Department for Work and Pensions Annual Report & Accounts 2012-13

(For the year ended 31 March 2013)

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Annual Report and Accounts 2012-13

for the year ended 31 March 2013

Foreword by the Secretary of State, Rt Hon Iain Duncan Smith

The past year has been a significant one for the Department for Work and Pensions.

Against a backdrop of difficult economic conditions and continuing pressure on Government spending, we have pushed ahead with an extensive programme of reform.

Whilst challenging for all of us, we are making real progress towards restoring fairness and sustainability to our benefit and pension systems, transforming how the Department supports those in need.

Across a portfolio of 45 different projects, the scale of change is significant. This report marks how far we have come in the last year alone.

We have made major advances through the launch of digital services such as Universal Jobmatch, and the new Child Maintenance System. Already these are enabling us to administer help more efficiently, and revolutionising how people access jobs and other support.

The last year has also seen final preparations for changes still to come, paving the way for Universal Credit, Personal Independence Payment, and the Benefit Cap, all of which have started to roll out in 2013.

Through these reforms, we are ensuring that individuals and families get the help they need, including better targeting of support for the most vulnerable. But we are also doing all we can to support everyone – even those facing the greatest barriers – to make choices that have the potential to transform their lives. That means ensuring that work rewards those who take it, as well as making clear that those on benefits should face the same choices as other hard-working families.

Together with vital pensions reforms – already introducing automatic enrolment into workplace pensions and bringing in the single tier pension from 2016 – we are ensuring that, first that it pays to work, and then it pays to save.

This could not be achieved without the commitment of the Department's staff, and I am grateful to the many people both here and in our partner organisations who have contributed over the past year.

It is a testament to their dedication that we are implementing such change, alongside maintaining, and even improving the efficiency of the Department's daily operations.

As we look ahead, there is still a great deal still to do in order make our vision a reality – continuing with the roll out of major programmes such as Universal Credit, alongside new initiatives such as Help to Work. Yet I have no doubt that the Department will continue to deliver, safely and securely, whilst realising the maximum benefit of this vital process of welfare reform.

Executive summary

The aim of the Department for Work and Pensions (the Department) is to help people lift themselves out of poverty and stay out of poverty, through work, saving and support. The Department works with other Government Departments, public sector partners, and the private and voluntary sectors to achieve this.

The Department is the biggest public service delivery Department in the UK, serving over 22 million claimants and pensioners. In 2012-13 the Department delivered and improved the services that touch millions of lives every day: supporting jobseekers and employers in a challenging labour market; and administering and paying a range of benefits, including pensions and disability benefits. During 2012-13 the Department:

- helped around 3.6 million people leave Jobseeker's Allowance, with over 75 per cent leaving within the first six months of their claim;
- advertised 4 million job vacancies for over 330,000 employers;
- carried out 24.5 million adviser interviews to help people prepare for work;
- processed 7.35 million benefit claims; and
- paid over 22 million customers around £166 billion in benefits and pensions, accurately and on time (including £28 billion of Housing Benefit and Council Tax Benefit).

The Department also implemented a number of major reforms during 2012-13 including the:

- introduction of Universal Jobmatch, which is changing the way that claimants access services on-line when they are looking for a new or different job;
- extension of Jobseeker's Allowance to lone parents whose youngest child is aged five or over;
- introduction of a tougher benefits sanction regime showing clearly what is expected of claimants while giving protection to those with the greatest needs;
- launch of the Youth Contract, a package of additional support which will provide new opportunities for 18-24 year olds, including apprenticeships and voluntary work experience placements;
- introduction of a one year time limit to the receipt of contributory Employment and Support Allowance for people able to prepare for work and in the Work Related Activity Group;
- delivery of significant progress on State and Private Pension reform to help people provide for security in later life. The Department launched a new scheme under which up to 11 million workers will be automatically enrolled into a workplace pension, initially applying this to employers with more than 250 staff; and
- launch of the Pathfinder for the new 2012 Child Maintenance Scheme for those unable to reach their own family-based arrangements. This aims to increase the money reaching children on time and in full.

In addition, 2012-13 saw the final preparations for a series of once in a generation reforms which began in April 2013. 2013-14 is a significant year for the Department as it begins to incorporate the radical transformation of the welfare system into its huge and complex daily operation. In 2013-14:

- Universal Credit, a new, simpler, single monthly payment for people of working-age who are either in-work or out-of-work, will start to replace the main out of work benefits and tax credits. Its focus will be on getting more people into jobs by putting clear incentives in place to ensure that people will always be better off in work and gain from every extra hour of work. The support will be underpinned by a new Claimant Commitment, a record of the responsibilities

they have accepted as a condition of entitlement to benefit and the consequences of not meeting them. The Universal Credit Pathfinder launched initially in the Greater Manchester area on 29 April 2013, providing useful information on claimant behaviour and business processes ahead of a progressive national roll-out, with review and improvement designed into every phase of development over a four year period;
- Personal Independence Payment will replace Disability Living Allowance for people of working age in order to better meet the needs of disabled people. It will introduce a fairer, more objective assessment for claimants, ensuring that support is targeted on those with greatest need, and awarded on a more consistent, transparent basis. The Department began taking new claims to Personal Independence Payment on 8 April 2013 in a controlled start in the North West and nationally on 10 June;
- the Benefit Cap, to promote fairness between people in work and those receiving benefits, introduces a limit on the total amount of benefit that a household may receive so that they are in line with median weekly earnings. The cap went live in four London boroughs on 15 April 2013, ahead of national roll-out in July 2013; and
- the Department has continued to push forward with wider radical reforms including devolving the discretionary elements of the Social Fund system and Council Tax Benefit to local authorities in England and the devolved adminstrations in Scotland, Wales and Northern Ireland, as well as reforming Housing Benefit to tackle rising costs and improve fairness, and consulting on legislation for a Single Tier State Pension.

All of these changes have involved a combination of process and IT design and build, testing, training, and communication both to those affected and society at large. This has been done at pace, and across such a wide swathe of the Department's business, that it has almost inevitably stretched the Department's capability and capacity. Not everything has gone perfectly: there are important lessons to be learned from experience this year, reflected in both the review of assurance and some of the significant control challenges (detailed in the Governance Statement). But, overall, the Department has delivered a huge amount – on its operational business and reform – with a great deal less resource.

As well as delivering major reforms, the Department has delivered efficiency on its day to day operations. Baseline spending in 2012-13 of £5.8 billion represents a reduction of 28 per cent in real terms from £7.4 billion in 2009-10.

All of these achievements rest on the hard work and commitment of the Department's people. During 2012-13 the Department made good progress in developing its capacity to deliver through a focus on leadership and on developing and enabling individual leaders to:
- strive for continuous performance improvement by setting clear and challenging expectations and holding their people to account for achieving them; and
- make a difference beyond their immediate team by collaborating across the organisation – identifying and solving problems, harnessing front-line innovation and acting in the service of the whole organisation.

This investment in leadership led to significant improvements in both staff engagement and operational delivery. This is evidenced by a 4 percentage point increase in the Department's employee engagement rating (within the Civil Service People Survey 2012) – the largest improvement amongst Whitehall Departments in that year – and reflected in improvements to productivity on the front-line.

In summary, in 2012-13 the Department continued to:
- deliver an excellent service to the public;

- deliver substantial efficiencies;
- implement and prepare for the implementation of a number of measures in the Welfare Reform Act 2012, including Universal Credit and Personal Independence Payment and;
- support the effective delivery of change through strong engagement with its people.

Strategic Priorities

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

The Department is managed by Ministers and the Executive Team, who are detailed within the Remuneration report at page 38.

Vision

The Department has a clear mandate to help people lift themselves out of poverty through work, saving and support at all stages of their lives. More than ever before the Department is focussed on tackling the root causes of poverty.

Strategic Priorities

The Department continues to focus on the Government's values of freedom, fairness and responsibility and aims to put welfare spending on a sustainable footing. The Department's strategic priorities set out how it will make a difference to the lives of millions of people. The priorities are to:

- help tackle the causes of poverty, rather than its symptoms, and make Social Justice a reality by ensuring the most disadvantaged have the tools they need to transform their lives;
- encourage work and make work pay;
- enable disabled people to fulfil their potential;
- provide a firm foundation in retirement and promote saving for retirement;
- recognise the importance of the family in providing the foundations of every child's life; and to
- control costs by improving services to the public by delivering value for money and reducing fraud and error.

All of which requires the Department to work effectively as "One DWP".

The Department's strategic priorities are aligned with the Coalition Priorities set out in the 2013 refresh of the Departmental Business Plan for 2011-15[1]. The Departmental Business Plan includes a Structural Reform Plan and a range of indicators through which performance against Departmental outcomes is measured.

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

Performance Report

In 2012-13 the Department maintained an excellent track record of delivering products and services which directly supported its strategic priorities set out in the 2012 refresh of the Departmental Business Plan for 2011 -15[1] and the 2012-13 Departmental Delivery Plan[2].

