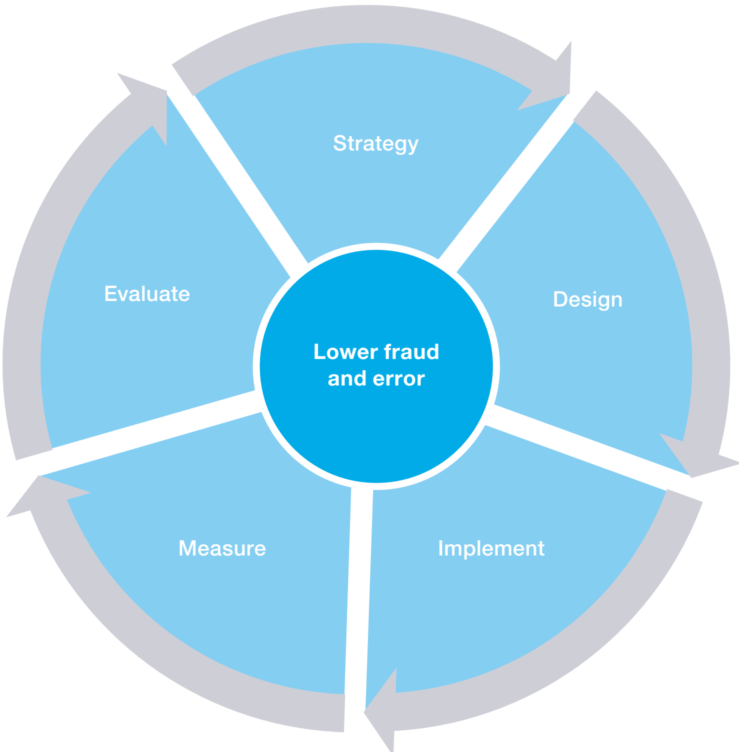
25. In my 2015-16 report I set out the department's progress in tackling fraud and error, using the Fraud and Error (F&E) Framework identified in my report *Fraud and error stocktake*[4] (HC267, 2015-16). This F&E Framework is drawn from good practice in tackling fraud and error. It recommends strategies based on an understanding of the causes of fraud and error, leading to well-designed, effectively implemented controls, where the outcomes of these interventions are measured and evaluated. It provides a pathway to systematically addressing fraud and error.

26. Underpinning an overarching 2015-20 Fraud, Error and Debt Strategy, the department has developed benefit specific strategies based on identification and understanding of the causes of fraud and error. These cover 80% of measured fraud and error. In addition to the individual strategies the Department has also developed strategies aimed to reduce and prevent losses from fraud and error across all benefits, based on an analysis of the causes. The analysis the Department has done in developing the benefit specific strategies and cause specific, cross benefit strategies has identified priority activity areas. These account for around 90% of measured fraud and error.

27. During 2016-17, the National Audit Office supported the department in applying the F&E Framework to better support its use in practice. As shown in **Figure 5**, the F&E Framework now disaggregates measurement of outputs and evaluation of impact and outcomes. The F&E Framework emphasises continuous measurement, evaluation and refinement to reduce fraud and error.

4 Comptroller and Auditor General, Fraud and error stocktake, Session 2015-16, HC267, National Audit Office, July 2015.

Figure 5
The Fraud and Error Framework



Note

1 Our 2015 stocktake showed four critical aspects for tackling fraud and error:

- establishing clear strategies and governance;
- designing controls into the way departments work;
- implementing controls and interventions effectively; and
- measuring and evaluating performance.

Source: National Audit Office

28. In my 2015-16 report I set out how the department had taken forward its approach to tackling fraud and error within Pension Credit, evaluating its approach against the F&E Framework. Since 2005-06 trends in the level of fraud and error in Pension Credit show a fall in the level of official error, but an increase in the level of fraud. In 2014-15, the department changed the way it categorises overpayments and failure to provide evidence is now classified as claimant fraud. This is one driver for the increase in shift between official error and fraud.

29. When I reviewed Pension Credit last year, I reported that the department had 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. During 2016-17, the department has started to use the F&E Framework to analyse gaps in its Pension Credit fraud and error response, against causes of loss. This analysis has identified that there is more work to do in the implementation, measurement and evaluation aspects of the F&E Framework, to better understand whether interventions are delivering the expected outcomes and effectively tackling causes of fraud and error.

30. The department is also expanding its use of the F&E Framework to tackling fraud and error in Housing Benefit and to develop detailed fraud and error strategies for Universal Credit, Personal Independence Payment, and some cross benefit strategies. The department is looking at how it can use the data underpinning the estimates of fraud and error reported in note 23 to the accounts to help it further understand and address the root causes of fraud and error.

31. The department's use of the F&E Framework across a range of benefits to implement a systematic approach to developing fraud and error strategies and measures is a positive step towards understanding and tackling the causes of fraud and error. It will take time and iteration to see the outcome of this more systematic approach to tackling fraud and error, in the form of an attributable reduction in fraud and error. As the department continues to further focus its efforts it is important that it takes steps to understand the increases in fraud and error during 2016-17 and appropriately reflects the reasons in its interventions.

Addressing fraud and error relating to income and earnings

32. **Figure 6** shows over and underpayments by cause of fraud and error. The department has prioritised its fraud and error interventions to target the largest causes of fraud and error. One of the largest causes of fraud and error is untimely and inaccurate reporting of earnings and income by claimants. It is the claimants' responsibility to report all changes in circumstances that could impact their benefit assessment.

Figure 6

Causes of fraud and error in measured benefits

Untimely and inaccurate reporting of income and earnings is the largest cause of fraud and error by value

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 'Loss of claimant contact' was categorised as a separate cause of loss for the first time in the 2015-16 preliminary statistics. This contains an element of loss of claimant contact for all measured benefits; most significant of which are Housing Benefit, Employment Support Allowance and Universal Credit. Due to its significance for Universal Credit fraud and error this is shown separately as a key loss area. Further detail on this cause of loss is included in paragraphs 43 to 50.

3 The department first published its analysis of attributes of fraud and error for total continuously measured benefits in 2010-11.

Source: National Audit Office analysis of: Department for Work & Pensions *Tables: Fraud and error in the benefits system: financial year 2016-17 preliminary estimates tables*, 18 May 2017; Department for Work & Pensions *Tables: Fraud and error in the benefits system: financial year 2015-16 preliminary estimates tables*, 19 May 2016; Department for Work & Pensions *Tables: Fraud and error in the benefits system: financial year 2014-15 preliminary estimates tables*, 14 May 2015

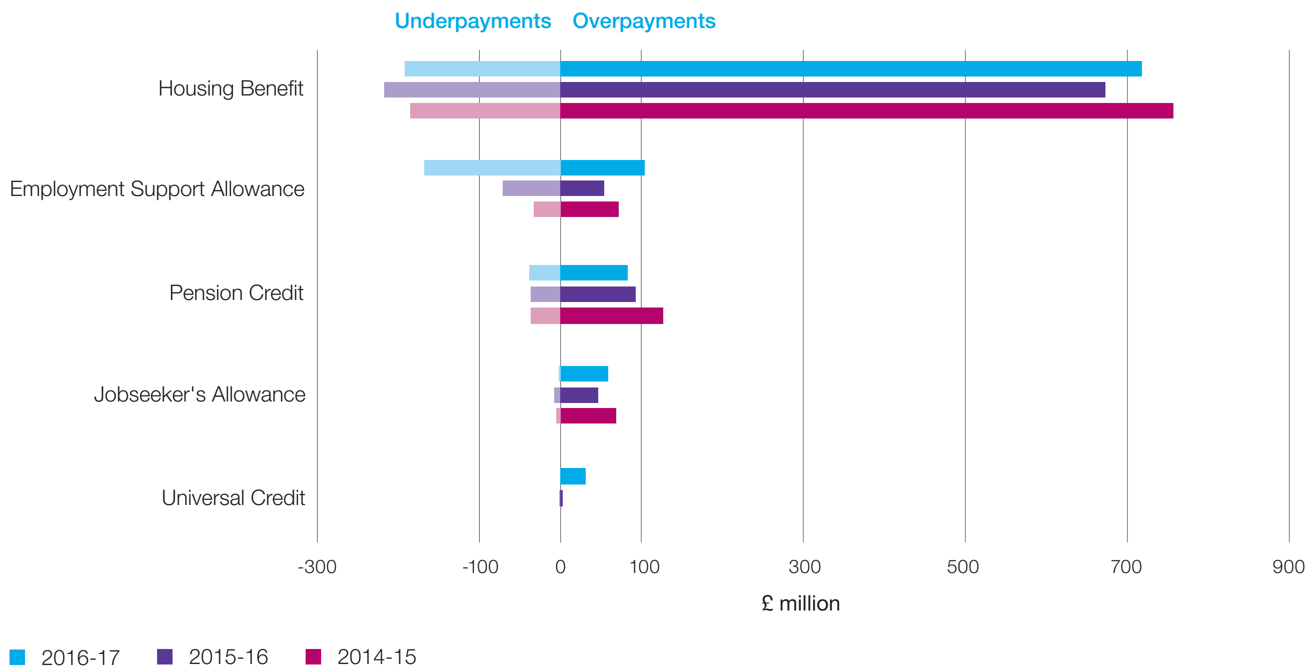
33. A major intervention using Real Time Information (RTI) is tackling the most significant cause, untimely and inaccurate reporting of income and earnings. RTI is data collected by HMRC from employers and pension providers on individuals' monthly income and earnings. This allows the department to verify income and earnings reported by claimants for means tested benefits. **Figure 7** shows the over and underpayments due to the untimely and inaccurate reporting of income and earnings for each measured benefit.

34. The use of RTI and other relevant interventions aligns to a reduction in the fraud and error due to the untimely and inaccurate reporting of income and earnings for Pension Credit and the department's focus on this benefit when using RTI to tackle fraud and error. However the overall value of the income and earnings loss has increased (**Figure 6**), showing the department has more to do to replicate this success across fraud and error in other benefits.

Figure 7

Income and earnings fraud and error in measured benefits

There has been a consistent decrease in fraud and error due to the untimely and inaccurate reporting of income and earnings for Pension Credit, but an increase in this cause of fraud and error overall



Source: National Audit Office analysis of: Department for Work & Pensions *Tables: Fraud and error in the benefits system: financial year 2016-17 preliminary estimates tables*, 18 May 2017

35. RTI was initially used as a "detective" control after payment, to identify where there are discrepancies between information provided by a claimant with that from RTI, indicating that the payment may be incorrect. This was first used in 2014-15.

36. RTI is also being used as a "preventative" control for new claims in Universal Credit and Pension Credit – to verify income and earnings data provided by the claimant before any payment is made. There are pilot exercises in several other benefits: Employment Support Allowance, Carer's Allowance, Jobseeker's Allowance and Housing Benefit. The department has told us that it is seeing some success with this work. It estimates that around 4% of all new Pension Credit claims are identified as ineligible due to the RTI checks. The use of RTI is also being piloted as a preventative control for changes in circumstances in Pension Credit and Carer's Allowance before any change in payment is made. As part of the "Wider use of RTI" project the department intends to use RTI data on a preventative basis across Employment Support Allowance, Carer's Allowance, Jobseeker's Allowance and Housing Benefit.

37. The department prioritises interventions identified by RTI that are likely to involve the highest monetary levels of fraud and error. Currently, although early stages, for Pension Credit change in circumstances alerts, only 37% are investigated further. However the department expects this to change as it embeds the "Wider use of RTI". For detective data matching, following initial sifting only 13% of those matches suitable for investigation are subsequently investigated. To ensure that resources can be targeted to best effect, the department will need a clear understanding of the value of implementing one initiative rather than another.

38. The department is still learning lessons from its use of RTI. It needs to understand the impact of acting on RTI alerts and matches to be able to form an effective fraud and error response. The department is taking a structured approach in developing this fraud and error response. It has trialled its approach and partially evaluated the effectiveness of the implementation. Measurement and evaluation are an important part of the F&E Framework and that the department is beginning to make more systematic use of them in its work to prevent and detect fraud and error.

39. Incorrect RTI data can lead to over or underpayments, if it is used to calculate or update awards. RTI data is provided by employers and is only as accurate as the employers' records and payroll systems. HMRC validates the accuracy of employers' submissions sometime after data is provided, and its controls are not designed to ensure the RTI data is accurate in real time. Currently the department assumes that the RTI data provided by HMRC is accurate and does not have processes in place to detect inaccuracies in RTI data. It relies on claimants producing alternative evidence. The department has undertaken work focussing on reducing the impact of incorrect, late and missing RTI data, this has included employer outreach. The department will need to continue this work as the accuracy of RTI data becomes more important to its interventions tackling income and earnings related fraud and error.