Social Justice – tackling the causes of poverty and making Social Justice a reality

The principles of Social Justice are about tackling the root causes of poverty and social breakdown rather than its symptoms. Social Justice is at the heart of the Department's efforts to tackle poverty, and its principles run through activities within all the Departmental priority groups, in particular activities to tackle entrenched worklessness and cycles of benefit dependency. However tackling poverty, and linked social problems, is a complex, long term commitment which extends beyond the scope of the Department alone, which is why the Department has worked in partnership with a number of different government departments in 2012-13. The Department also delivered a specific communications strategy to embed Social Justice principles in wider central and local government policy making, and to strengthen links with grassroot stakeholders to tackle intergenerational poverty.

In 2012-13 the Department, working with the Ministry of Justice, piloted joint commissioning to reduce re-offending and increase employment for prison leavers through the Work Programme.

In 2012-13 the Department working with the Department for Education, established The Child Poverty and Social Mobility Commission. The Commission, an advisory Non-Departmental Public Body under the responsibility of the Department for Education, monitors the Government's efforts to improve social mobility and end child poverty. This includes monitoring the proportion of young people aged 18-24 not in full time education who are not in employment.

In 2012-13 the Department for Communities and Local Government launched the Troubled Families Programme – with the support of the Department and other government departments. The programme aims to turn around the lives of 120,000 troubled families by 2015. It is delivered by Local Authorities and applies the principles of 'payment by results'. The Department has a key role to play in supporting the identification of appropriate families and, in March 2013, launched a Joint Delivery Agreement to boost the employment agenda within the programme.

These achievements enabled the Department to complete the four Social Justice linked Structural Reform Plan commitments due for completion in 2012-13. The fourth action, the publication of the first Social Justice progress report, was completed in April 2013 so is not included in 2012-13 outturn data. This April 2013 publication follows the publication, in March 2012, of 'Social Justice: Transforming Lives'[3], which set out the Government's vision for a society in which local and national services work together to tackle the causes of poverty such as family breakdown, poor educational attainment, addiction and problem debt. The progress report set out the activity undertaken by Government in the year since March 2012 and reported for the first time against the key indicators set out in the Social Justice Outcomes Framework[4],

[1] Business Plan 2011-15 updated in 2012 https://www.gov.uk/government/publications/business-plan-2012-to-2015--2
[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/138035/dwp-delivery-plan-2012-2013.pdf.pdf
[3] https://www.gov.uk/government/publications/social-justice-transforming-lives
[4] https://www.gov.uk/government/publications/social-justice-outcomes-framework

published in 2012-13. These indicators set out what the Government wants to achieve in a small number of key areas and how it will measure success.

Working Age - Encouraging work and making work pay

Work can transform individual lives and society for the better. Earning a wage is the best route out of poverty, and also promotes personal responsibility, builds self-esteem and motivation, and gives people a sense of community.

In 2012-13 the Department and its partners continued to support people back into work through a range of effective labour market services, including:

- tailored support to people aged 16-24 through the Youth Contract (including a weekly meeting for all 18-24 year olds from month 5 on Jobseeker's Allowance);
- delivery of the Get Britain Working measures;
- expanded support for the hardest to help people, through the Work Programme;
- Universal Jobmatch, an online jobsearch service; and
- by continuing to pay a number of working age benefits.

During 2012-13 the Department modernised the way its Jobcentres delivered services: improving the offer for the hardest to help claimants; and giving Jobcentre Plus advisers more freedoms and flexibilities to assess claimants' individual needs and to offer the support they consider most appropriate - whether a claimant is on Employment and Support Allowance, Income Support or Jobseeker's Allowance.

While the support available to claimants has expanded, the expectations placed on claimants have also been strengthened in 2012-13. The Department reviewed conditionality requirements, sanctions policy and rules around benefit payments to better support incentives to work and move those able to work closer to the labour market.

The Work Programme is supporting some of the Department's hardest to help claimants into sustainable employment. The Work Programme gives providers greater freedom to make judgements about how best to support jobseekers that need extra help and gives providers incentives to support those furthest from the labour market through the application of a payment by results model. The Department is working with providers to share best practice and reduce any variation in performance.

In 2012-13 the Department continued the re-assessment of claimants in receipt of incapacity benefits, either moving people onto Employment and Support Allowance or, where appropriate, Jobseeker's Allowance and also implemented the new time limit for the period for which contributory Employment and Support Allowance can be paid for those in the Work Related Activity Group. The Department also conducted an evidence-based review of the Work Capability Assessment, introduced new work capability criteria and trained healthcare professionals to support the testing of an improved process in 2013-14 and published the Government's response to 'Health at work – an independent review of sickness absence'[1] which outlined a range of measures to support people to return to and remain in work.

[1] https://www.gov.uk/government/publications/review-of-the-sickness-absence-system-in-great-britain

Parliament approved primary legislation as part of the Welfare Reform Act in 2012-13 to introduce a Benefit Cap, so that no workless family can receive more in welfare than median after-tax earnings for working households. It also finalised preparations to introduce the Universal Credit Pathfinder, starting initially for single unemployed claimants in Ashton-under-Lyne Jobcentre from April 2013. The Department's aims for Universal Credit are to encourage claimants to start work, or to increase their earnings to become financially independent. By replacing six working-age benefits with one, Universal Credit will deliver simpler and fairer support for both in-work, and out-of-work claimants, usually paid through one monthly payment.

The Universal Credit Pathfinder is enabling the Department to test the end-to-end service in a live environment in advance of progressive national rollout of Universal Credit. The transition from the current system of benefits and tax credits to Universal Credit will be gradual, and it is expected to be completed by 2017.

To ensure these major welfare reforms are properly communicated the Department has provided essential information about the introduction of Universal Credit to claimants, employers and key stakeholders; promoted take-up of digital services, including JSA Online and Universal Jobmatch; encouraged employers to support youth employment via the Youth Contract; helped claimants understand the impact of welfare reforms, such as the Benefit Cap and spare room subsidy removal, and the support available; and developed a communications strategy to support the prevention and detection of fraud.

These achievements enabled the Department to complete the seven Working Age linked Structural Reform Plan commitments due for completion in 2012-13 (the Work Capability Assessment commitment to recruit an expert panel was completed in April 2013, later than originally planned), as well as completing a further two linked Structural Reform Plan actions earlier than planned relating to Universal Credit and the Youth Contract. The services detailed above will have a positive long term impact against a number of Business Plan Impact Indicators including: the rates of people moving from key out of work benefits; the number of people on key out of work benefits; and the proportion of young people not in full time education who are not in employment.

Disability and People with a Health Condition – enabling disabled people to fulfil their potential and have opportunities to play a full role in society

Disabled people want to live independent lives, to play a full part in society and to be able to achieve their full potential. However, society continues to put barriers in the way of disabled people which limit their choices and mean disabled adults are more likely to live in persistent poverty than non-disabled adults.

The Department advocates that work is one of the best ways to increase independence as well as being the primary route out of poverty for those who are able to work.
The employment rate of disabled people has increased over recent years, but there is more to do to narrow the gap with non-disabled people, including providing additional help and financial support to level the playing field and contribute towards the additional costs faced by disabled people when entering work. Alongside mainstream employment support, the Department provides specialist disability employment programmes such as Work Choice and Access to Work to support disabled people to take up employment opportunities, backed by a communications exercise to raise people's awareness of the available support. In 2012-13 Access to Work was

extended to cover support for young disabled people undertaking voluntary work experience under the Youth Contract and to eligible disabled people undertaking business start up activity on the New Enterprise Allowance scheme.

In 2012-13 the Department supported the Government's Disability Strategy 'Fulfilling Potential' by publishing three supplementary reports which provide insight into how the Government's ambition to enable all disabled people to fulfil their potential can be achieved. It also set up the Disability Action Alliance to bring together disabled peoples' organisations with organisations from the public, private and third sector to work in partnership to deliver national and local actions that make a difference to the lives of disabled people.

In 2012-13 the Department continued to pay a number of disability related benefits to cover the additional costs faced by disabled people in their day-to-day life. The Department also extended the 'Right to Control' Pilot which gives disabled people greater flexibility over how their care and support funding is spent by them or on their behalf. The Pilot will run until December 2013 in seven areas in England and the evaluation[1] of the first two years of the pilot was published in July 2013.

The Independent Living Fund has been closed permanently for new applications since 2010 but continues to make payments to 18,500 existing users. The Department ran a consultation on the future of the Independent Living Fund in 2012-13. Following the consultation the Government announced it would close the Independent Living Fund completely on 31 March 2015. On 6 November 2013 the Court of Appeal overruled this decision. The Department is now examining the judgement carefully and considering the implications before deciding on the most appropriate way forward.

The Department met two of the three Disability linked Structural Reform Plan commitments due for completion in 2012-13, as well as completing a further commitment on Disability Living Allowance reform early. The final commitment[2], which is the fourth element of the Disability Strategy was published in July 2013.

Personal Independence Payment will support disabled people who face the greatest barriers to participating in society and will be fairer, more objective and more consistent than Disability Living Allowance. Personal Independence Payments started to replace Disability Living Allowance for new claims for people aged 16-64 in the North West on 8 April 2013 and was successfully extended to all new claims nationally from 10 June.

The services detailed above will have a positive long term impact against a number of Business Plan Impact Indicators including: the gap between the employment rates of disabled people and the overall population; and the rate of disability poverty.

Retirement – providing a firm foundation, promoting saving for retirement and ensuring that saving for retirement pays

An ageing population combined with millions of people under-saving for retirement is one of the biggest long-term challenges the country faces.

[1] http://odi.dwp.gov.uk/odi-projects/right-to-control-trailblazers/research-and-statistics.php

[2] http://odi.dwp.gov.uk/fulfilling-potential/index.php

The Government's aim is to provide reasonable incomes in retirement and ensure the pensions system is sustainable, affordable and fair between generations. This will be achieved through a series of pension reforms whilst continuing to administer the current system as effectively as possible.

For today's pensioners the Government is committed to ensuring the income they receive from the state is secure and underpinned by a comprehensive safety net for those most in need.

For tomorrow's pensioners the Government is committed to simplifying the State Pension system, getting more people saving and giving people more choice about if, and when, they retire to meet their expectations for a comfortable retirement.

In 2012-13 the Department introduced automatic enrolment into workplace pensions supported by a major communications campaign. Automatic enrolment will transform the savings culture by encouraging and supporting millions, who would otherwise face a poorer retirement, to take personal responsibility and save for their future. Since October 2012 the largest employers have been required to automatically enrol eligible workers into a workplace pension to encourage them to save for later life; all other employers are being 'staged in' so that by 2018 all employers will be covered. In November 2013 the Department published the first evaluation of workplace pensions reform.

In the area of private pensions, in 2012-13 the Department also published proposals to reinvigorate workplace pensions and a response to the consultation on how to improve the process of transferring pensions, for example when a person changes employer.

In line with wider welfare changes to create a fairer and more sustainable pensions system, in 2012-13 the Government announced that a new single-tier State Pension would be introduced for future pensioners in April 2016, creating a simpler system to help people understand what they need to save for their retirement. The Department also continued to pay State Pension, Pension Credit and other retirement benefits such as Winter Fuel Payments to millions of people in 2012-13.

These achievements enabled the Department to complete the seven Pensions linked Structural Reform Plan commitments due for completion in 2012-13.

Following publication of a White Paper on plans to introduce a single tier State Pension in January 2013, the Department introduced a Pension Bill in May to legislate for this fundamental reform. In addition the Bill proposed to bring forward an increase to State Pension age to 67 by eight years (alongside a mechanism to review the State Pension Age every five years) ensuring that State Pension age keeps pace with increases in life expectancy. The Bill also contains legislation to introduce a system of automatic transfers of pension pots to help individuals consolidate and keep track of their savings and measures to introduce Bereavement Support Payment.

The services detailed above will have a positive impact against a number of Business Plan Impact Indicators including: the average age people stop work; the rate of pensioner poverty; and the number of employees in a pension scheme sponsored by their employer.

Families and children – recognising the importance of family in providing the foundation of every child's life

The family is the first and most important building block in a child's life. When things go wrong in the family this can increase the risk of poor outcomes in later life. In addition, family breakdown and other risk factors – worklessness, educational failure, mental health problems or drug and alcohol dependency – can feed off one another, compounding their effects, and lead to outcomes that can be very damaging for those affected and costly to all society.

In 2012-13, to help support the Government's aspirations on supporting separated families and maximising the number of children benefiting from an effective child maintenance arrangement, the Child Maintenance and Enforcement Commission was reintegrated back into the Department (as the Child Maintenance Group) to provide greater accountability to Ministers and better services.

The Department published the Command Paper 'Supporting separated families: securing children's futures'[1], in 2012-13 which set out the Government's vision for a child maintenance system centred around supporting and incentivising families to work together after a separation.

The Help and Support for Separated Families initiative was launched in 2012-13. This delivers a range of tools and resources to help separated parents collaborate in the interests of their children. The first of these tools, the Sorting Out Separation web application, launched in November 2012. This was followed by the Help and Support for Separated Families Mark, which helps parents to identify organisations they can trust; and an Innovation Fund, which will test and evaluate interventions that will help separated parents work together and reduce conflict.

The new 2012 Child Maintenance Scheme was launched on a pathfinder basis in December 2012.

To help support lone parents back into employment, the Department introduced job seeking conditionality for lone parents with a youngest child aged five or over. For lone parents in receipt of Jobseeker's Allowance there are specific flexibilities to help them balance their caring responsibilities with work search and availability requirements. This measure, alongside wider changes is expected to have a positive long term impact on the proportion of children living in workless households, which is a Business Plan Impact Indicator.

These achievements enabled the Department to complete both Families and Children linked Structural Reform Plan commitments due for completion in 2012-13.

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/176951/childrens-futures-consultation.pdf.pdf

Controlling Costs – improving services to the public by delivering value for money and reducing fraud and error

To support the Government's ambitions to put the nation's finances on a more sustainable footing and reduce the deficit the Department continues to control costs by generating further efficiencies in line with the 2010 Spending Review challenge. In 2013-14 this challenge will include an additional reduction of one per cent as announced in the 2013 Budget.

In 2012-13 the Department continued to drive efficiencies in a range of areas alongside implementing improvements to benefit administration and the effectiveness and capability of the Department and its staff, structures and services.

In 2012-13 the Department generated efficiencies by:
- continuing to move towards simpler, streamlined, more cost effective digitally based systems;
- developing self-service delivery, improving methods of payment and benchmarking to compare the performance of individual units;
- continuing to manage staff absences robustly, including ensuring sickness absence is effectively reported and managed;
- continuing to rationalise its estate;
- continuing to secure savings from procured goods and services through improved demand management and exercising greater Crown commercial leverage;
- reducing administrative spend by delivering benefits from investment;
- stabilising the level of benefit expenditure lost to fraud and error, which has remained between 2.0% and 2.2% since 2005-06 with no statistically significant changes; and
- recovering £409[1] million of debt in 2012-13, an increase of £23 million from 2011-12.

In 2012-13 the Department improved benefit administration by:
- sharing best practice to reduce variation in performance and achieving the Department's benefit administration productivity and unit cost benchmarks;
- reusing information already held by the Department to streamline claims to State Pension;
- introducing a more cost effective Simple Payments service as a last resort payment method for customers who cannot manage an account of any kind; and
- increasing the proportion of Jobseeker's Allowance and State Pension claims submitted online.

In 2012-13 the Department built on significant organisational transformation in 2011-12 to further enhance the capability of the organisation by:
- implementing new performance management arrangements which support recognition and reward and help tackle poor performance effectively;
- developing detailed organisational plans for operational areas to support the delivery of the new welfare reforms in 2013-14;
- ensuring that policy processes and structures remained focussed on delivering the reform programme;
- providing clear lines of accountability throughout the organisation;
- using a single Portfolio Management Office to oversee all change activity for the Department across major programmes; and
- embedding the Department's new single financial organisation to coordinate and challenge all commercial and financial activity across the Department, supporting the drive for value for money in all that it delivers.

[1] of which £358 million was benefit overpayment recoveries.

These achievements enabled the Department to complete 13 of 14 Controlling Costs linked Structural Reform Plan commitments due for completion in 2012-13. The commitment to put common benefit enquiries online has been delayed as further work is needed to bring the service up to Government Digital Service standards.

The services detailed above will have a positive impact against a number of Business Plan Impact Indicators including: fraud and error in the benefits system as a percentage of benefit expenditure; customer and claimant opinion of Departmental service levels; and the overall Departmental productivity measure.

Overall Results

The 2013 refresh of the Department's Business Plan 2011-15[1] sets out a basket of indicators that provide a measure of Departmental productivity and measure performance against key Departmental outcomes. The Business Plan also includes the Department's Structural Reform Plan, which sets out the actions the Department is delivering over the course of the 2010 Spending Review period to reform the welfare system. The 2012-13 outturn data for the Business Plan Indicators[2] and the Structural Reform Plan is included in the following table.