Fraud and error in Universal Credit

40. Universal Credit is expected to replace 6 means-tested benefits for working-age households by March 2021. Universal Credit is administered across two systems known as Universal Credit Live Service (UCLS) and Universal Credit Full Service (UCFS). UCLS is currently rolled out nationally for new single claimants, and for couples and families in some areas. UCFS is the department's new digital solution for administering Universal Credit for all claimants. Pilot work started in 2014 and UCFS is now in 64 job centres with a managed roll out being undertaken by post code. Currently UCFS is expanding at a rate of 5 job centres a month, with plans to increase this to 50 job centres a month from October 2017.

41. The department has estimated overpayments due to fraud and error in UCLS of 4.8% (7.3% 2015-16 preliminary estimates). Estimated underpayments due to fraud and error are 1.2% (2.6% 2015-16 preliminary estimates). This is the third time Universal Credit fraud and error has been measured.

42. It is likely that there will be volatility in the Universal Credit fraud and error rate as the number of Universal Credit claimants increases, systems continue to develop and roll out, and ways of measuring fraud and error develop in response. For example as the department deepens its understanding of what fraud and error looks like in Universal Credit it will need to revisit key assumptions within the measurement model. It is important that these measurement changes are transparent, so that it is clear where changes in fraud and error rates are due to changes in measurement rather than changes in the incidence of fraud and error and its root causes.

43. The most significant challenge for estimating fraud and error is an increased incidence of 'loss of contact with claimant' compared with legacy benefits. Loss of contact is where claimants are not responding to the department's requests for a benefit review. This is higher for the Universal Credit population than for other benefits, with the department unable to contact around 7% of sampled claimants to be able to complete an effective review.

44. Due to the immaturity of the benefit and the measure, the department has limited evidence to understand why it cannot contact these individuals, who appear to have dropped out of the benefit system. It is likely that most of these claimants will reappear in either the benefit or the tax system in the future. The department should seek to understand why these claimants have stopped engaging with Universal Credit, and identify any appropriate refinements to the benefit.

45. The way the department treats loss of claimant contact for fraud and error measurement purposes is different between Universal Credit and legacy benefits, and so the fraud and error rates are not comparable across these benefits. For legacy benefits if the department is unable to contact the claimant it suspends and subsequently stops a claimant's benefit payment. If the claimant does not re-engage, the department classifies the award as wholly fraudulent, and includes it in the fraud and error estimates.

46. For Universal Credit, if the department is unable to contact the claimant and there is no evidence to indicate why – for example new RTI data indicates that they have started work – it does not classify all of these cases as wholly fraudulent.

47. Assumptions underpinning levels of Universal Credit fraud and error changed between 2015-16 and 2016-17, most notably in respect of the loss of claimant contact issue outlined above. Where claimant contact was lost and there was no evidence to indicate why, the 2015-16 preliminary estimates classified cases as 100% overpayment fraud with no underpayment value.

48. For 2016-17 where claimant contact was lost with no evidence to indicate why, the preliminary estimates assume for overpayments 20% fraud, 0.2% claimant error and 2.0% official error[5]. For underpayments the estimates assume no fraud, 0.4% claimant error and 0.8% official error.

49. Sensitivity analysis of the 20% overpayments fraud assumption shows how uncertain the Universal Credit measure is in its infancy, see note 23 in the departmental accounts. It highlights the importance of considering the estimate range to understand where the levels of Universal Credit fraud and error could lie. For 2016-17 preliminary estimates, the range is overpayments 3.5-6.1% and underpayments 0.8-1.8%.

50. The department is still developing its fraud and error strategy for Universal Credit. It intends for this to be more focussed on prevention than detection, which marks a change from its approach for some of the legacy benefits. Universal Credit is still new and is not yet rolled out to significant proportions of its eventual customer base. As such, when designing the Universal Credit fraud and error strategy, the department will need to take into account this evolution and ensure that its response to fraud and error is reactive and can be adapted against emerging fraud and error priorities. Using the F&E Framework to develop and review the Universal Credit fraud and error strategy will help the department do this. I will report on progress in 2017-18.

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5 The claimant error and official error rates used for these unreviewed cases are proxy rates from the extrapolated results of those Universal Credit cases which could be reviewed by Performance Measurement. The department's explanation of this can be found at Page 13 of the department's Fraud and Error in the Benefit System: Preliminary 2016-17 Estimates publication.

Conclusion

51. I have again qualified my regularity opinion due to material levels of fraud and error in benefit expenditure, excluding State Pension. Although State Pension continues to demonstrate a very low level of fraud and error, overpayments excluding State Pension have returned to the highest level since 2009-10 at 4.1%. Underpayments excluding State Pension rose to a highest ever level of 1.9%.

52. The department is taking a more structured approach to tackling fraud and error, making use of the F&E Framework to systematically consider a response to the causes of fraud and error. However, the increases in over and underpayment levels indicate that the department has not yet realised the benefits of this work. It remains essential that the department continues to address fraud and error, given overpayments increase the cost to taxpayers and reduce the public resources available for other purposes, and that underpayments mean households are not getting the support they are entitled to.

53. In applying the F&E Framework, the department has identified that it has more to do to use its data systematically to understand the impact and effectiveness of fraud and error activities, and target its resources. The department should also review whether its approach to the estimation of fraud and error for periodically and unreviewed benefits provides sufficient data to understand fraud and error in those benefits, and how to tackle it.

54. The department is continuing to develop its method for estimating fraud and error in Universal Credit, and its understanding of the causes of fraud and error. As the roll out of Universal Credit gathers pace in 2018, it will be important to use this understanding to embed fraud and error prevention and detection through refining its system and operational procedures.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 28 June 2017

National Audit Office
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Appendix One

The department's response to the Committee of Public Accounts fraud and error stocktake recommendations

1 Following the July 2016 session on Universal Credit and fraud and error[6], the Committee of Public Accounts (the Committee) made a number of recommendations to both the Department for Work & Pensions (DWP) and HM Revenue and Customs (HMRC) with regard to tackling fraud and error. DWP's progress on the recommendations is set out in **Figure 8**.

6 HC Committee of Public Accounts, *Universal Credit and fraud and error: progress review*, Twenty-third Report of Session 2016-17, HC 489, November 2016.

Figure 8

Committee of Public Accounts recommendations, Treasury Minute responses and developments since

Committee of Public Accounts Recommendation	Department's Treasury Minute response	Developments since
Neither DWP nor HMRC has set meaningful targets for tackling fraud and error. DWP and HMRC should set stretching targets for fraud and error across all benefits and tax credits to secure better performance, review these targets annually, and report progress to the Committee.	The government agreed this recommendation. Stating: In July 2016, DWP and HMRC announced a new external target for overpayments to be no more than 1.6% of expenditure during 2017-18. This figure represents net loss across welfare (DWP benefits plus Tax Credits) once DWP recoveries are taken into consideration. Targets beyond 2017-18 will be set in the autumn of 2017, alongside the autumn Budget.	The departments will report on progress towards the 1.6% joint net loss target in 2017-18. DWP has reported a DWP only net loss again this year, which has increased from 1.3% to 1.4% as overpayments have increased more than the increase in recoveries. Net loss is based on overpayments less recoveries received in year, however the overpayments and the recoveries are not matched like for like as it can take a significant number of years to recover an overpayment. Gross over and underpayments is the most transparent measure of fraud and error, and the impact of fraud and error on the claimant. A gross measure should continue to be the primary measure for the departments, and should continue to be reported to provide vital context for any net loss.
DWP's understanding of the level and causes of fraud and error in Universal Credit and some other benefits is incomplete, potentially undermining efforts to reduce losses. DWP should: establish and agree with the National Audit Office a robust method for estimating Universal Credit fraud and error; and undertake regular risk assessments to improve its understanding of the causes of fraud and error in those benefits where it has not been measured for some time or at all.	The government agreed this recommendation. Stating: DWP continue to refine the Universal Credit measurement methodology. DWP recognises that means-tested benefits demonstrate the highest levels of fraud and error so focusses the measurement system primarily on those benefits. The mix of benefits to be measured is periodically reviewed and agreed by DWP's Fraud, Error and Debt Council. The only change currently planned to the portfolio of benefits covered by the measurement system is the inclusion of Personal Independence Payment, which will be published by June 2017. DWP takes into account wider ranging internal information when developing strategies for tackling fraud and error for periodically and unreviewed benefits.	DWP has refined its measurement methodology for Universal Credit fraud and error between its preliminary (published May 2016) and final 2015-16 estimates (December 2016). Difficulties in producing a reliable estimate remain as outlined in my report (paragraphs 40 to 50). Currently DWP is only measuring Universal Credit Live Service, not Universal Credit Full Service. The estimate therefore does not provide an indication of the likely future level of Universal Credit fraud and error. DWP has not made any commitment to further considering causes of fraud and error in those benefits where it has not been measured for some time or at all. As noted in paragraph 18 DWP has not yet published the levels of fraud and error for Personal Independence Payment for 2016-17.

Figure 8 (*continued*)

Committee of Public Accounts recommendations, Treasury Minute responses and developments since

Committee of Public Accounts Recommendation	Department's Treasury Minute response	Developments since
	DWP is establishing cross-cutting activity as a means of focussing on the principal causes of fraud and error across all benefits. DWP continues its work with the National Audit Office to tailor the F&E Framework (Strategy, Design, Implementation, Monitoring and Evaluation) to Pension Credit, with a view to extending this model across other key benefits.	An update on fraud and error levels within periodically reviewed and unreviewed benefits is provided in paragraph 15 to 16 of my report. The internal information used to monitor Disability Living Allowances provides a view of official error only, not customer error or fraud. The department is using the Fraud and Error Framework to support its efforts to tackle fraud and error (paragraphs 25 to 31).
DWP estimates that inaccuracies in its information on income and earnings resulted in almost £1 billion of losses in 2015–16. DWP should update the Committee, following the publication in November 2016 of the 2015–16 final fraud and error estimates, on its progress in tackling the largest areas of loss. It should include details of the impact of making full use of RTI in reducing over and underpayments due to errors in income and earnings.	The government agreed this recommendation. Stating: The final 2015-16 statistics were published on 8 December 2016. Once analysis has been completed, the department will write to the Committee outlining progress and the impact RTI has had on both over and underpayments.	This update has been delayed due to the election and dissolution of parliament. The target implementation date is Autumn 2017 and updates are due to be provided in the January 2018 Treasury Minute progress report. The department's approach to tackling income and earnings fraud and error and its use of RTI is outlined in paragraphs 32 to 39. While Pension Credit shows a decrease in income and earnings related fraud and error, total over and under payments relating to income and earnings continue to rise.
Too many claimants are unclear about the rules and obligations that apply when claiming benefits or tax credits, leading to high levels of claimant error. DWP and HMRC should: report back to the Committee by the end of the year on what has been set for their new underpayments and accuracy targets, and the rationale behind those targets; and undertake research to understand the issues that confuse claimants and take appropriate action to better inform claimants of the rules and their obligations in order to reduce the level of claimant error.	The government agreed this recommendation. Stating: Both Departments wrote to the Committee, in January 2017, outlining their respective targets for underpayments. DWP is using behavioural insight to help customers report changes. The department has updated 60 fraud and error products in 2016, and will improve communications throughout 2017 by reviewing the language and prominence of the customer declaration. The department has built in customer and stakeholder testing, including commissioning independent customer focus groups. For Universal Credit, DWP is using customer insight to improve understanding of what drives responses and behaviour. This is in respect of claims for partners and to inform design changes to improve claimant orientation and screen content. DWP is working with specialists to understand the most effective interventions and levers. The department is trialling different letters to improve the 'Failure to Attend' rate for Local Service Compliance interviews.	The department has set a target of 0.9% of expenditure, against a past trend of 1.0%, and HMRC's target of 0.7%. It achieved this target in 2016-17, paragraph 20.

NOTES
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 2017.

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 Net Expenditure (SOCNE) 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 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 arm's length bodies are recorded as expenditure.

Arm's length bodies

Our arm's length bodies are shown in 'Corporate governance' on page 80. 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 217 to 234. The costs of administering FAS are included as expenditure in our SOCNE.

The Accounting Officer authorised these financial statements for issue on 28 June 2017.

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Consolidated Statement of Comprehensive Net Expenditure

for the year to 31 March 2017

The notes on pages 175 to 215 form part of these accounts.