Input Indicators	Data published from 2012-13	Data published in 2011-12
Overall Department for Work and Pensions productivity measure, (% increased compared with previous year)	3 (final figure for 12-13)	12 (Final figure for 11-12)
Impact Indicators[3]	**Data published from 2012-13**	**Data published in 2011-12**
Rate of people moving from key out of work benefits[4] (1) JSA), (2) ESA (%)	(1) 89.4 (Jul-Sept 12) (1) 89.5 (Apr-Jun 12) (1) 90.1 (Jan-Mar 12) (1) 89.4 (Oct-Dec 11) (1) 88.1 (Jul-Sept 11) (1) 87.4 (Apr-Jun 11) (2) 50.5 (Apr-Jun 12) (2) 54.1 (Jan-Mar 12) (2) 53.0 (Oct-Dec 11) (2) 61.6 (Jul-Sept 11) (2) 72.9 (Apr-Jun 11)	(1) 87.2 (Jan-Mar 11) (1) 88.6 (Oct-Dec 10) (1) 89.8 (Jul-Sept 10) (1) 90.6 (Apr-Jun 10) (2) 73.6 (Jan-Mar 11) (2) 73.8 (Oct-Dec 10) (2) 73.3 (Jul-Sept 10) (2) 73.7 (Apr-Jun 10)
Number of people on key out of work benefits[5], (millions)	4.5 (May 13) 4.4 (Feb 13) 4.6 (Nov 12) 4.7 (Aug 12) 4.8 (May 12)	4.8 (Nov 11) 4.9 (Aug 11) 4.8 (May 11) 4.9 (Feb 11)

[1] http://transparency.number10.gov.uk/business-plan/16
[2] The Right to Control indicator is no longer an Other Data Set Indicator in the Business Plan previous content will be available on the archived DWP site at the National Archives at http://webarchive.nationalarchives.gov.uk/20130405175544/http://dwp.gov.uk/publications/corporate-publications/dwp-business-plan-2011-2015/business-plan-transparency/
[3] Technical notes for the Business Plan Indicators are provided at Annex 2. Further information on amendments from the 2011-12 Annual Report and Accounts and complete Measurement Annexes are available at: https://www.gov.uk/government/publications/dwp-business-plan-transparency-measures
[4] The data are the percentage moving from Jobseeker's Allowance by 52 weeks and from Employment and Support Allowance by 65 weeks. Data are not seasonally adjusted so year on year comparison only. Employment and Support Allowance data not published is 2011-12 Annual Report and Accounts. Percentages are the mean percentages for each on-flow cohort quarter – i.e. the total number of cohort off-flows/total number of on-flows for each quarter. The monthly figure may not average to the quarterly figures due to rounding. Monthly figures are provided on the transparency measures page https://www.gov.uk/government/publications/dwp-business-plan-transparency-measures/dwp-business-plan-transparency-measures
[5] Data are not seasonally adjusted so year on year comparison only

	4.9 (Feb 12)	
Proportion of children living in workless households[1], (%)	13.6 (Apr-Jun 13) 14.2 (Oct-Dec 12) 15.1 (Apr-Jun 12)	15.7 (Oct-Dec 11) 15.6 (Apr-Jun 11)
Proportion of young people not in full time education who are not in employment, (%)	30.1 (Jul-Sept) 30.9 (Apr-Jun 13) 30.2 (Jan-Mar 13) 29.6 (Oct-Dec 12) 30.5 (Jul-Sept 12) 31.9 (Apr-Jun 12)	31.6 (Jan-Mar 12) 32.0 (Oct-Dec 11) 32.0 (Jul-Sept 11) 30.5 (Apr-Jun 11)
Proportion of the lowest earning 25-30 year olds that experience wage progression ten years later, (%)	12.1 (2003-2012)	11.7 (2002-11)
Rate of disability poverty, (%)	19 (2011-12)	20 (2010-11)
Gap between the employment rates for disabled people and the overall population[2], (%)	27.7 (Jul-Sept) 26.8 (Apr-Jun 13) 24.4 (Jan-Mar 13) 24.7 (Oct-Dec 12) 24.8 (Jul-Sept 12) 24.7 (Apr-Jun 12)	24.1 (Jan-Mar 12) 24.5 (Oct-Dec 11) 24.4 (Jul-Sept 11) 24.4 (Apr-Jun 11)
Fraud and Error in the benefit system, as a percentage of expenditure (%) 1) Overpayments and 2) Underpayments	1) 2.1 2) 0.9 (Preliminary figures for 12-13)	1) 2.0 2) 0.8 (Preliminary figures for 11-12) 1) 2.1 2) 0.8 (Final figures for 11-12)
Rate of pensioner poverty (%)	14 (2011-12)	14 (2010-11)
Number of employees in a pension scheme sponsored by their employer, (millions)	10.8 (April 2012)	11.0 (April 2011)
Average age people stop working[3], (years) (Men/Women)	64.8/63.1 (Apr-Jun 13) 64.7/63.0 (Jan-Mar 13) 64.8/62.8 (Oct-Dec 12) 64.8/62.7 (Jul-Sept 12) 64.8/62.6 (Apr-Jun 12)	64.6/62.4 (Jan-Mar 12) 64.6/62.4 (Oct-Dec 11) 64.4/62.5 (Jul-Sept 11) 64.5/62.7 (Apr-Jun 11)
Customer and claimant opinion of departmental service levels[4], (%)	83 (2012)	89 (2011)

Other Data Sets	Data published in 2012-13	Data published in 2011-12
Proportion of customers for whom providers have achieved a Job Outcome payment at 12 months on the Work Programme (%)[5]	13.0 (Jun12 cohort) 13.3 (Mar 12 cohort) 9.9 (Dec 11 cohort) 9.6 (Sept 11 cohort) 8.5 (June11 cohort)	Not available
Number of Incapacity Benefit recipients reassessed and those moving from Incapacity Benefit to Employment and Support Allowance nationally	724,900/496,800 (to Aug 12)	133,500/81,800 (to Jul 11)
Proportion of new Jobseeker’s Allowance applications submitted online (%) (JSA)	84.2 (Oct 13) 84.2 (Sep 13) 82.5 (Aug 13)	19.6 (Mar 12) 14.6 (Dec 11)

[1] Data are not seasonally adjusted so year on year comparison only. The data for 2011-12 has been revised by the Office for National Statistics since the 2011-12 Annual Report and Accounts to account for the latest population’s estimates
[2] Data are not seasonally adjusted, year on year comparison only. Some data for 2011-12 have been revised since 2011-12 Annual Report and Accounts in line with a change in the rating factor used in the Labour Force Survey
[3] Data are rounded to the nearest 0.1 year; and is subject to sampling variation and is not seasonally adjusted so year on year comparisons only
[4] Indicator title amend in 2013 refresh of the Departmental Business Plan to align it more closely to what is measured
[5] The 12 month period of the measure starts at the end of the each cohort; and this does mean that some of the Referrals will have more than 12 months included. For an explanation of the period covered, see Annex 2 - Technical Annex (Transparency Indicators), Other Key Data. The data (back series) are revised with every publication to allow provision of the most up to date and accurate available information. This is important since the Work Programme figures can be used to monitor the type and volume of individuals and outcomes achieved as defined in the payment model and contractual agreements.

	73.5 (Jun 13) 66.3 (Apr 13) 55.2 (Mar 13) 45.5 (Dec 12) 32.1 (Aug 12) 23.7 (Apr 12)	15.1 (Aug 11) 12.5 (Apr 11)
The proportion of households that are workless[1] (%)	17.1 (Apr-Jun 13) 17.3 (Oct-Dec 12) 17.9 (Apr-Jun 12)	18.7 (Oct-Dec 11) 18.7 (Apr-Jun 11)

Structural Reform Plan Actions	Actions completed in 2012-13	Actions completed in 2011-12
Total number of actions completed during the year	33	55
Total number of actions overdue at the end of the year	4	2
Number of overdue actions that are attributable to external factors	2	2
Total number of actions ongoing	44[2]	24

Quarterly Data Summary

Government departments' spending data is published every quarter in the Quarterly Data Summary (QDS) to show the taxpayer how the government is spending their money. The QDS template is the same for all departments and breaks down their total spend by:

- budget
- internal operation
- transaction.

The Department's QDS publications are available on www.gov.uk[3] and via the Government Interrogation Spending Tool (GIST). This is an interactive webpage maintained by the Cabinet Office[4].

[1] Data are not seasonally adjusted, year on year comparison only. The data for 2011-12 has been revised by the Office for National Statistics since the 2011-12 Annual Report and Accounts to account for the latest population's estimates

[2] The Business Plan is refreshed annually. There were 77 SRP actions in the 2012-15 Business Plan. The Business Plan was refreshed in June 2013 and the 2013-15 Business Plan now contains 59 SRP actions. Between June 2013 and November 2013, 16 of the 25 actions due by March 2014 have been completed.

[3] https://www.gov.uk/government/organisations/department-for-work-pensions/series/business-plan-quarterly-data-summary--2

[4] http://www.gist.cabinetoffice.gov.uk

Transparency Report

The information in the Transparency Report covers a range of information the Department is required to publish in the Annual Report. This information is set out in the following sections: leadership, staff engagement and equality; staff information; non payroll staff information; better regulation; sustainable development; external engagement; and Arm's Length Bodies.

Leadership, Staff Engagement and Equality

The Department remains committed to delivering great operational outcomes through its people; and therefore to creating a positive working environment where people feel good about coming to work and are highly motivated and engaged to deliver what is asked of them. This is reflected through its continued investment in developing leadership; improving employee engagement; and promoting diversity and equality.

Leadership and Staff Engagement

As part of its overarching ambition to transform, the Department worked hard to increase and improve employee engagement during 2012-13.

At the heart of these efforts the Department developed the single 'DWP Story', which sets out simply the challenges it must meet as an organisation in order to deliver its operational, reform and efficiency objectives and its ambition – in terms of the kind of Department it must become – to do this successfully. Through a series of regular and ongoing conversations with operational leaders, focussed on the 'DWP Story' or an aspect of it, the Department has built a great deal of positive momentum and engagement behind this future vision for the Department, and begun to create and strengthen a coalition of leaders working together to deliver it.

The Department has also made clear the expectations (and standards for success) of leaders at every level; and supported individuals to grow and develop their confidence and capability to deliver.

During 2012-13 the Department took its top tier of leaders (Senior Civil Servants in the main) through the 2012-13 Future, Engage, Deliver programme; and in 2013-14 will make full use of the Civil Service Learning suite of core capability development for leaders at all levels of the organisation. HR Business Partners will support Directors and Team Leaders to determine what is required under the overarching aim of continuing to develop and enable individual leaders to:

- strive for continuous performance improvement by setting clear and challenging expectations and holding their people to account for achieving them; and
- make a difference beyond their immediate team by collaborating across the organisation – identifying and solving problems, harnessing front-line innovation and acting in the service of the whole organisation.

The Department also stepped up its efforts on talent identification and development; refreshing and re-launching its Executive and Emerging Talent programmes for high potential Deputy Directors and staff in the Senior Civil Servant feeder grades. It also sponsored members of its Director cadre to participate in the cross-government High Potential Development Scheme. As a result, succession strength for senior and business critical roles is improving as well as the pipeline of more rounded future leaders.

This continued and ongoing effort is beginning to deliver real improvements to both employee engagement and operational performance. The 2012 People Survey results showed statistically significant improvements across all questions, indicating a positive shift in how people are feeling about working for the Department, compared to the 2011 survey. The most marked improvements (though on a relatively low base) were in the following areas:

- visibility of senior leaders (30 per cent, + 8 percentage points); and
- clarity of the Executive Team's vision for the future of the Department (30 per cent, + 9 percentage points)

Overall, the biggest Department's engagement rating increased by 4 percentage points to 48 per cent - the biggest improvement across Whitehall Departments in 2012. In 2013 the Department's engagement figure has increased by a further 6 percentage points to 54 per cent.

Promoting Diversity and Equality

The Department is committed to providing services which embrace diversity and which promote equality of opportunity by embedding best practice in its day to day interaction with its employees, claimants and partners.

The focus of the Department's equality policy in 2012-13 has been to provide a framework of practical support and examples of ways of working for staff which impart a clear message of the importance of delivering accessible services in a way which also delivers compliance with equality legislation.

In 2012-13 the Department continued embedding the requirements of the Equality Act 2010 and ensuring that staff deliver compliance in practical ways in their day to day roles and duties in their work with claimants. Activities to support this include revision of the structured framework of guidance and support for staff (at all levels) to ensure they deliver accessible services. As a public authority, the Department is required to publish, at least annually, relevant, proportionate information demonstrating its compliance with the Equality Duty under the Equality Act 2010. The information relates to both our service users and employees who share protected characteristics covered by the duty. The Department's information can be found at:
https://www.gov.uk/government/organisations/department-for-work-pensions/about/equality-and-diversity

The Department also put support in place to improve the day to day experience of disabled employees working across the Department. Action to support this has included:

- continuing to improve the delivery of the Reasonable Adjustments Support services, including piloting a new model for the provision of centrally delivered complex reasonable adjustments;
- delivering and promoting a new learning product on Disability Awareness, in partnership with Civil Service Learning, for all line managers to improve their disability knowledge and confidence; and
- improving the availability of mentoring support for disabled employees, including planning a major communications campaign in 2013 to raise staff awareness.

In 2012-13 the Department also continued to actively engage staff and raise their awareness (at all levels) of the diversity and equality agenda in order to strengthen positive behaviours in delivery of services with colleagues, claimants and stakeholders. For example, developing a new website for staff which promotes new guidance on "Equality and Customers", delivering new learning products on Unconscious Bias and Lesbian, Gay, Bi-sexual and Transgender awareness for all staff, supported by a Department-wide communications exercise.

In 2012-13 the Department also launched a new Positive Action Pathway "Levelling the playing field": a development programme for women, ethnic minority and disabled staff to equip participants with the skills and confidence to achieve career progression and to realise their full potential.

Staff Information

This section of the Transparency Report covers: the number of staff in post within the Department; the number of Senior Civil Service staff by payband; staff recruitment practice; staff attendance; and staff health and safety. There is a further section on non payroll staff information.

Staff in Post

The Departmental Group (the Core Department and its Arm's Length Bodies) had 98,549 whole time equivalent payroll staff on 31 March 2013, a reduction of 5,633 from 31 March 2012 and 16,580 from 31 March 2011. 92,530 of the 98,549 whole time equivalents on 31 March 2013 were in the Core Department, including approximately 7,400 whole time equivalents who transferred to the Core Department from the Child Maintenance Enforcement Commission in 2012. See Core Table 5 in the annex.

On 31 March 2013 there were 225 individual Senior Civil Servants in the Department equating to 219 whole time equivalent. The breakdown of these Senior Civil Servants by payband is detailed below.

Senior Civil Servants by pay band	Whole-time equivalents		
	31 March 2013[1]	31 March 2012	31 March 2011
Permanent Secretary £141,800-£277,300	1	1	2[2]
SCS 3 £101,500-£208,100	5	6	8
SCS 2 £82,900-£162,500	54	47	54
SCS 1 £58,200-£117,800	166	162	190
Total	**225**	**216**	**254**

Staff Recruitment

The Department continues to follow the guidance introduced in May 2010 relating to the Civil Service external recruitment freeze. All requests for exceptions to the recruitment freeze are subject to a rigorous and robust approval process. In 2012-13 approximately 2,800 whole time equivalent employees were recruited, the majority (approximately 1,800) on short duration, fixed term appointments to support the Youth Contract and the implementation of welfare reforms. This compares to approximately 500 whole time equivalent employees recruited in 2011-12 (of which approximately 300 were on short duration, fixed term appointments).

All external appointments into the Department are made in accordance with the Civil Service Commission Recruitment Principles. The Principles require appointments to be on merit on the basis of fair and open competition. All permitted exceptions to the principles of fair and open

[1] Total numbers in 2013 include Child Maintenance Group Senior Civil Servants previously in the Child Maintenance and Enforcement Commission, but exclude those in any other Non Departmental Public Body sponsored by the Department.
[2] Darra Singh, then Chief Executive of Jobcentre Plus, had Permanent Secretary status as at 31 March 2011. Darra Singh left the Department on 30 September 2011

competition will be declared to the Commission in the Departmental 2012-13 annual compliance report.

Staff Attendance

In 2012-13 there was a slight increase in staff sickness absence in the Department with an average of 7.4 days per staff year compared to 7.3 days per staff year in 2011-12 but the Department continued to maintain its position as a front runner amongst the public sector and large employers, who record an average of 7.9 days per staff year.

The Department will continue to seek to improve its performance through an on-going programme of activity, including an increased focus on employee wellbeing and health promotion to help its employees maintain good health, improving the capability of managers to manage health-related problems and taking appropriate action including, where necessary, retirement or dismissal when employees cannot maintain good attendance records.

Staff Health and Safety

The Department continues to manage the risk to its employees in a proportionate, pragmatic way. Health and Safety policies and procedures are designed to enable business delivery whilst ensuring the Department meets its statutory obligations.

In 2012-13 the Department won the Gold Award for Occupational Health and Safety at the Royal Society for the Prevention of Accidents (RoSPA) Awards for the fourth year in a row . This award is presented to employers who show a commitment to protecting the health and wellbeing of their employees, customers and visitors.

Non Payroll Staff Information

This section of the Transparency Report covers spend on consultancy and temporary staff and reporting related to the review of tax arrangements of public sector appointees following the Review of Tax Arrangements of Public Sector Appointees, published by the Chief Secretary to the Treasury.

Consultancy and temporary staff

The Department spent £14.0 million on consultancy in 2012-13, up from £8.8 million in 2011-12, and £39.0 million on temporary staff, up from £20.4 million in 2011-12. The increase in the Department’s management consultancy and temporary staff spend reflects the significant challenges associated with implementing the welfare reform agenda.