		31 March 2017		31 March 2016	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Staff costs	3	2,597,696	2,786,333	2,516,187	2,700,048
Purchase of goods and services	4	2,231,916	2,098,850	2,717,718	2,532,210
Benefit and Social Fund expenditure	5	174,084,297	174,088,854	172,397,048	172,472,063
Depreciation and impairment charges	6	94,499	104,898	101,373	112,164
Provision expense	6	275,719	281,245	2,716,282	2,712,917
Total operating expenditure		**179,284,127**	**179,360,180**	**180,448,608**	**180,529,402**
Operating income	7	(233,599)	(323,386)	(598,489)	(690,495)
Total operating income		**(233,599)**	**(323,386)**	**(598,489)**	**(690,495)**
Finance income	7	(29,102)	(29,120)	(37,816)	(37,862)
Finance expense	4	82,064	92,722	81,161	101,193
Net expenditure for the year		**179,103,490**	**179,100,396**	**179,893,464**	**179,902,238**
Transfer of ALB's Pension Scheme	27	243,475	-	-	-
Transfer of ALB's net assets[1]		-	-	-	289,452
Transfer of Tax Credit receivables	8	(39,407)	(39,407)	-	-
Net operating costs for the year		**179,307,558**	**179,060,989**	**179,893,464**	**180,191,690**

Other comprehensive net expenditure

Items that will not be reclassified to net operating expenditure					
Net loss/(gain) on:					
revaluation of property, plant and equipment	6 & 9	(11,250)	(31,760)	(18,527)	(20,822)
revaluation of intangibles	6 & 10	(48,158)	(48,193)	(35,882)	(35,882)
revaluation of assets held for sale	13	147	147	(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		2,492	2,492	(350)	(350)
Total comprehensive net expenditure for the year ended 31 March 2017		**179,250,789**	**178,983,675**	**179,838,567**	**180,074,058**

All income and expenditure is derived from continuing operations.

1 The Disabled People's Employment Corporation (DPEC) was reclassified into our accounting boundary from 6 April 2015.

Consolidated Statement of Financial Position

as at 31 March 2017

The notes on pages 175 to 215 form part of these accounts.

		31 March 2017		31 March 2016	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	9	316,741	430,745	413,215	503,804
Intangible assets	10	532,873	537,447	515,812	519,239
Financial assets	12	544,147	539,147	466,410	466,410
Trade and other receivables	19	1,657,778	1,659,298	1,570,030	1,571,208
Total non-current assets		**3,051,539**	**3,166,637**	**2,965,467**	**3,060,661**
Current assets:					
Inventories		-	-	-	550
Assets classified as held for sale	13	-	1,026	344	983
Trade and other receivables	19	2,844,356	2,880,736	2,639,223	2,673,302
Cash and cash equivalents	18	221,442	226,613	173,128	176,290
Total current assets		**3,065,798**	**3,108,375**	**2,812,695**	**2,851,125**
Total assets		**6,117,337**	**6,275,012**	**5,778,162**	**5,911,786**
Current liabilities:					
Trade and other payables	20	(5,080,672)	(5,122,311)	(5,337,163)	(5,382,541)
Provisions	22ii	(201,485)	(204,110)	(225,744)	(225,917)
Total current liabilities		**(5,282,157)**	**(5,326,421)**	**(5,562,907)**	**(5,608,458)**
Total assets less current liabilities		**835,180**	**948,591**	**215,255**	**303,328**
Non-current liabilities:					
Provisions	22ii	(7,111,261)	(7,114,508)	(7,045,065)	(7,045,702)
Other payables	20	(381,635)	(478,451)	(457,602)	(555,417)
Pension liability		(241,081)	(242,500)	-	(244,806)
Total non-current liabilities		**(7,733,977)**	**(7,835,459)**	**(7,502,667)**	**(7,845,925)**
Assets less liabilities		**(6,898,797)**	**(6,886,868)**	**(7,287,412)**	**(7,542,597)**
Taxpayers' equity and other reserves:					
General fund		(7,065,884)	(7,083,875)	(7,480,742)	(7,745,310)
Revaluation reserve		167,087	197,007	193,330	202,713
Total equity		**(6,898,797)**	**(6,886,868)**	**(7,287,412)**	**(7,542,597)**

Sir Robert Devereux KCB
Accounting Officer

26 June 2017

Consolidated Statement of Cash Flows

for the year ended 31 March 2017

The notes on pages 175 to 215 form part of these accounts.

		31 March 2017		31 March 2016	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Cash flows from operating activities					
Net cost for the year		(179,307,558)	(179,060,989)	(179,893,464)	(180,191,690)
Adjustments for non-cash transactions	6	395,067	410,824	2,820,436	2,826,596
Adjustments for Tax Credit receivable transferred from HMRC	8	(39,407)	(39,407)	-	-
Decrease/(increase) in trade and other receivables	19	(292,881)	(295,524)	1,092,044	1,092,208
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		555,460	553,677	(372,160)	(373,989)
Decrease in inventories		-	550	-	167
Increase/(decrease) in trade and other payables	20	(393,502)	(398,297)	649,847	638,878
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		563,259	323,417	(127,188)	179,558
Utilisation of provisions	22	(233,782)	(234,232)	(301,146)	(301,790)
Net cash outflow from operating activities		**(178,753,344)**	**(178,739,981)**	**(176,131,631)**	**(176,130,062)**
Cash flows from investing activities					
Purchase of property, plant and equipment	9a	(70,957)	(79,575)	(22,122)	(26,989)
Purchase of intangible assets	10a	(96,737)	(97,969)	(58,279)	(58,946)
Proceeds of disposal of property, plant and equipment		1,995	380	-	240
Proceeds of disposal of assets held for sale		5,257	5,257	15,829	15,829
Proceeds of disposal of financial assets	12	2,133	2,133	-	-
Loans to other bodies	12	(84,500)	(79,500)	(72,576)	(72,576)
Repayment of loans	12	691	691	8,859	8,859
Net cash outflow from investing activities		**(242,118)**	**(248,583)**	**(128,289)**	**(133,583)**
Cash flows from financing activities					
From the Consolidated Fund (supply) current year		80,713,268	80,713,268	81,419,477	81,419,477
From the Consolidated Fund (supply) prior year		-	-	581,277	581,277
Net financing from the National Insurance Fund		98,492,537	98,492,537	95,376,939	95,376,939
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(127,403)	(130,939)	(122,418)	(124,390)
Net financing		**179,078,402**	**179,074,866**	**177,255,275**	**177,253,303**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**82,940**	**86,302**	**995,355**	**989,658**
Payments of amounts due to the Consolidated Fund		(95,670)	(97,080)	(161,048)	(163,343)
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	**18**	**(12,730)**	**(10,778)**	**834,307**	**826,315**
Cash and cash equivalents at the beginning of the period	**18**	**(1,196,062)**	**(1,192,952)**	**(2,030,369)**	**(2,019,267)**
Cash and cash equivalents at the end of the period	**18**	**(1,208,792)**	**(1,203,730)**	**(1,196,062)**	**(1,192,952)**

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

The notes on pages 175 to 215 form part of these accounts.

		General Fund		Revaluation Reserve		Total Reserves	
		Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000	£000	£000
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	SOPS4	(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	20	(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	SOPS4	(5,026)	(8,732)	-	-	(5,026)	(8,732)
Excess Capital receipts	SOPS4	(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	6	1,438	1,438	-	-	1,438	1,438
Actuarial revaluation on pension		-	60,440	-	-	-	60,440
Movements in reserves:							
Recognised in Statement of Comprehensive 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)**

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	Note	General Fund		Revaluation Reserve		Total Reserves	
		Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
		£000	£000	£000	£000	£000	£000
Net parliamentary funding drawn down (current year)		80,713,268	80,713,268	-	-	80,713,268	80,713,268
Repayments to the Consolidated Fund	SOPS4	(85,000)	(85,000)	-	-	(85,000)	(85,000)
Net parliamentary funding – deemed	20	224,749	224,749	-	-	224,749	224,749
Funding from National Insurance Fund		98,492,537	98,492,537	-	-	98,492,537	98,492,537
Supply receivable adjustment	19	315,242	315,242	-	-	315,242	315,242
CFERs payable to the Consolidated Fund	SOPS4	(20,040)	(20,040)	-	-	(20,040)	(20,040)
Net costs for the year		(179,307,558)	(179,060,989)	-	-	(179,307,558)	(179,060,989)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	6	1,438	1,438	-	-	1,438	1,438
Movements in reserves:							
Recognised in Statement of Comprehensive Net Expenditure		-	-	56,769	77,314	56,769	77,314
Transfers between reserves		83,012	83,020	(83,012)	(83,020)	-	-
Government Gateway		(2,790)	(2,790)	-	-	(2,790)	(2,790)
Balance at 31 March 2017		**(7,065,884)**	**(7,083,875)**	**167,087**	**197,007**	**(6,898,797)**	**(6,886,868)**

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) Included in movements in reserves is Government Gateway, this relates to a Machinery of Government change where the Government Gateway assets were transferred to HMRC.

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 2016-17 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 121 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 2017. We've also taken into account the specific interpretations and adaptations included in the FReM.

The following IFRSs have been issued but are not yet effective and we have not adopted them early. We are assessing the new standards in line with HM Treasury and are not currently anticipating any material impacts on our financial statements.

a) IFRS 9 Financial Instruments (effective from 1 January 2018) is being introduced to replace IAS 39. The new standard simplifies the classification and measurement of financial assets as well as amending when and how impairments are calculated and reported, moving from an incurred loss to an expected loss model. We do not expect this new standard to have a material impact on our statements.

b) IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018) will replace IAS 18 and IAS 11 unifying the concepts in these two standards into a single model to recognise revenue as a performance obligation under a contract. We do not expect this standard to have an impact on our statements.

c) IFRS 16 Leases (effective from 1 January 2019) replaces IAS 17. The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off balance sheet) and a finance lease (on balance sheet). The new standard requires recognition of all leases which last more than 12 months to be recognised as a finance lease (on balance sheet). The result will be recognition of a right to use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right to use asset and an associated finance cost being recognised. We are still assessing how material the impact will be on our financial statements.

1.3 Accounting convention

We have prepared these financial statements on an accrual basis 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 80). 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. For more information refer to note 19 on page 200.

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 future cash flows provided by the Pension Protection Fund. Cash flows are discounted to give their present value at the Statement of Financial Position date. The rates used take account of the latest economic conditions and are updated annually.

Due to the long-term nature of the liabilities and the assumptions on which the estimate of the provision is based, some uncertainty about the value of the liability remains. All key assumptions requiring some level of judgement are detailed in note 22. The sensitivity analysis table in note 22 enable readers to understand the impact on the estimate when the key assumptions are adjusted.

A contingent liability disclosure has been made for schemes yet to transfer to the Financial Assistance Scheme (see note 24).

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 employer recoveries of these benefits. The estimate is produced using information on past recoveries.

1.6 Foreign currency translation

These financial statements are prepared in £ 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 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.

1.8 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.

1.9 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.

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

Building	Valuations performed by	Date of last valuation
DWP Estate	Alister Stewart (DVS Valuation Agency)	January/February 2017
HSE Redgrave Court, Bootle	Cushman & Wakefield	31 December 2014
HSE Health and Safety Laboratory, Buxton	Jones Lang LaSalle Ltd	31 March 2017
HSE Priestly House, Basingstoke	Carter Jonas	31 March 2016
HSE Victoria Place, Carlisle	Cushman & Wakefield	31 December 2013

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.

1.10 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'.

1.11 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. (80 years for HSE's science division)
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 (5 to 20 years for HSE's science division)
Furniture and fittings	2 to 15 years (2 to 30 years for HSE's science division)
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 20 years
Websites	5 to 7 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

1.12 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.

1.13 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. 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.

1.14 Benefit overpayments

We seek to recover all overpayments where we have the legal basis to do so 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 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 don't 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.

1.15 Tax Credit receivables

The department has taken on the debt associated with HMRC personal tax credits for customers who have made a claim to Universal Credit (UC) and have existing Tax Credits debt or have migrated from Tax Credits to UC. The debt started to transfer in April 2016 and is planned to continue to transfer over the coming years as more customers move to UC.

In line with the Government Financial Reporting Manual adaptation of IAS 20 (accounting for government grants), this transfer has been treated as a donated asset capital grant in kind and disclosed as such throughout the Financial Statements. The debt has been transferred at fair value (the asset alongside the associated impairment) calculated under IFRS 13 (Fair Value Measurement) which is the estimated actual value. The estimated actual value at the point of transfer has been calculated by HMRC by applying impairment to the gross debt.