	Consultancy (£ millions)	
	2012-13	**2011-12**
Core Department	10.6	6.5
Arm's Length Bodies	3.4	2.3
Total	**14.0**	**8.8**
	Temporary Staff (£ millions)	
	2012-13	**2011-12**
Core Department	34.9	13.2
Arm's Length Bodies	4.1	7.2
Total	**39.0**	**20.4**

Tax Arrangements of Public Sector Appointees

On the 31 January 2012 the Department recorded 71 new off-payroll engagements that each cost over £58,200 per annum. Between 23 August 2012 and 31 March 2013 the Department recorded 88 new off-payroll engagements which cost more than £220 per day and lasted more than six months.

For off-payroll engagements at a cost of over £58,200 per annum that were in place as of 31 January 2012	Core Department
No. in place on 31 January 2012	**71**
Of which	
No. that have since come onto the organisation's payroll	0
Of which	
No. that have since been re-negotiated / re-engaged to include contractual clauses allowing the Department to seek assurance as to their tax obligations	21
No. that have not been successfully re-negotiated and therefore continue without contractual clauses allowing the Department to seek assurance as to their tax obligation[1].	1
No. that have come to an end	49

All new off-payroll engagements between 23 August 2012 and 31 March 2013, for more than £220 per day and more than 6 months.	Core Department
No. of new engagements	**88**
Of which	
No. of new engagements which include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations	88
Of which	
No. for whom assurance has been requested and received	0
No. for whom assurance has been requested but not received[2]	14
No. that have been terminated as a result of assurance not being received	0
No. for whom no assurance has been requested[3]	**74**

On the 31 January 2012 the Department's Arm's Length Bodies recorded 41 new off-payroll engagements that each cost over £58,200 per annum. Between 23 August 2012 and 31 March 2013 the Department recorded 19 new off-payroll engagements which cost more than £220 per day and lasted more than six months.

[1] Continuing without seeking contractual clause on advice of our legal team
[2] As at the end August 2013 all of these have now either provided the assurance or left the Department.
[3] Departments determine when to seek assurance in line with Treasury guidance

Off-payroll engagements at a cost of over £58,200 per annum that were in place as of 3 January 2012	The Pensions Regulator	Pension Protection Fund	Health & Safety Executive	Remploy	Independent Living Fund	National Employment Saving Trust	The Pensions Advisory Service	Pensions Ombudsman
No. in place on 31 January 2012	**6**	**22**	**7**	**6**	**0**	**0**	**0**	**0**
of which								
No. that have since come onto the organisation's payroll	1	1	0	0	0	0	0	0
of which								
No. that have since been re-negotiated/re-engaged, to include contractual clauses allowing the Department to seek assurance as to their tax obligations	3	4	0	0	0	0	0	0
No. that have not been successfully re-negotiated, and therefore continue without contractual clauses allowing the Department to seek assurance as to their tax obligations	0	0	0	4[1]	0	0	0	0
No. that have come to an end	2	17	7	2	0	0	0	0

All new off-payroll engagements between 23 August 2012 and 31 March 2013, for more than £220 per day and more than 6 months.								
No. of new engagements	**3**	**11**	**0**	**5**	**0**	**0**	**0**	**0**
of which								
No. of new engagements which include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations.	3	7	0	0	0	0	0	0
of which								
No. for whom assurance has been requested and received	3	0	0	0	0	0	0	0
No. for whom assurance has been requested but not received	0	0	0	0	0	0	0	0
No that have been terminated as a result of assurance not being received	0	0	0	0	0	0	0	0
No. for whom no assurance has been requested[2]	0	4[3]	0	0	0	0	0	0

Better Regulation

The Department is committed to applying the Government's principles of better regulation in order to reduce burdens on business and to speed up the implementation of measures which reduce burdens on business.

One-In, One-Out

One-in, One-out (OIOO) is a rule whereby any new direct regulatory cost to business and civil society organisations is, at least matched by cuts to the cost of regulations. New costs are "INs" while savings are "OUTs".

The Government's Fifth Statement of New Regulation (SNR) recorded that between 1 January 2011 and 31 December 2012 the Department made a net saving of £681.04[4] million through the One-in, One-out rule which was replaced in January 2013 with a new One-In, Two Out (OITO) system. Under this new system, where new costs must be matched by savings twice the value of

[1] Re-negotiation is not necessary because individuals are off payroll engagements through contracts with employment businesses
[2] Departments determine when to seek assurance in line with Treasury guidance
[3] Three contactors have ceased their employment and one is still being considered
[4] This figure has since been adjusted to £795.51 million, following an RPC recalculation exercise aimed at bringing consistency to estimated annual net costs to business of all government departments

the costs, the Department showed a small net saving to business of £0.01[1] million between 1 January to 30 June 2013.

Regulatory Policy Committee

Any measure that regulates or deregulates business or civil society organisation is impacted and assessed together with the relevant Regulatory Policy Committee (RPC) opinion. In 2012-13 the Committee's fifth report showed a marked improvement in the number of fit for purpose opinions issued on impact assessments submitted by the Department. The RPC's report on Departmental performance, published on 18 August, showed the Department continues to improve.

Micro-moratorium

Since 1 April 2011, there has been a three year moratorium on new regulation impacting upon micro-businesses (fewer than 10 employees) and start-ups. The Department is committed to ensuring that such small businesses do not bear disproportionate burdens due to new regulation. In 2011-12 the timetable for implementing automatic enrolment into a workplace pension was extended to ensure small businesses with fewer than 50 employees will not be required to start auto enrolling employees until June 2015. For new measures coming into force after March 2014 the Department aims to ensure the regulatory measures should only extend to small and micro-businesses where any disproportionate burden is fully mitigated.

Red Tape Challenge

The Red Tape Challenge aims to reduce the overall burden of regulation on society. In 2012-13 the Department agreed that requirements on Statutory Sick Pay record keeping should be removed enabling employers to keep records in a more flexible manner. The Department will also abolish the Percentage Threshold Scheme, the scheme under which employers may be able to recover some, or all, of the SSP paid to employees in a tax month, and replace it with a new service which will provide advice and support for employers to manage sick absence more effectively. Regulations will be removed by April 2014.

In 2013-14 the Department will oversee the implementation of the recommendations set out in the Löfstedt review of Health and Safety legislation 'Reclaiming Health and Safety for All'. The Health and Safety Executive will be taking forward plans to remove or improve around 84 per cent of Health and Safety regulations, making compliance as straightforward as possible for business.

In 2013-14 the Department will also consolidate, simplify and future proof Disclosure of Information regulations for private pensions.

Alternatives to Regulation

Access to Work provides financial help towards the extra costs faced by disabled people at work, such as travel to work support, and specialist aids and equipment. In 2012-13 the Department removed the cost share element of Access to Work – which requires employers to make a contribution towards the cost of some elements of support - from small businesses with up to 49 employees and enabled departmental advisers greater flexibility in deciding which equipment is

[1] This figure was revised to £0.09 million, following validation of some measures after publication of the fifth SNR.

funded through the scheme. The Department also worked closely with the pensions industry to develop and publish a Code of Practice on Incentive Exercises which looks to improve standards and stamp out bad practices through non-legislative means.

Many small employers provide defined benefit pensions by joining a multi-employer pension scheme. Such schemes offer benefits in terms of scale and administration, but also carry risks. Assets are pooled, and if an employer becomes insolvent, the remaining employers jointly assume responsibility for funding its accrued liabilities.

Legislation is designed to protect scheme members. The employer is liable to ensure that members' accrued benefits can be secured with annuities from an insurance company where:

- an employer in a multi-employer pension scheme closes its pension within the scheme, or
- an employer ceases to employ any active members in the pension scheme while at least one other participating employer continues to employ active members in the scheme.

Due to financial pressures in the current economic climate, some employers participating in multi employer defined benefit pension schemes have indicated that they would like to close their part of the scheme to future accrual of benefits, but are concerned that this could trigger a large debt to the scheme under the employer debt legislation. The Government has announced plans to consider these concerns, and how they might be addressed, including non-legislative options.

From 2013-14 a new approach to help employers manage sickness absence will be delivered through external provision which is expected to yield significant benefits for employees and for employers through reduced sick pay costs and increased productivity.

Implementation and Guidance

In 2012-13 the Department's Better Regulation Unit (BRU) implemented the new fast track system introduced by the Better Regulation Executive for deregulatory and low cost measures The BRU subsequently implemented the new Better Regulation Framework Manual to help guide policy development. The BRU continues to work with Better Regulation Executive to disseminate new guidance on the Reducing Regulation Framework and share good practices in order to reduce burdens on business.