The annual impairment has been applied at the year-end in line with IAS 36 (Impairment of Assets). HMRC and DWP share the same impairment policy based on historical recoveries and write off and DWP have applied the annual impairment rate as calculated by HMRC. Details of DWP's impairment policy can be viewed in note 1.5 to the accounts.

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 Pensions

Past and present employees are covered by the provisions of the Civil Service Pension arrangements. 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 Civil Service Pension arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Civil Service Pension arrangements. In respect of the defined contribution schemes, we recognise the contributions payable for the year.

Full information about Civil Service pension arrangements can be found at: www.civilservicepensionscheme.org.uk

1.18 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.

1.19 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.

1.20 Contingent liabilities

We disclose contingent liabilities in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

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.

Remote Contingent Liabilities

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 purposes, see page 140 for more information.

1.21 Third-party assets

Financial Assistance Scheme (FAS)

The department 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 228). 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.

1.22 Grant in aid

Grants in aid to our arm's length bodies 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

			2016-17			2015-16
	Core Department	Arm's length bodies	Departmental Group	Core Department	Arm's length bodies	Departmental Group
	£000	£000	£000	£000	£000	£000
AME:						
Expenditure	173,293,716	-	173,293,716	173,386,479	-	173,386,479
DEL Administration:						
Expenditure	506,495	185,712	692,207	664,664	263,196	927,860
Income	(42,845)	(25,934)	(68,779)	(58,959)	(29,639)	(88,598)
DEL Programme:						
Expenditure	5,307,655	120,355	5,428,010	6,204,283	111,973	6,316,256
Income	(181,348)	(63,410)	(244,758)	(577,346)	(62,413)	(639,759)
Total	**178,883,673**	**216,723**	**179,100,396**	**179,619,121**	**283,117**	**179,902,238**

Our operating segments are reported on an aggregated basis based on their economic characteristics. Our chief operating decision maker receives more detailed information than that reported as operating segments, which is used to make strategic decisions. Our chief operating decision makers are the Director Generals listed on page 82.

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:

1. Net cost of the core department which includes:
   - Benefit and Social Fund expenditure:
     - State Pension
     - Working age benefits
     - Housing Benefit subsidies paid by a grant to local authorities
     - payments of Statutory Sick Pay and Statutory Maternity Pay to HMRC
     - TV licences for the over-75s
   - Other expenditure:
     - frontline costs of delivering benefits for people of working age and pension age
     - corporate functions that support the business
     - contracts for accommodation and IT services
     - employment programmes

2. 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

	2016-17		2015-16	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Wages and salaries	2,036,652	2,179,410	2,017,335	2,158,984
Employers' National Insurance	168,453	183,618	118,959	131,053
Superannuation and pension costs	382,920	411,371	397,894	410,011
Severance	9,671	11,934	-	-
Total staff costs	**2,597,696**	**2,786,333**	**2,516,188**	**2,700,048**

2015-16 severance costs were not disclosed separately but they were included in wages and salaries.

We have presented the full staff and related expenditure disclosure in the remuneration and staff report on page 113.

4. Expenditure

	Note	2016-17 Core Department £000	2016-17 Departmental Group £000	2015-16 Core Department £000	2015-16 Departmental Group £000
Purchase of goods and services					
Goods and services		947,249	1,006,679	886,543	938,886
IT services		565,175	568,000	690,692	703,602
Accommodation expenditure		412,753	424,660	412,678	423,964
Grant-in-aid		219,818	-	274,343	-
Other costs		39,312	47,502	46,507	54,912
Non-cash goods and services	6	24,849	24,681	14,927	13,661
Rentals under operating leases		13,721	18,084	11,510	16,405
Agency payments on behalf of EU to third parties		9,039	9,039	380,518	380,518
Audit fee		-	205	-	262
Purchase of goods and services total		**2,231,916**	**2,098,850**	**2,717,718**	**2,532,210**
Finance expense					
PFI service charges		66,439	76,976	59,624	69,712
Finance lease charges		15,625	15,746	21,537	31,481
Total		**82,064**	**92,722**	**81,161**	**101,193**

5. Benefit and Social Fund expenditure

	Note	2016-17 Core Department £000	2016-17 Departmental Group £000	2015-16 Core Department £000	2015-16 Departmental Group £000
Voted expenditure	5a	74,095,054	74,099,611	74,669,683	74,744,698
Non-voted expenditure	5b	97,523,600	97,523,600	95,180,269	95,180,269
Social Fund expenditure		2,078,243	2,078,243	2,105,776	2,105,776
Programme balances written off		387,400	387,400	441,320	441,320
Total		**174,084,297**	**174,088,854**	**172,397,048**	**172,472,063**

5a. Voted expenditure

	2016-17		2015-16	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Amounts paid to local authorities	23,312,314	23,312,314	24,049,774	24,049,774
Disability Living Allowance	11,501,761	11,501,761	13,221,741	13,221,741
Employment and Support Allowance	10,017,758	10,017,758	9,739,130	9,739,130
Pension Credit	5,612,277	5,612,277	5,910,778	5,910,778
Attendance Allowance	5,461,802	5,461,802	5,457,559	5,457,559
Personal Independence Payment	5,157,111	5,157,111	3,005,559	3,005,559
Carer's Allowance	2,676,801	2,676,801	2,543,442	2,543,442
Income Support	2,358,447	2,358,447	2,591,964	2,591,964
Statutory Sick Pay and Statutory Maternity Pay	2,152,000	2,152,000	2,532,000	2,532,000
Jobseeker's Allowance	1,612,849	1,612,849	1,995,480	1,995,480
Universal Credit	1,567,858	1,567,858	488,095	488,095
Industrial Injuries Benefit Scheme	859,992	859,992	891,408	891,408
TV licences for over 75s	628,831	628,831	622,984	622,984
Employment programmes	579,710	579,710	783,644	783,644
Severe Disablement Allowance	234,486	234,486	469,448	469,448
Other expenditure	361,057	365,614	366,677	441,692
Total	**74,095,054**	**74,099,611**	**74,669,683**	**74,744,698**

5b. Non-voted expenditure (financed by the National Insurance Fund)

	2016-17		2015-16	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
State Pension	91,452,635	91,452,635	89,237,407	89,237,407
Employment and Support Allowance	4,666,446	4,666,446	4,436,426	4,436,426
Bereavement benefits	556,766	556,766	568,803	568,803
Maternity Allowance	435,862	435,862	440,678	440,678
Jobseeker's Allowance	263,055	263,055	306,852	306,852
Christmas Bonus	126,370	126,370	127,521	127,521
Incapacity Benefit	22,466	22,466	62,582	62,582
Total	**97,523,600**	**97,523,600**	**95,180,269**	**95,180,269**

6. Non-cash expenditure

	Note	2016-17 Core Department £000	2016-17 Departmental Group £000	2015-16 Core Department £000	2015-16 Departmental Group £000
Non-cash purchase of goods and services					
Auditor's remuneration		1,438	1,438	1,438	1,438
Loss on disposal of assets		1,410	1,628	4,622	3,356
Revaluation (gain)/loss		2,968	2,582	(106)	(106)
ESF foreign exchange loss		21,427	21,427	8,711	8,711
Other		(2,394)	(2,394)	262	262
		24,849	**24,681**	**14,927**	**13,661**
Depreciation, amortisation and impairment					
Depreciation and amortisation of non-current assets	9 & 10	293,688	302,240	310,415	318,354
Amortisation of prepayments		5,000	5,000	5,000	5,000
Impairment of non-current assets	11	175	239	1,115	2,137
Movement in impairment of receivables		(204,364)	(202,581)	(215,157)	(213,327)
		94,499	**104,898**	**101,373**	**112,164**
Provision expense					
Movement in provisions	22	176,018	181,544	2,472,144	2,468,779
Borrowing costs of provisions	22	99,701	99,701	244,138	244,138
		275,719	**281,245**	**2,716,282**	**2,712,917**
Total		**395,067**	**410,824**	**2,832,582**	**2,838,743**

7. Income

	2016-17 Core Department £000	2016-17 Departmental Group £000	2015-16 Core Department £000	2015-16 Departmental Group £000
Operating income				
HSE income	-	90,709	-	85,800
Pension levy receipts	81,426	81,426	59,846	59,846
Mesothelioma recoveries	52,968	52,968	53,808	53,808
Other income	35,374	34,452	406,851	409,351
Income from other government departments	34,845	34,845	48,531	48,531
CFER income	20,040	20,040	5,026	8,732
Benefit income	8,468	8,468	13,251	13,251
ESF income	478	478	11,176	11,176
Total Operating Income	**233,599**	**323,386**	**598,489**	**690,495**
Finance income				
Investment income	29,102	29,120	25,670	25,716
Non-cash				
ESF foreign exchange gain	-	-	12,146	12,146
Total Financial Income	**29,102**	**29,120**	**37,816**	**37,862**
Total income	**262,701**	**352,506**	**636,305**	**728,357**

EU income for the 2007-13 ESF programme finished in 2015-16, therefore we have merged this income line into 'other income'.

8. Tax Credit receivables

	2016-17		2015-16	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Non-cash				
Gross Tax Credit transfer	(145,623)	(145,623)	-	-
Tax Credit transfer impairment	106,216	106,216	-	-
Total	**(39,407)**	**(39,407)**	**-**	**-**

The department has taken on the debt associated with HMRC personal Tax Credits for customers who have made a claim to Universal Credit (UC) and have existing Tax Credits debt or have migrated from tax credits to UC. The debt started to transfer in April 2016 and is planned to continue to transfer over the coming years as more customers move to UC.

In line with the Government Financial Reporting Manual adaptation of IAS 20 (Accounting for Government Grants), this transfer has been treated as a donated asset capital grant in kind and disclosed as such throughout the Financial Statements. The debt has been transferred at fair value (the asset alongside the associated impairment) calculated under IFRS 13 (Fair Value Measurement) which is the estimated actual value. The estimated actual value at the point of transfer has been calculated by HMRC by applying impairment to the gross debt.

The annual impairment has been applied at the year-end in line with IAS 36 (Impairment of Assets). HMRC and DWP share the same impairment policy based on historical recoveries and write off and DWP have applied the annual impairment rate as calculated by HMRC. Details of DWP's impairment policy can be viewed in note 1.5 to the accounts.

9. 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 2016	1,805,165	30,990	287,747	43,209	10,120	4,307	9,319	**2,190,857**
Additions	1,723	126	18,739	615	1,615	858	64,212	**87,888**
Disposals	(2,674)	(219)	(23,885)	(558)	(33)	(933)	-	**(28,302)**
Impairments	-	-	-	(56)	(12)	-	(60)	**(128)**
Reclassifications	-	266	6,473	241	32	-	(7,322)	**(310)**
Revaluations	27,329	-	-	-	-	-	-	**27,329**
Transfers out	-	-	(2,471)	-	-	-	-	**(2,471)**
At 31 March 2017	**1,831,543**	**31,163**	**286,603**	**43,451**	**11,722**	**4,232**	**66,149**	**2,274,863**
Depreciation								
At 1 April 2016	1,422,525	16,078	204,269	37,381	5,247	1,553	-	**1,687,053**
Charged in year	145,532	4,450	30,634	2,179	745	511	-	**184,051**
Disposals	(699)	(138)	(22,752)	(553)	(15)	(506)	-	**(24,663)**
Impairments	-	-	-	(4)	-	-	-	**(4)**
Reclassifications	-	-	-	-	-	-	-	**-**
Revaluations	(1,044)	-	-	-	-	-	-	**(1,044)**
Transfers out	-	-	(1,275)	-	-	-	-	**(1,275)**
At 31 March 2017	**1,566,314**	**20,390**	**210,876**	**39,003**	**5,977**	**1,558**	**-**	**1,844,118**
Carrying amount at 31 March 2017	**265,229**	**10,773**	**75,727**	**4,448**	**5,745**	**2,674**	**66,149**	**430,745**
Carrying amount at 31 March 2016	**382,640**	**14,912**	**83,478**	**5,828**	**4,873**	**2,754**	**9,319**	**503,804**
Asset financing:								
Owned	13,649	10,773	34,555	3,999	5,745	915	66,149	135,785
Finance leased	26,822	-	41,172	449	-	-	-	68,443
PFI contracts	224,758	-	-	-	-	1,759	-	226,517
Carrying amount at 31 March 2017	**265,229**	**10,773**	**75,727**	**4,448**	**5,745**	**2,674**	**66,149**	**430,745**
Of the total:								
Department	177,268	5,067	66,950	450	1,473	86	65,447	316,741
Arm's length bodies	87,961	5,706	8,777	3,998	4,272	2,588	702	114,004
Carrying amount at 31 March 2017	**265,229**	**10,773**	**75,727**	**4,448**	**5,745**	**2,674**	**66,149**	**430,745**

	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**

a. Cash flow reconciliation

	2016-17	2015-16
	£000	£000
Capital payables and accruals at 1 April	8,183	1,305
Capital additions	87,888	52,287
Less: leased capital additions	(9,153)	(18,420)
Capital payables and accruals at 31 March	(7,343)	(8,183)
Purchases of property, plant and equipment as per Statement of Cash Flows	**79,575**	**26,989**
Of the total:		
Department	70,957	22,122
Arm's length bodies	8,618	4,867

Land and buildings

	Land[2]	Freehold Buildings	Leasehold Buildings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2016	719,358	8,650	1,077,157	1,805,165
Additions	25	1,475	223	1,723
Disposals	(911)	-	(1,763)	(2,674)
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	998	-	26,331	27,329
At 31 March 2017	**719,470**	**10,125**	**1,101,948**	**1,831,543**
Depreciation				
At 1 April 2016	612,000	279	810,246	1,422,525
Charged in year	52,046	225	93,261	145,532
Disposals	(243)	-	(456)	(699)
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	(1,044)	(1,044)
At 31 March 2017	**663,803**	**504**	**902,007**	**1,566,314**
Carrying amount at 31 March 2017	**55,667**	**9,621**	**199,941**	**265,229**
Carrying amount at 31 March 2016	**107,358**	**8,371**	**266,911**	**382,640**
Of the total:				
Department	52,684	1,395	123,189	177,268
Arm's length bodies	2,983	8,226	76,752	87,961
Carrying amount at 31 March 2017	**55,667**	**9,621**	**199,941**	**265,229**

2 Included in the land value of £719 million is £3 million of owned land which is not depreciated.

	Land[2]	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**

10. Intangible assets

	Websites	Purchased Software Licences	Internally Developed Software	Payments on AUC	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2016	35,610	245,751	1,205,849	39,654	1,526,864
Additions	-	48,944	173	44,988	94,105
Disposals	-	(16,475)	-	-	(16,475)
Impairments	-	-	-	(115)	(115)
Transfers out	-	-	(2,908)	-	(2,908)
Reclassifications	-	(4,454)	57,793	(58,028)	(4,689)
Revaluations	786	43,956	27,905	-	72,647
At 31 March 2017	**36,396**	**317,722**	**1,288,812**	**26,499**	**1,669,429**
Amortisation					
At 1 April 2016	32,596	162,260	812,769	-	1,007,625
Charged in year	1,151	33,365	83,673	-	118,189
Disposals	-	(16,457)	-	-	(16,457)
Impairments	-	-	-	-	-
Transfers out	-	-	(1,314)	-	(1,314)
Reclassifications	-	(97)	-	-	(97)
Revaluations	699	6,121	17,216	-	24,036
At 31 March 2017	**34,446**	**185,192**	**912,344**	**-**	**1,131,982**
Carrying amount at 31 March 2017	**1,950**	**132,530**	**376,468**	**26,499**	**537,447**
Carrying amount at 31 March 2016	**3,014**	**83,491**	**393,080**	**39,654**	**519,239**
Of the total:					
Department	1,950	128,933	376,060	25,930	532,873
Arm's length bodies	-	3,597	408	569	4,574
Carrying amount at 31 March 2017	**1,950**	**132,530**	**376,468**	**26,499**	**537,447**
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**

	Websites	Purchased Software Licences	Internally Developed Software	Payments on AUC	Total
	£000	£000	£000	£000	£000
Amortisation					
At 1 April 2015	33,173	155,618	686,612	-	875,403
Charged in year	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**

a. Intangible asset cash flow reconciliation

	2016-17	2015-16
	£000	£000
Capital payables and accruals at 1 April	11,913	1,966
Capital additions	94,105	68,893
Capital payables and accruals at 31 March	(8,049)	(11,913)
Purchases of intangible assets as per Statement of Cash Flows	**97,969**	**58,946**
Of the total:		
Department	96,737	58,279
Arm's length bodies	1,232	667

(i) During 2016-17, within the category of Purchased Software Licences, IP address assets were revalued by £34.767 million to fair market value based on the best estimate of market price. This figure included the revaluation of additional IP addresses recognised for the first time in 2016-17, which amounted to £13.476 million. IP addresses with a net book value of £4.902 million were reclassified to Assets Held for Sale.

11. Non-current assets impairment

		2016-17		2015-16	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Charged to Statement of Comprehensive Net Expenditure					
Property, plant and equipment	9	60	124	-	905
Intangible assets	10	115	115	1,167	1,284
Transferred from revaluation reserve					
Intangible assets		-	-	(52)	(52)
Total		**175**	**239**	**1,115**	**2,137**

12. Financial assets

	Working Links	National Employment Savings Trust Corporation	New Enterprise Allowance	Departmental Group Total
	£000	£000	£000	£000
Balance at 1 April 2016	**4,625**	**459,647**	**2,138**	**466,410**
Additions	-	79,500	-	79,500
Loan repayments	-	-	(691)	(691)
Revaluations	(2,492)	-	-	(2,492)
Impairments	-	-	(1,447)	(1,447)
Disposals	(2,133)	-	-	(2,133)
Balance at 31 March 2017	**-**	**539,147**	**-**	**539,147**

Working Links

During the year we sold our 1/3 holding in Working Links at fair market value.

National Employment Savings Trust Corporation (NEST)

This loan provides on-going funding to NEST for the administration and operation of its pension scheme. NEST's scheme income and assets under management continue to grow, as scheme membership increases, and will eventually be sufficient to fund NEST's on-going costs and repay the loan.

New Enterprise Allowance

From 2011 to 2014 we provided loans to customers to assist with the early set up costs of their business as part of the New Enterprise Allowance scheme. Due to the age of the outstanding loans we decided to impair the remaining debt balance.

BPDTS Ltd

The core department has also provided one of our wholly owned arm's length bodies with a £5 million loan for general working capital and investment purposes. This loan is eliminated on consolidation and is not therefore reported as a departmental financial asset.

13. Assets held for sale

	31 March 2017		31 March 2016	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Balance at 1st April	**344**	**983**	**11,919**	**11,919**
Additions	4,903	4,903	4,381	5,170
Revaluations	(147)	240	(127)	(127)
Disposals	(5,100)	(5,100)	(15,829)	(15,979)
Balance at 31st March	**-**	**1,026**	**344**	**983**

Our assets held for sale include a property owned by Disabled People's Employment Corporation. We expect to sell that property within the next 12 months. Directors have used agreed selling price to determine the fair value of that asset.

During the year we sold our holding of IPV4 addresses at fair market value.

14. Capital commitments

	31 March 2017		31 March 2016	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Property, plant and equipment	3,900	4,736	74	1,004
Intangible assets	577	906	353	432
Total	**4,477**	**5,642**	**427**	**1,436**

15. Commitments under non-PFI leases

(i) Operating leases

Total future minimum lease payments under operating leases are given in the table below:

	31 March 2017		31 March 2016	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	12,572	16,602	12,696	17,704
Later than 1 year and not later than 5 years	61,518	65,200	22,321	28,463
Later than 5 years	47,398	47,398	21,077	23,071
Total	**121,488**	**129,200**	**56,094**	**69,238**

These leases consist of primarily property leases. The remaining length of the leases is 1 to 10 years.

(ii) Finance leases

Total future minimum lease payments under finance leases are given in the table below:

	31 March 2017		31 March 2016	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Gross liabilities				
Not later than 1 year	25,717	25,864	46,015	46,015
Later than 1 year and not later than 5 years	56,361	56,949	47,044	47,044
Later than 5 years	52,256	58,604	60,463	60,463
Total gross liabilities	**134,334**	**141,417**	**153,522**	**153,522**
Less: interest element	(34,884)	(40,567)	(40,038)	(40,038)
Present value of obligations	**99,450**	**100,850**	**113,484**	**113,484**

	31 March 2017		31 March 2016	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Present value of obligations				
Not later than 1 year	19,672	19,673	39,301	39,301
Later than 1 year and not later than 5 years	40,008	40,152	29,598	29,598
Later than 5 years	39,770	41,025	44,585	44,585
Total	**99,450**	**100,850**	**113,484**	**113,484**

Finance leases include the following non PFI arrangements:

- Newcastle Estates Accommodation (started on 1 April 1999 and lasts until 2029)
- IT Services;
  - HP Enterprise Services (ends in 2018)
  - BT Global Services (ends in 2018-2019)
  - Xerox (ends in 2017)
  - Vodafone for telephony services (ends in 2017)

16. 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 2017		31 March 2016
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Rentals due within 1 year	113,512	123,838	114,654	124,980
Rentals due later than 1 year and not later than 5 years	-	41,389	114,437	155,769
Rentals due later than 5 years	-	142,016	-	152,398
Less interest element	(3,058)	(99,077)	(11,654)	(115,863)
Present value of obligations	**110,454**	**208,166**	**217,437**	**317,284**

The minimum service charges are:

		31 March 2017		31 March 2016 Restated
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Service charge due within 1 year	410,298	421,919	414,435	425,240
Service charge due later than 1 year and not later than 5 years	-	46,482	425,254	468,474
Service charge due later than 5 years	-	146,803	-	151,708
Total	**410,298**	**615,204**	**839,689**	**1,045,422**

The 2015-16 figure has been restated due to the service charge due later than 1 year and not later than 5 years figure being understated by £1.6 million.

The contracts assessed as service concessions are as follows:

Private sector resource management of the estate (PRIME)

We have a Private Sector Finance Initiative partnership agreement for the provision of fully managed accommodation, this contract ends on 31 March 2018. From 1 April 2018 the Department will have individual leases direct with landlords, these leases will generally be for 10 years (with 5 year break options), it is expected that these leases will be operating leases. We will have a new operating model for future estates management with functions including Landlord and Lease management, project works being individually procured.

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.

The 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 £66.4 million (2015-16 £59.6 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.

17. 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 2017		31 March 2016	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	172,206	180,710	359,450	366,839
Later than 1 year and not later than 5 years	179,221	189,188	234,007	240,694
Later than 5 years	-	2,768	23,011	25,939
Total	**351,427**	**372,666**	**616,468**	**633,472**

18. Cash and cash equivalents

	31 March 2017		31 March 2016	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Balances at 1 April	(1,196,062)	(1,192,952)	(2,030,369)	(2,019,267)
Net change in cash and cash equivalent balances	(12,730)	(10,778)	834,307	826,315
Balances at 31 March	**(1,208,792)**	**(1,203,730)**	**(1,196,062)**	**(1,192,952)**
Represented by:				
Cash and cash equivalents	221,442	226,613	173,128	176,290
Bank overdraft	(1,430,234)	(1,430,343)	(1,369,190)	(1,369,242)
	(1,208,792)	**(1,203,730)**	**(1,196,062)**	**(1,192,952)**

The following balances at 31 March were held at:

	31 March 2017		31 March 2016	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Government Banking Services	(1,232,330)	(1,232,439)	(1,203,973)	(1,203,716)
Commercial banks and cash in hand	23,538	28,709	7,911	10,764
Total	**(1,208,792)**	**(1,203,730)**	**(1,196,062)**	**(1,192,952)**

The bank overdraft relates to cash-in-transit due to a timing difference between the payment being processed and the date that the customers are paid.

19. Trade receivables, financial and other assets

		31 March 2017		31 March 2016	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Trade receivables		21,186	45,804	13,590	34,937
Deposits and advances		1,471	1,823	1,592	1,844
Amounts due from other government departments		47,707	47,006	25,865	25,853
Benefit overpayments		407,128	407,128	398,646	398,646
Benefit advances		47,856	47,856	22,026	22,026
Housing Benefit		208,665	208,665	212,723	212,723
Prepayments and accrued income		1,470,357	1,484,702	1,518,952	1,532,758
Social Fund loans		245,402	245,402	273,947	273,947
Tax Credit receivables	8	67,526	67,526	-	-
European Social Fund	a)	95,777	95,777	227,887	227,887
Value Added Tax		76,863	77,834	63,689	65,470
Current part of loans		6,691	6,691	980	980
Amounts due from the Consolidated Fund in respect of supply		315,242	315,242	-	-
Other receivables		15,981	16,153	16,518	16,686
Gross receivables		**3,027,852**	**3,067,609**	**2,776,415**	**2,813,757**
Less: impairment of receivables		(183,496)	(186,873)	(137,192)	(140,455)
Net receivables		**2,844,356**	**2,880,736**	**2,639,223**	**2,673,302**
Amounts falling due after more than one year					
Deposits and advances		17	59	67	159
Prepayments and accrued income		-	-	5,000	5,000
Benefit overpayments		2,048,131	2,048,131	2,106,726	2,106,726
Social Fund loans		438,341	438,341	505,009	505,009
Tax Credit receivables	8	78,097	78,097	-	-
Other receivables		4,721	6,199	4,931	6,017
Gross receivables		**2,569,307**	**2,570,827**	**2,621,733**	**2,622,911**
Less: impairment of receivables		(911,529)	(911,529)	(1,051,703)	(1,051,703)
Net receivables		**1,657,778**	**1,659,298**	**1,570,030**	**1,571,208**
Total net receivables		**4,502,134**	**4,540,034**	**4,209,253**	**4,244,510**

a) Balances due within one year of £95.8 million (31 March 2016: £227.9 million) relating to European Social Fund, include accrued amounts.