Focus on Enforcement

The Pensions Regulator and the Health and Safety Executive have engaged, with, or contributed to Focus on Enforcement Regulatory Reviews. Both regulators have provided background information about their remit for The Focus on Enforcement Website: http://discuss.bis.gov.uk/focusonenforcement

European Union (EU) and International Organisations

The Department represented the Government's interests at the International Labour Organisation and the employment strand of the G20, including promoting structural reforms in labour markets, support for business and effective activation policies to support jobseekers. The Department also proposed and achieved changes to EU legislation to restrict access by inactive migrants to Income Support; and to ensure that income-based Employment and Support Allowance was not exportable as well as supporting the work of Troika in Greece through consulting on Public Employment Services (PES) modernisation. Active liaison with Poland, Spain and Romania in collaboration with UKTI has seen movement towards PES modernisation and adoption of the UK's Public Private Partnership (PPP) model. Engagement with Bulgaria and Romania has strengthened relationships and resulted in the signing of a Memorandum of Cooperation (MOC) with Bulgaria and the development of a MOC with Romania.

The Department, working with the Health and Safety Executive (HSE) is also working with other EU Member States to prevent the introduction of a directive which would be a disproportionate response to achieving protection of occupational safety and health in the hairdressing sector. The Department and the HSE have lobbied the Commission to raise awareness of the impact, especially on small and micro-businesses, and problems with a draft Commission proposal for a directive on ergonomics. The Commission is now reconsidering whether a directive is an appropriate response to the risks of work related musculoskeletal disorders.

Sustainable Development

The Government is committed to mainstreaming Sustainable Development in the way it makes policy, runs, builds and purchases goods and services to maximise the positive impacts on the economy, society and the environment. Further information including detailed environmental performance data is available in the supplementary "DWP Sustainable Development Report"[1]:

Mainstreaming Sustainable Development

In 2012-13 the Department ensured that sustainability was part of detailed planning of the changes taking place. A number of tools are available to help those involved in planning and decision making factor sustainability in from the beginning, providing a clear assessment of where progress is being made and where further work is needed. The tools include a sustainability "check list" which enables key issues – such as carbon emissions - to be identified and treated in the same way as any other benefit or risk, from early development stages to final delivery.

In 2012-13 the Department also ran "Sustainability Masterclass" events for staff involved in decision making as part of the Department's targeted approach to sustainability learning as well as providing online learning and support for site environment champions.

Sustainable Procurement

The Department has had a mandated Sustainable Procurement Risk Assessment Methodology (SPRAM) in place for a number of years. This has now been further strengthened by a) the Social Value Act and b) inclusion of the SPRAM within the Department's mandated electronic procurement solution.

The DWP Small and Medium Enterprise (SME) Action Plan[2] can be found on the "supplying DWP" pages. This reaffirms the Department's commitment to work towards the 25 per cent of our procurement expenditure being with SMEs.

Rural proofing

The Department is committed to the Government's vision for a growing rural economy and thriving rural communities as part of its main sustainability focus on the three pillars of social,

[1] https://www.gov.uk/government/organisations/department-for-work-pensions/about/our-energy-use
[2] https://www.gov.uk/government/organisations/department-for-work-pensions/about/procurement#doing-business-with-dwp

economic and environmental issues. The Department's (overall) policies to support localism make a sustainable contribution to national growth; and demonstrate the Government's commitment to local growth through its engagement with communities in rural areas.

To take account of the fact that claimants and labour markets vary dramatically throughout the country, including in rural areas, all District Managers were given increased freedoms and flexibilities to tailor back-to-work services to meet the needs of individual claimants and local labour markets in 2012-13. This approach offers local managers the scope to tailor services to individual claimants in rural localities. The Department also introduced a discretionary Flexible Support Fund to help District Managers tailor services to local claimants and communities in 2012-13. The Flexible Support Fund has been used to fund Work Clubs, Enterprise Clubs and transport to training venues in rural areas to overcome the transport difficulties in accessing main centres by claimants.

Climate Change Adaptation

Consideration of climate change adaptation is included within the Department's sustainability decision making tools, to ensure that it is factored into decision making**.** The greatest risk posed by climate change to the work of the Department remains the potential adverse impacts of severe weather events on operational activities. Maintaining and reviewing robust business continuity arrangements remains the most effective way to ensure preparedness in this way. As part of this, a comprehensive Flood Risk Assessment of Departmental and supplier sites designated as "critical" was undertaken, the results from which are now informing business continuity planning and future estate strategy.

Overview of Environmental performance – Greening Government Commitments Targets

The following table provides a summary of performance against the Greening Government Commitments by the Department. It does not include information on the performance of the Department's Arm's Length Bodies.

Positive progress continues against the majority of the targets. This year has, however, seen an increase in carbon emissions – 14 per cent against the previous year. Poor weather conditions over this period have been a major contribution to this – with heating being required for longer periods than previously. This has eroded some of the significant reductions made in previous years – but the Department still remains on track to meet the main carbon reduction target.

Summary of performance: Greening Government Commitments			
	2009-10 Baseline	2012-13 Performance[1]	2015 Target Performance
Reduce greenhouse gas emissions by 25% from a 2009-10 baseline from the whole estate and business-related transport (TCO2e)			
Total greenhouse gas emissions	204,621	161,862	153,466
Reduce domestic business travel flights by 20% by 2015 from a 2009-10 baseline.			
Number of domestic flights	21,931	8,435	16,448
Reduce the amount of waste we generate by 25% from a 2009-10 baseline (T)			
Total volume of waste produced (tonnes)	16,626	11,784	12,850
Volume of waste recycled (tonnes)	10,522	6,744	N/A
Reduce the amount of paper used			
A4 (Reams)	2,061,685	1,223,625	N/A
A3 (Reams)	8,606	4,085	N/A
Reduce water consumption from a 2009-10 baseline, and report on office water use against best practice benchmarks			
Total water consumption	810,701	677,464	N/A

Water Use Performance against best practise benchmarks		
	2009-10 baseline	2012-13 performance
Best Practise (<4m3/WTE)	107	74
Good Practise (4-6m3/WTE)	500	333
Poor Practise (>6M3/WTE)	156	322

[1] Estimated data has been used to provide final figures for 2012-13. Full details can be found in the "DWP Annual Sustainable Development Report 2012-13" at https://www.gov.uk/government/organisations/department-for-work-pensions/about/our-energy-use

External Engagement

Information on external engagement covers: the number of complaints received by the Department and made to the Parliamentary Ombudsman; the level of correspondence for Ministers; publicity and advertising undertaken by the Department; details of sponsorship agreements over £5,000; and, details of any losses by the Department of personal data.

Complaints and the Department

In 2012-13, the Department[1] recorded 94,609 complaints; this includes all Child Maintenance and Enforcement Commission complaints for 2012-13. In 2012-13 the Department improved its complaints process by moving to a two-tier telephony based model which promotes a 'once and done' approach. This resulted in the vast majority of complaints being resolved to the complainant's satisfaction without the need for them to escalate their complaint for a final business response from the Department. The Department also requires its providers to work directly with individuals to resolve complaints about their service.

Anyone who remains dissatisfied after receiving a final response from the Department or its provider can ask the Department's independent complaints reviewer, the Independent Case Examiner, to investigate. The Independent Case Examiner dealt with 1,273 complaints in 2012-13 (compared to 1,373 in 2011-12). Of the complaints received in 2012-13, 35 were eventually withdrawn by the complainant. In 350 cases, the Independent Case Examiner brokered an

[1] On 1 August 2012 the Department assumed responsibility functions previously held by the Child Maintenance Enforcement Commission. The total number of DWP recorded complaints includes all Child Maintenance and Enforcement Commission. complaints for 2012/2013.

agreement between the parties, removing the need to carry out a full investigation. Of the remaining 888 cases, the Independent Case Examiner upheld, fully or partially, 236 complaints.

If a complaint cannot be resolved by the Independent Case Examiner complainants can ask an MP to raise the issue with the Parliamentary and Health Service Ombudsman in some circumstances. In 2012-13, the Ombudsman investigated and reported[1] on 20 complaints about the Department, set out in the following table.

Department or Agency[2]	Complaints accepted by the Ombudsman	Complaints reported on by the Ombudsman	Complaints fully upheld	Complaints partly upheld	Complaints not upheld	No's of recommendations complied with[3]	No's of recommendations not complied with
Jobcentre Plus	5	3	33%	33%	33%	4	0
Child Maintenance Group	4	7	100%	0%	0%	15	0
Independent Case Examiner	9	7	43%	0%	57%	3	0
Debt Management	0	0	0%	0%	0%	0	0
The Pension, Disability & Carers Service	1	1	100%	0%	0%	1	0
DWP-other	0	0	0%	0%	0%	0	0
Medical Service , ATOS Healthcare	0	0	0%	0%	0%	0	0
Independent Living Fund	1	0	0%	0%	0%	0	0
TOTAL	20	18	67%	5%	28%	23	0

The Department provides financial redress in the form of special payments to individuals (or their representatives) who have incurred additional costs, losses or other effects of maladministration. In 2012 -13, 13,628 ex gratia compensation awards totalling £2.3 million[4] were authorised under these arrangements.