20. Trade payables and other current liabilities

		31 March 2017		31 March 2016	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Taxation and social security		44,757	48,633	38,598	42,074
Superannuation		39,879	42,946	39,118	42,164
Trade payables		88,691	91,555	75,081	76,466
Amounts due to other government departments		52,443	52,443	43,150	43,150
Accruals and deferred income		3,151,492	3,178,357	3,172,818	3,202,669
Capital accruals	9 & 10	13,543	15,392	18,233	20,096
Bank overdrafts	18	1,430,234	1,430,343	1,369,190	1,369,242
Imputed finance lease element of on-Statement of Financial Position PFI contracts		110,454	112,768	106,317	108,453
Finance lease obligations		19,672	19,673	39,302	39,302
CFERs due to be paid to the Consolidated Fund – received		6,581	6,581	1,528	2,938
CFERs due to be paid to the Consolidated Fund – receivable		11,988	11,988	3,297	3,297
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		36,155	36,155	48,233	48,233
European Social Fund		60,081	60,081	144,775	144,775
Other payables		14,702	15,396	8,399	10,558
		5,080,672	**5,122,311**	**5,337,163**	**5,382,541**
Amounts falling due after more than one year					
Imputed finance lease element of on-Statement of Financial Position PFI contracts		-	95,398	111,119	208,831
Finance lease obligations		79,778	81,177	74,182	74,182
European Social Fund	a)	301,857	301,857	272,301	272,301
Other payables		-	19	-	103
		381,635	**478,451**	**457,602**	**555,417**
Total payables		**5,462,307**	**5,600,762**	**5,794,765**	**5,937,958**

a) Balances due over one year of £301.9 million (31 March 2016: £272.3 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.

21. Financial instruments

(i) Analysis of financial instruments

Our financial instruments include loans and receivables.

		31 March 2017		31 March 2016	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Financial assets					
Loans and investments		550,838	545,838	469,121	469,121
Other receivables		138,939	164,902	84,589	107,522
Cash and cash equivalents	18	221,442	226,613	173,128	176,290
Housing Benefit subsidy		208,665	208,665	212,723	212,723
Benefit overpayments		2,455,259	2,455,259	2,505,372	2,505,372
Tax Credit receivables		145,623	145,623	-	-
Social Fund		683,743	683,743	778,956	778,956
European Social Fund		95,777	95,777	227,887	227,887
Total		**4,500,286**	**4,526,420**	**4,451,776**	**4,477,871**
Less: impairment of financial instruments		(1,096,472)	(1,099,849)	(1,190,625)	(1,193,888)
		3,403,814	**3,426,571**	**3,261,151**	**3,283,983**
Financial liabilities					
Other payables		3,320,871	3,353,163	3,317,681	3,353,042
Bank overdraft		1,430,234	1,430,343	1,369,190	1,369,242
European Social Fund		361,937	361,937	417,076	417,076
Total		**5,113,042**	**5,145,443**	**5,103,947**	**5,139,360**

(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 2017 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.

22. Provisions for liabilities and charges

		31 March 2017		31 March 2016	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Financial Assistance Scheme (FAS) provision	22a	7,282,412	7,282,412	7,210,754	7,210,754
Other provisions	22b	30,334	36,206	60,055	60,865
		7,312,746	**7,318,618**	**7,270,809**	**7,271,619**

(i) Analysis by type

	2016-17		2015-16	
	Core Department	Departmental Group	Core Department	Departmental Group
FAS provision (a)	£000	£000	£000	£000
Balance at 1 April	7,210,754	7,210,754	4,739,729	4,739,729
Provided in year	161,969	161,969	2,431,196	2,431,196
Utilised in year	(189,739)	(189,739)	(203,807)	(203,807)
Borrowing costs (unwinding of discount)	99,428	99,428	243,636	243,636
Balance at 31 March	**7,282,412**	**7,282,412**	**7,210,754**	**7,210,754**

	2016-17		2015-16	
	Core Department	Departmental Group	Core Department	Departmental Group
Other provisions (b)	£000	£000	£000	£000
Balance at 1 April	60,055	60,865	115,944	116,645
Provisions transferred in			-	3,069
Provided in year	24,023	29,535	48,540	49,138
Provisions not required written back	(9,974)	(9,974)	(7,592)	(10,506)
Utilised in year	(44,043)	(44,493)	(97,339)	(97,983)
Borrowing costs (unwinding of discount)	273	273	502	502
Balance at 31 March	**30,334**	**36,206**	**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 218 to 234.

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.

Sensitivities for 2016-17

The FAS provision is long term and is therefore more sensitive to changes in economic and other conditions.

The table below sets out a sensitivity analysis for the most significant assumptions used to estimate the FAS provision. It illustrates the potential impact of changes in assumptions on the value of the provision.

	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 2017	7.282	8.017	7.995	7.060	7.475	7.476
(Increase)/decrease in provision		(0.735)	(0.712)	0.223	(0.193)	(0.193)
Percentage change		(10.09%)	(9.78%)	3.06%	(2.65%)	(2.66%)

These assumptions and their impacts are explained below. Each assumption illustrates a discrete impact to the provision.

Original – This is the actual FAS Provision as at 31 March 2017. It is used as the “baseline” position for the other scenarios, where other than the specified change, all other assumptions and cash flows remain equal.

Discount rate (PES rates) decrease – If PES rates decreased by 0.5%, then the provision would increase by £735 million (10%).

Inflation rate decrease – A decrease in inflation of 0.5%, would increase the provision by £712 million (9.8%).

Mortality increase – An increase in the mortality of 10% would decrease the provision by £223 million (3.1%).

Pension increase – An increase in the pension increase assumption for post-97 benefits by 0.5% would increase the provision by £193 million (2.7%).

Deferred revaluation increase – An increase to the revaluation rate in deferment of people’s pensions by 0.5%, would increase in the provision by £193 million (2.7%).

There are other assumptions included in the cash flows which are not considered to be significant. These include the age difference between male and female survivors; the proportion that are married; ill health decrements and the scaling factor of members missing from the data extract.

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	180,075	180,075	21,410	24,035	201,485	204,110
Later than one year and not later than five years	828,134	828,134	1,886	4,446	830,020	832,580
Later than five years	6,274,203	6,274,203	7,038	7,725	6,281,241	6,281,928
Balance at 31 March 2017	**7,282,412**	**7,282,412**	**30,334**	**36,206**	**7,312,746**	**7,318,618**

23. 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 specific benefits to claimants' needs and circumstances to ensure an efficient use of overall resources. However, this introduces complexity and hence 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. We take tackling incorrect payments seriously and pay approximately 97% of benefit expenditure correctly.

The latest 2016-17 preliminary statistics[3] (published in May 2017) indicate that fraud and error overpayments increased to 2.0% from their previous record low of 1.8%. This amounts to a monetary value of £3.5 billion overpaid from a total expenditure of £174.1 billion this year. Fraud accounts for 1.2% (£2.0 billion) of expenditure; whilst claimant error is 0.5% (£0.8 billion) and official error is 0.4% (£0.6 billion).[4]

The proportion of benefit underpaid has reduced to 0.9% of total expenditure which equates to a monetary value of £1.6 billion, compared to 1.0% (£1.8 billion) the previous year. Claimant error accounts for 0.6% (£1.1 billion) whilst official error is 0.3% (£0.5 billion) of total expenditure.

Some identified overpayments can be recovered[5] from claimants, so not all money is truly "lost" from the public purse. We estimate around £1.1 billion was recovered in 2016-17.[6]

We have an additional measure that takes away actual recoveries from estimated overpayments to give an estimate of the net loss to the system.[7]

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3 The department publishes fraud and error estimates twice yearly. The figures quoted in the tables are from the preliminary estimates for 2016-17 and 2015-16. These use a sample of benefit claims relating to the period October to September. The final estimates based on a sample from April to March replace the preliminary publication on www.gov.uk when published around November.

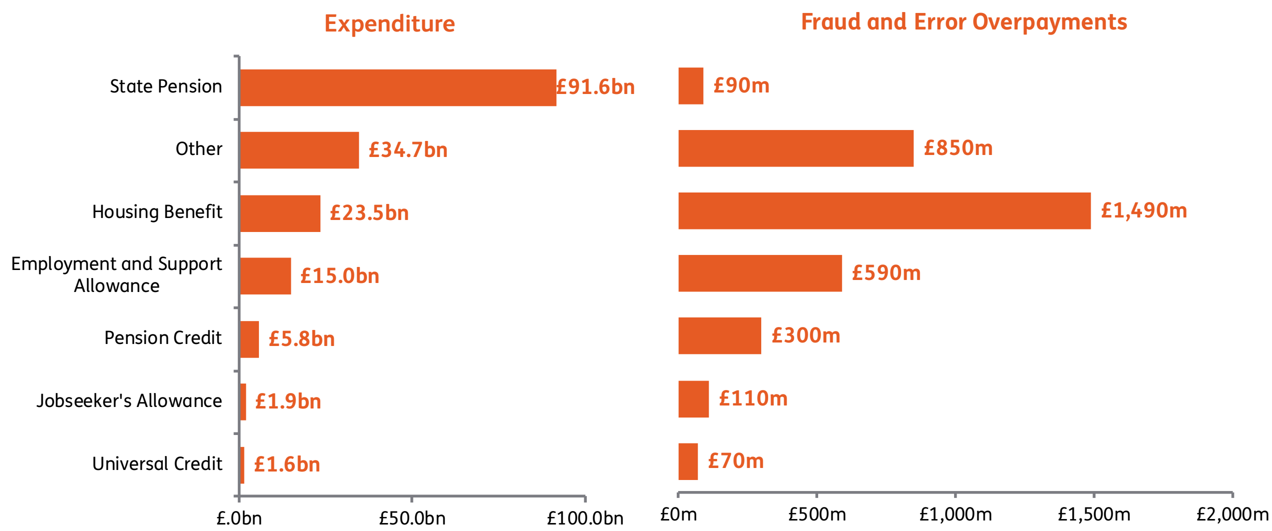
4 We define **fraud** as where claimants deliberately claim money they aren't entitled to. We split error into two categories; **claimant error**, which occurs when claimants provide inaccurate information, and **official error**, which occurs when we process information incorrectly or fail to apply rules.

5 Recoverable overpayments include fraud, claimant error and Universal Credit official error.

6 Benefit recovery is through the Department's debt management function and local authorities.

7 This method deducts money recovered this year (regardless of when the overpayment was paid) 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 2016-17. See indicator 11 narrative for more detail.

We understand which benefits are most vulnerable to fraud and error. The two charts below show that the losses are not proportionate. For example, State Pension accounts for over 52% of the total estimated £174.1 billion expenditure but just under 3% of total fraud and error overpayments, whereas Housing Benefit accounts for around 14% of the estimated expenditure but 43% of total fraud and error overpayments.



1. Estimated levels of overall fraud and error including confidence intervals

	2016-17		2015-16	
Overpayments				
Fraud	1.2%	(0.9, 1.5)	0.9%	(0.8, 1.2)
	£2.0bn	(1.6, 2.6)	£1.6bn	(1.3, 2.1)
Claimant error	0.5%	(0.4, 0.7)	*0.5%	(0.4, 0.7)
	£0.8bn	(0.6, 1.2)	£0.9bn	(0.7, 1.3)
Official error	0.4%	(0.3, 0.5)	0.3%	(0.3, 0.5)
	£0.6bn	(0.5, 0.9)	£0.6bn	(0.4, 0.9)
Total overpayments	**2.0%**	**(1.7, 2.4)**	**1.8%**	**(1.5, 2.2)**
	£3.5bn	(3.0, 4.1)	£3.1bn	(2.6, 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%	(0.4, 0.9)
	£1.1bn	(0.7, 1.6)	£1.0bn	(0.6, 1.5)
Official error	*0.3%	(0.2, 0.4)	*0.4%	(0.3, 0.5)
	£0.5bn	(0.4, 0.6)	£0.7bn	(0.6, 0.9)
Total underpayments	**0.9%**	**(0.7, 1.2)**	**1.0%**	**(0.8, 1.3)**
	£1.6bn	**(1.2, 2.1)**	**£1.8bn**	**(1.3, 2.3)**
Total expenditure	**£174.1bn**		**£172.0bn**	

2. Jobseeker's allowance and low income benefits

	Income Support		Jobseeker's Allowance		Pension Credit	
Overpayments	**2016-17**	**2015-16**	**2016-17**	**2015-16**	**2016-17**	**2015-16**
Fraud	2.4%	2.4%	4.7%	3.1%	2.3%	2.5%
	£60m	£60m	£90m	£70m	£130m	£150m
Claimant error	1.0%	1.0%	0.2%	0.2%	1.6%	1.4%
	£30m	£30m	£0m	£0m	£90m	£90m
Official error	0.4%	0.4%	*0.6%	1.8%	1.3%	1.7%
	£10m	£10m	£10m	£40m	£70m	£100m
Total overpayments	**3.9%**	**3.9%**	**5.6%**	**5.0%**	**5.2%**	**5.6%**
	£90m	**£100m**	**£110m**	**£120m**	**£300m**	**£350m**
Total underpayments	**0.8%**	**0.8%**	**0.6%**	**0.8%**	**2.3%**	**2.3%**
	£20m	**£20m**	**£10m**	**£20m**	**£130m**	**£140m**
Total expenditure	**£2.4bn**	**£2.7bn**	**£1.9bn**	**£2.4bn**	**£5.8bn**	**£6.2bn**

2. (continued)

	Universal Credit		Housing Benefit	
Overpayments	**2016-17**	**2015-16**	**2016-17**	**2015-16**
Fraud	2.5%	5.4%	4.6%	3.0%
	£40m	£27m	£1,090m	£730m
Claimant error	0.2%	0.2%	1.4%	*1.8%
	£0m	£1m	£320m	£430m
Official error	2.0%	1.7%	0.4%	0.4%
	£30m	£8m	£80m	£90m
Total overpayments	**4.8%**	**7.3%**	**6.4%**	**5.2%**
	£70m	**£36m**	**£1,490m**	**£1,260m**
Total underpayments	**1.2%**	**2.6%**	**1.3%**	**1.4%**
	£20m	**£13m**	**£310m**	**£350m**
Total expenditure	**£1.6bn**	**£0.5bn**	**£23.5bn**	**£24.3bn**

3. State Pension and disability benefits

	Employment and Support Allowance		Incapacity Benefit		Disability Living Allowance		State Pension	
Overpayments	**2016-17**	**2015-16**	**2016-17**	**2015-16**	**2016-17**	**2015-16**	**2016-17**	**2015-16**
Fraud	2.2%	*1.7%	0.3%	0.3%	0.5%	0.5%	0.0%	0.0%
	£320m	£250m	£0m	£0m	£60m	£60m	£0m	£0m
Claimant error	0.6%	*0.5%	0.9%	0.9%	0.6%	0.6%	0.1%	0.1%
	£90m	£80m	£0m	£0m	£70m	£80m	£80m	£70m
Official error	*1.2%	*0.6%	1.2%	1.2%	0.8%	0.8%	*0.0%	0.0%
	£180m	£80m	£0m	£0m	£90m	£100m	£10m	£30m
Total overpayments	***3.9%**	**2.8%**	**2.4%**	**2.4%**	**1.9%**	**1.9%**	**0.1%**	**0.1%**
	£590m	**£410m**	**£0m**	**£0m**	**£220m**	**£250m**	**£90m**	**£110m**
Total underpayments	**2.8%**	***2.3%**	**0.7%**	**0.7%**	**2.5%**	**2.5%**	**0.1%**	**0.3%**
	£420m	**£340m**	**£0m**	**£0m**	**£290m**	**£330m**	**£60m**	**£260m**
Total expenditure	**£15.0bn**	**£14.5bn**	**£0.0bn**	**£0.1bn**	**£11.5bn**	**£13.3bn**	**£91.6bn**	**£89.4bn**

4. Fraud and error in other benefits

	Carer's Allowance		Interdependencies		Other Unreviewed	
	2016-17	**2015-16**	**2016-17**	**2015-16**	**2016-17**	**2015-16**
Total overpayments	**5.5%**	**5.5%**	**z**	**z**	**1.8%**	**1.7%**
	£150m	**£140m**	**£30m**	**£30m**	**£320m**	**£270m**
Total underpayments	**0.1%**	**0.1%**	**z**	**z**	**1.8%**	**1.8%**
	£0m	**£0m**	**z**	**z**	**£330m**	**£290m**
Total expenditure	**£2.7bn**	**£2.6bn**	**z**	**z**	**£18.0bn**	**£16.2bn**

Notes to the tables 1-4:

1. The 2016-17 data comes from DWP National Statistics: Fraud and Error in the Benefit System: Preliminary 2016-17 Estimates. Figures are based on fraud and error National Statistics for the period covering October 2015 – September 2016 and estimated benefit expenditure for 2016-17. 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 October 2014 to September 2015 and estimated benefit expenditure for 2015-16.

2. Total expenditure figures for 2016-17 and 2015-16 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 £100 million and monetary estimates are rounded to the nearest £10 million, except Universal Credit for 2015-16 which is rounded to the nearest £1 million.

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 2016-17 and 2015-16 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. Universal Credit has not been tested for statistical significance as the methodology changed between 2015-16 and 2016-17.

9. The preliminary 2015-16 national statistics (published May 2016) estimated total overpayments in Universal Credit to be 7.3% of expenditure, of which fraud was 5.4%. This level of fraud was due to a number of cases where the department was unable to complete a review of the case where the claimant ended contact with the department without supplying a reason. These cases had their claim terminated and were categorised as being fraudulent. Over the summer of 2016, further investigations into these cases concluded that only 1 in 5 of these had sufficient evidence to support a suspicion of fraud. Therefore, the Final 2015-16 national statistics published in December 2016, incorporated a revised methodology where the Universal Credit estimates have been split into 'Reviewed' and 'Cannot Review' cases. The Reviewed sample results are based on the completed measurement data in the same way as for other benefits. The fraud and error associated with the Cannot Review sample cases is based on a number of assumptions. Please refer to the Final 2015-16 National Statistics (published 8th December 2016) 'Benefit fraud and estimation and uncertainty' section below for further 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 2016-17 DLA expenditure this figure is now estimated to be around £0.8 billion (+/-£0.2 billion). This component is not included in the total above. Within the 'Other Unreviewed' section in table 4, DLA is used as a proxy benefit for the following benefits: Industrial Disablement Benefit, Attendance Allowance, Specialised Vehicle Allowance, Armed Forces Independence Payment and Personal Independence Payment. The total expenditure for these benefits is £11,600 million. DLA is also used within the calculation of a general proxy, which is used for Christmas Bonus, Statutory Sick Pay and Statutory Maternity Pay. The total expenditure for these benefits is £2,300 million. For the benefits that use DLA as a proxy measure, no information is available to estimate irrecoverable overpayments due to gradual change in the claimant's needs.

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. 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 protocol. 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 (the latest National Statistics publication and the technical appendix document links towards the bottom of the webpage).

When interpreting the statistics, please bear in mind that the underpayment estimates do not 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.

Universal Credit fraud estimation uncertainty

The preliminary 2015-16 fraud and error national statistics (published May 2016) estimated total overpayments in Universal Credit to be 7.3% of expenditure, of which fraud was 5.4%. The level of fraud was affected by a number of cases where the department was unable to complete a review of the case when the claimant ended contact with the department without supplying a reason. These cases had their claim terminated and were all categorised as being fraudulent.

Over the summer of 2016, further investigations into these 35 sample cases concluded that only 7 of these had sufficient evidence to support a suspicion of fraud. Therefore, the Final 2015-16 national statistics published in December 2016, incorporated a revised methodology where the Universal Credit estimates have been split into ‘Reviewed’ and ‘Cannot Review’ cases. Reviewed cases are based on the completed measurement data and Cannot Review cases are based on a number of assumptions. An assumption of 20% (7/35) was used for the estimated level of Fraud for Cannot Review cases where there were no mitigating circumstances.[8] Details of all the assumptions can be found in appendix 3 of the main publication document.

8 Mitigating Circumstances are cases where information is available on DWP systems to indicate why the claimant may not have engaged in a review. In most cases, this is where the claimant has moved into paid work following the Assessment Period under review. Given that a full review was never completed, it is assumed that these cases will have a similar level of Fraud and error as Reviewed cases.

Sensitivity of the Fraud Assumption

The proportion of Cannot Review cases within the sample is critical to the sensitivity of the estimates, as the larger the proportion, the higher the monetary value assigned via assumptions as opposed to the measured data. The volumes in the table below show that whilst the proportion of Cannot Review cases is reducing overall, the volume with no mitigating reason for not completing a review is remaining steady at 4% of the cases sampled.

	Cannot review with a mitigating circumstance	Cannot review with no mitigating circumstances	Cannot review Total
2015-16 Preliminary	6%	4%	10%
2015-16 Final	5%	4%	9%
2016-17 Preliminary	3%	4%	7%

Whether or not a Cannot Review case should be classed as being fraudulent or not hinges on why the claimant failed to engage in the review process. The lack of contact means that there is little information available to determine if each case should be categorised as fraud or not.

Additional checks were carried out on the sample cases without a mitigating circumstance but for 80% of the cases examined these proved inconclusive as there was no evidence to determine whether a payment was made correctly or not.

The following table shows the 2016-17 preliminary estimates based on a 20% assumption and three scenarios for this assumption to illustrate the sensitivity of the published 2016-17 estimates to varying the level of assumed fraud within the Cannot Review, No Mitigating Circumstance group.

		Claimant Error	Fraud	Official Error	Total	MVFE
2016-17 Preliminary Estimate	Cannot review without mitigating circs	0.2%	20.0%	2.0%	22.2%	**£10m**
	Total overpayments	**0.2%**	**2.5%**	**2.0%**	**4.8%**	**£70m**
10% fraud assumption	Cannot review without mitigating circs	0.2%	10.0%	2.0%	12.2%	**£10m**
	Total overpayments	**0.2%**	**2.2%**	**2.0%**	**4.4%**	**£70m**
50% fraud assumption	Cannot review without mitigating circs	0.2%	50.0%	2.0%	52.2%	**£30m**
	Total overpayments	**0.2%**	**3.5%**	**2.0%**	**5.8%**	**£90m**
75% fraud assumption	Cannot review without mitigating circs	0.2%	75.0%	2.0%	77.2%	**£40m**
	Total overpayments	**0.2%**	**4.4%**	**2.0%**	**6.6%**	**£100m**

Note: The MVFE illustrated in the table is rounded to the nearest £10 million.
The Total Overpayments may sum to the Total % due to rounding.

24. 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% 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% error threshold in the 2015 Annual Control Report but cumulatively errors remain below 2%.

In addition the department carries a new risk that similar financial corrections could be imposed for the 2014-20 ESF programme.

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 22) will increase as the assets and the associated liabilities transfer. We estimate that the total value of the assets yet to be transferred to government will be in the region of £176 million. 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 1,518 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 £6.6 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.

People & Locations Programme

In January 2017 the department announced its future location plans that involve closing a number of existing sites. The majority of staff will continue to work in their existing locations, with most other staff moving to another of the department's sites. It is anticipated that in a small number of cases relocation and redeployment may not be possible and may result in redundancies. At this stage it is not possible to provide an estimate of the cost of potential redundancies.

25. Related party transactions

We sponsor the arm's length bodies listed in 'Corporate governance' on page 80. These include 3 public corporations: Pension Protection Fund, National Employment Savings Trust and Office for Nuclear Regulation.

In addition we have had a significant number of transactions with other government departments, most of these transactions have been with Ministry of Justice, Department of Health, Ministry of Defence, Department for Culture, Media and Sport, Department for Social Development, HMRC and Office for National Statistics. We also have transactions with other public bodies such as Local Authorities.

No minister, board member, key manager or other related party has undertaken any material transactions with the department during the year.

26. Third-party assets

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. These are not departmental assets and are not included in these accounts, the transactions are included in a client funds account, published separately.

The cash balance held at the reporting date is £17.4 million (2015-16: £23.2 million).

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27. Remploy pension scheme

DPEC Ltd operated a defined benefit pension arrangement called the Remploy Limited Pension and Assurance Scheme (the Scheme) up until 1 April 2016. The Secretary of State took over as principal employer of the Scheme with effect from this date. The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. The Company also operated a defined contribution scheme which is a sub-section of the Scheme, and allowance has been made for these benefits in this disclosure. The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met.

The Scheme is managed by a corporate Trustee, with directors appointed in part by the Employer and part from elections by members of the Scheme as well as representation by an independent trustee. The Trustee has responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets.

The Scheme is closed to new members.

On 1 April 2016, a net pension liability of £243.5 million transferred to the department. On 31 March 2017 the net pension liability was valued in the accounts at £241.1 million.

On 31 March 2017, the net assets of the scheme had a fair value of £752 million (£654 million at 31 March 2016). The movement during the year was due to the Scheme's assets performing better than previously assumed. The majority of the scheme assets are invested in equities and hedge funds.

The department made a contribution to the scheme of £11 million during the period.

On 31 March 2017, the net obligations of the scheme had a present value of £993 million (£898 million at 31 March 2016). The movement during the year was due to a decrease in bond yields over the period. A total of £30.8 million has been paid out as benefits to scheme members during the period.

The following table illustrates the movements in the net liability:

	2016-17 £000	2015-16 £000
Balance of net pension liability at 1 April	**243,475**	**292,399**
Remeasurements	(2,035)	(60,440)
Net interest expense (income)	8,844	9,944
Administration costs	1,797	1,730
Past service cost	-	34
Curtailment cost (saving)	-	(17)
Employer contributions	(11,000)	(175)
Balance of net pension liability at 31 March	**241,081**	**243,475**

The Scheme trustees have undertaken a sensitivity analysis for each significant actuarial assumption as at the end of the reporting period, showing how the obligation would have been affected by changes in key actuarial assumptions;

	Approximate effect on liabilities
	£000
0.5% increase in inflation rate	£80,895
0.5% decrease in inflation rate	(£78,511)
0.5% increase in discount rate	(£88,955)
0.5% decrease in discount rate	£93,359
10% increase in mortality rates	(£33,190)
10% decrease in mortality rates	£28,780

28. Events after the reporting period

There were no events after the reporting period.

The Accounting Officer authorised these financial statements for issue on 28 June 2017

Financial Assistance Scheme Trust Statement

Financial Assistance Scheme 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 2017, 1,084 schemes had successfully applied for assistance from FAS, including 13 schemes which the scheme trustees notified to FAS in August 2016, just before FAS finally closed for receiving new notifications, after having been open 10 years longer than the original deadline. Of these 1,084 schemes, there are 6 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 under the relevant legislation as a result of their funding position. Of the remaining 1,078 schemes, 41 were found to be funded sufficiently to be able to wind up by purchasing annuities in the insurance market at benefit levels in excess of the assistance promised by FAS, and so did not transfer any of their assets or liabilities to FAS.

Performance for the year

The 1,037 underfunded schemes that have claimed, or will in future claim, assistance from FAS fall into 2 categories, 541 schemes classified as "FAS1" and 496 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 (with some 150 members) 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.

475 FAS2 schemes, with an estimated total membership of nearly 89,000, have completed winding-up and surrendered their assets to government, leaving a further 21 schemes (around 6,000 members) yet to complete the process. Note 2 to the financial statements gives details of the number of schemes transferred (11) and the value of assets collected (£88 million) in the current year.

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 almost £1.7 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.

However, the assistance payable to qualifying FAS members, totalling £195 million for the year ended 31 March 2017, is included within the department’s Statement of Comprehensive Net Expenditure (or for beneficiaries resident in Northern Ireland, within the equivalent Statement for the Northern Ireland Assembly). Similarly, the FAS provision (representing the estimated present value of assistance payable to the total of 151,000 current and future FAS members (both in-payment and deferred members) in the future, and amounting to £7.3 billion as at 31 March 2017) is included within the department’s Statement of Financial Position (or for beneficiaries resident in Northern Ireland, within the equivalent Statement for the Northern Ireland Assembly).

The future of FAS

FAS is now closed to notifications from scheme trustees of any schemes whose members may have qualified for financial assistance. The board of the PPF, as FAS scheme manager, is proceeding to obtain further information in order to decide whether the 6 schemes where the Board currently has insufficient information do qualify for financial assistance or should be rejected. For schemes which do successfully qualify, the Board will then proceed to obtain information such as the size of membership and the value of assets, and proceed to develop plans with the scheme trustees to complete the wind up and transfer process.

The board is also managing the 22 qualifying schemes (1 FAS1, 21 FAS2) still in the pipeline through to wind up and transfer as quickly as possible. The complexity of legal issues surrounding employer insolvency, scheme investments and other events mean it is probable that these transfers will take at least 2 further years to complete.

Once all scheme transfers are completed, the requirement for any future Trust Statements to be prepared and audited will be reviewed by the department and HM Treasury.

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 89.

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 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income 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 Principal 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 2017 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 Performance Report, Accountability Report and the Foreword to the Trust Statement 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

Date 28 June 2017

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

Statement of Revenue, Other Income and Expenditure

for the year ended 31 March 2017

	Note	2016-17 £000	2015-16 £000
Revenue			
Assets collected from pension schemes	2	88,381	141,997
Total revenue		**88,381**	**141,997**
Other income			
Investment income	3	7,481	6,571
Change in fair value of investments	4	(2,019)	(2,187)
Total other income		**5,462**	**4,384**
Total revenue and other income		**93,843**	**146,381**
Total expenditure		**-**	**-**
Net revenue for the Consolidated Fund		**93,843**	**146,381**

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

The notes on pages 226 to 232 form part of this statement.

Statement of Financial Position

as at 31 March 2017

	Note	31 March 2017 £000	31 March 2016 £000
Non-current assets			
Financial assets – annuity policies	4	132,754	107,621
Financial assets – other	4	2,522	2,895
Total non-current assets		**135,276**	**110,516**
Current assets			
Receivables	5	1,225	791
Cash and cash equivalents	5	635	15,645
Total current assets		**1,860**	**16,436**
Total current liabilities		**-**	**-**
Net current assets		**1,860**	**16,436**
Total assets less current liabilities		**137,136**	**126,952**
Total net assets		**137,136**	**126,952**
Represented by			
Balance on Consolidated Fund Account	**6**	**137,136**	**126,952**

Sir Robert Devereux KCB
Accounting Officer

26 June 2017

The notes on pages 226 to 232 form part of this statement.

Statement of Cash Flows

for the year ended 31 March 2017

	Note	2016-17 £000	2015-16 £000
Net cash flow from operating activities		68,649	131,428
Cash paid to the Consolidated Fund		(83,659)	(397,500)
Increase / (decrease) in cash in this period		**(15,010)**	**(266,072)**

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		93,843	146,381
(Increase) / decrease in non-current assets	4	(24,760)	(14,923)
(Increase) / decrease in receivables	5	(434)	(30)
Net cash flow from operating activities		**68,649**	**131,428**

B: Analysis of changes in net funds

Increase / (decrease) in cash	5	(15,010)	(266,072)
Net Funds at 1 April	5	15,645	281,717
Net Funds at 31 March	**5**	**635**	**15,645**

The notes on pages 226 to 232 form part of this statement.

Notes to the Trust Statement

for the year ended 31 March 2017

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 an accruals basis for the current year, having in previous years been 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 reported amounts affected by these 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 note 1.5). The fair value of other receivables is the value of annuity income due for the period not yet paid to FAS by annuity providers.

All changes in the fair value of financial assets are recognised in the Statement of Revenue, Other Income and Expenditure.

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.

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2. Assets collected from pension schemes

		2016-17	2015-16
		£000	£000
FAS 1 scheme assets transferred	(i)	610	759
FAS 2 scheme assets transferred	(ii)	87,771	141,238
Total assets collected from pension schemes		**88,381**	**141,997**

(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.

(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. In most cases, trustees sell their assets prior to transfer in order to transfer cash to FAS. In a minority of cases, trustees hold illiquid assets (such as annuity contracts) which cannot be sold and which are transferred to FAS in specie.

During 2015-16, the Board of the Pension Protection Fund, as FAS Scheme Manager, succeeded in transferring 23 qualifying schemes into the Scheme, leaving at that date only 23 qualifying schemes remaining outside of FAS. In the period to March 2017, 11 schemes were transferred into FAS, and this decrease in the volume of scheme transfers explains the decrease in the value of scheme assets collected. During the same period, a further 10 schemes qualified for FAS, so the pipeline of schemes being managed through to eventual transfer now consists of 22 schemes.

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 2017	31 March 2016
	£000	£000
Balance at 1 April	110,516	95,593
Asset transfers	27,143	17,424
Redemption of loan notes	(364)	(314)
Change in fair value	(2,019)	(2,187)
Balance at 31 March	**135,276**	**110,516**

a) 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

The movement in annuity policy values can be summarised as follows:

	31 March 2017	31 March 2016
	£000	£000
Balance at 1 April	107,621	92,908
Asset transfers	27,143	16,899
Change in fair value	(2,010)	(2,186)
Balance at 31 March	**132,754**	**107,621**

As described in the Statement of Accounting Policies, note 1.4, the reported value of these annuity contracts is significantly affected by estimates and assumptions made by the Board of the PPF, acting as the FAS scheme manager. The Board is required to apply the guidance issued by DWP[1] in order to make estimates and assumptions about

- interest rates and inflation rates, which will impact the rates by which annuity income is estimated to increase in future years
- annuitant mortality, which will impact estimates of when annuity cash flows will cease on the death of the individual annuitant, and whether spouses' or dependents' annuities will come into payment
- the rate by which future cash flows should be discounted to a net present value (which is treated as the fair value)
- the quality of data provided by annuity providers, by scheme trustees and by other parties on the population of annuitants, and whether the data is sufficiently reliable to be used in these calculations

The fair value of the annuity contracts disclosed in these financial statements is very sensitive to these estimates and assumptions, and different estimates and assumptions would result in a different fair value being disclosed. It is not our policy to trade in these contracts, but to hold them and collect the annuity income for as long as the individual annuitants covered by these contracts survive. We estimate we will hold these contracts for very many years into the future, and the total income that we receive over this long period will differ from the total we have estimated in calculating the net present value disclosed in these statements. It will differ because interest rates and inflation rates differ from our estimates, so that annuities in future increase at different rates; because annuitants will die at rates different to those we have assumed and annuities will terminate earlier or later than we have estimated; and because annuitant data provided to us turns out to be wrong in some important respect.

1 Guidance on method and assumptions to use when undertaking a valuation under Regulation 22 of the Financial Assistance Scheme Regulations 2005.

b) 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

The movement in the value of these other financial assets can be summarised as follows:

	31 March 2017	31 March 2016
	£000	**£000**
Balance at 1 April	2,895	2,685
Asset transfers	-	525
Redemption of loan notes	(364)	(314)
Change in fair value	(9)	(1)
Balance at 31 March	**2,522**	**2,895**

5. Financial Instruments and related risks

(i) Financial Instruments by category	**31 March 2017**	**31 March 2016**
	£000	**£000**
Financial assets designated at fair value through profit or loss		
Annuity policies	132,754	107,621
Other financial assets	2,522	2,895
	135,276	**110,516**
Loans and receivables		
Cash deposits	635	15,645
Receivables	1,225	791
	1,860	**16,436**
Total Financial Instruments	**137,136**	**126,952**

The cash deposits can be further analysed as follows:

Cash deposits held at:	**31 March 2017**	**31 March 2016**
	£000	**£000**
Commercial banks	403	65
Government Banking Service	232	15,580
Total cash deposits	**635**	**15,645**

(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 2017	31 March 2016
	£000	**£000**
Annuity policies	132,754	107,621
Other financial assets	2,522	2,895
Cash and cash equivalents	635	15,645
Receivables	1,225	791
Total	**137,136**	**126,952**

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

	2016-17	2015-16
	£000	£000
Balance on Consolidated Fund account at 1 April	126,952	378,071
Net revenue for the Consolidated Fund	93,843	146,381
Amount paid to the Consolidated Fund	(83,659)	(397,500)
Balance on Consolidated Fund account at 31 March	**137,136**	**126,952**

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 2017 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 2016-17.

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.

Vicky Rock
Deputy Director, Government Financial Reporting
Her Majesty's Treasury
19 December 2016