Correspondence

The Department's Ministers received more than 43,000 pieces of correspondence between January and December 2012, of these, more than 26,000 were from MPs or Peers, and the remainder were from members of the public. Replies were sent for 94 per cent of the correspondence within 20 working days.

[1] The Ombudsman's full report can be found at www.ombudsman.org.uk/about-us/publications/annual-reports
[2] Although the Department no longer has Executive Agencies and operates as One DWP, complaints are still recorded against the individual parts of the Department
[3] Some complaints result in more than one recommendation
[4] The figure excludes (a) Financial redress paid in respect of loss of statutory entitlement (LOSE) and (b) Advance Payments of Child Maintenance. The total cost of LOSE and Advance Payments made in 2012-13 was £1 million. This amount is excluded as it is not an additional cost arising from maladministration – it is money that (a) would have been paid anyway if no maladministration had occurred (b) in the case of Child Maintenance will be recovered from the non-resident parent. It also excludes special exercises which may be necessary to address the fact that current legislation does not provide for payments as intended by Ministers/Parliament.

Publicity and Advertising

The Department's external communications in 2012-13 focused on ensuring that the public, stakeholders and the media understood changes to its services and policies, and on encouraging desired behavioural changes.

Where possible the Department focused on low-cost and no-cost publicity and advertising campaigns, making maximum use of its own channels and using paid-for communications only when absolutely necessary. For example, when communicating about forthcoming changes to workplace pensions and to tackle benefit fraud.

Sponsorship

During 2012-13 the Department did not engage in any sponsorship agreements.

Personal Data Incidents

During 2012-13 no personal data incidents were formally reported to the Information Commissioner's Office (or centrally recorded by the Department but not notified to the Information Commissioner's Office).

Arm's Length Bodies

Arm's Length Bodies operate independently and at arm's length from Ministers but are still accountable to the public for the services they provide. The Cabinet Office publishes a Public Bodies directory each year[1].

Department for Work and Pensions Arm's Length Bodies

Organisation	Function
Child Maintenance and Enforcement Commission (Existed until 31 July 2012, when the functions where transferred back to the Core Department)	To help support the Government's aspirations on supporting separated families, the Child Maintenance and Enforcement Commission (CMEC) was abolished and its functions brought back into the Department (as the Child Maintenance Group) on 1 August 2012. Further information about the Child Maintenance Group within the Department is available at: https://www.gov.uk/child-maintenance
Health and Safety Executive	The Health and Safety Executive, a Crown Non- Departmental Public Body is responsible, with Local Authorities, for the regulation of health and safety risks that arise out of work activities. Further information about the Health and Safety Executive is available at: http://www.hse.gov.uk/
Independent Living Fund	The Independent Living Fund has been closed permanently for new applications since 2010 but continues to make payments to 18,500 existing users. The Department ran a consultation on the future of the Independent Living Fund in 2012-13. Following the consultation the Government announced it would close the Independent Living Fund completely on 31 March 2015 and shift responsibility for supporting its existing users to Local Authorities in England and the devolved administrations in Scotland, Wales and Northern Ireland. On 6 November 2013 the Court of Appeal overruled this decision. The Department is now examining the judgement carefully and considering the implications before deciding on the most appropriate way forward. Further information about the Independent Living Fund is

[1] https://www.gov.uk/government/publications/public-bodies-reports

Organisation	Function
	available at: http://www.dwp.gov.uk/ilf/
National Employment Savings Trust (NEST) Corporation (Public Corporation)	NEST Corporation is the trustee body responsible for overseeing the National Employment Savings Trust (NEST). NEST is a low cost, workplace pension scheme that is designed to meet the needs of low-to-moderate earners and their employers in particular. Further information about NEST Corporation is available at: http://www.nestpensions.org.uk
Remploy Ltd (Public Corporation)	Remploy is an NDPB and Public Corporation limited by guarantee, its mission is to transform the lives of disabled people and those who experience complex barriers to work by providing sustainable employment opportunities. The Government is implementing the Sayce recommendations on Remploy that viable Remploy businesses should be given opportunity to exit Government ownership under employee led models or sold and non-viable businesses should be closed. Further information about Remploy Ltd is available at: http://www.remploy.co.uk/
The Pensions Advisory Service	The Pensions Advisory Service (TPAS) provides an independent and free information and guidance service to individuals with either a general or a specific query or complaint on a pensions matter. Further information about The Pensions Advisory Service is available at: http://www.pensionsadvisoryservice.org.uk/
The Pensions Regulator	The Pensions Regulator protects the benefits of members of work-based pension schemes, promotes and monitors good scheme administration, and reduces the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund and maximises employer compliance with automatic enrolment duties. Further information about The Pensions Regulator is available at: http://www.thepensionsregulator.gov.uk
Pension Protection Fund (Public Corporation)	The Pension Protection Fund provides compensation to members of eligible defined benefit pension schemes whose employer becomes insolvent, and where there are insufficient scheme assets in the pension scheme to pay what was promised. It also manages the Financial Assistance Scheme. Further information about the Pension Protection Fund is available at: http://www.pensionprotectionfund.org.uk

Tribunal

Organisation	Function
Pensions Ombudsman (1) Pension Protection Fund Ombudsman (2)	(1) determines complaints and disputes concerning occupational and personal pensions schemes and (2) handles complaints and reviewable matters concerning the Pension Protection Fund and Financial Assistance Scheme appeals. Further information is available at: http://www.pensions-ombudsman.org.uk/ and http://www.ppfo.org.uk/

Advisory

Organisation	Function
Disability Living Allowance Advisory Board (until 7 February 2013)	These advisory bodies provide independent and expert advice to ministers. The Disability Living Allowance Advisory Board, Equality 2025 and the Industrial Injuries Advisory Council are supported by a secretariat team from within the Department. The Social Security Advisory Committee's secretariat is not within the Department

Equality 2025 Industrial Injuries Advisory Council Social Security Advisory Committee	for Work and Pensions (DWP) but is comprised of staff on loan from DWP and HMRC. Advisory bodies do not have their own budget or executive functions. They produce an annual report each year that provides details of their activities and their terms of reference or remit. Further information from these advisory services is available at the following web addresses: http://odi.dwp.gov.uk/equality-2025/index.php http://iiac.independent.gov.uk/ http://ssac.independent.gov.uk/

Lead Non-Executive Report

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

The Departmental Board comprises a good balance of Ministers, Senior Civil Servants, and non-Executives from outside government. During the last year the membership of the Departmental Board has changed in terms of personnel and these are detailed later in an annex to this report.

John Clare’s contract as a Non Executive expired on 31 October 2012 and a decision was taken to continue the Board with the four other remaining non-Executives.

The Departmental Board has two sub-Committees: the Departmental Audit Committee and the Nominations and Governance Committee. Dame Clara Furse and I are the non-Executive Chairs of these respective sub-Committees

The Departmental Board met formally on four occasions during the 2012-13 accounting year, and also had an off-site informal meeting. Its focus has been predominantly on the Department’s delivery plans (including risks and governance); and performance management (including financial management).

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

- Ian Cheshire strengthened the Department’s talent management and staff engagement arrangements;
- Dame Clara Furse reviewed Departmental Financial Management working with the Finance Director General. The review took place in the context of the Department facing a challenging period; delivering an ambitious change programme, while meeting efficiency targets set out in the spending review. While confident in the Department’s approach, the review did highlight the need to continue to improve financial capability, visibility and control;
- Willy Roe developed a new framework for partnership between the Department and its Arm's Length Bodies;
- David Lister scrutinised and provided assurance of the Department’s IT systems, with particular reference to the delivery of a number of large scale reforms in 2013; and
- John Clare engaged with the Government’s reducing regulation agenda and was a member of the Institute for Government Project Group to consider the quality of Management Information across Whitehall. The recommendations from his group where published in an Institute for Government report earlier this year.

The effectiveness review of the Departmental Board, which was completed in March 2013, concluded that the Departmental Board has made good progress over the last 12 months. There was a general feeling that the Board has strategic and performance oversight, receives good quality information and has the right composition of people with the appropriate skills. There were however a number of issues identified, such as certain deep dives needed and giving visibility to Departmental Board members’ work in the Department between meetings. I intend to address these as we move forward.

Departmental Board attendance has been very good throughout the year, as evidenced in the Governance Statement (later in this report). It is my view that the non-Executives have, and continue to, add value. During 2013-14 the Departmental Board will continue to engage with the challenges of delivering the Department's ambitious agenda of reform. The Departmental Board will continue to meet regularly (a minimum of four times a year) and to engage outside of its formal meetings to make progress.

Ian Cheshire
Lead Non-Executive

Remuneration Report

Remuneration policy

The remuneration of Senior Civil Servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

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

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

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

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

Service contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Details of the service contract for each member of the Department's Executive Team are shown on page 37.

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

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

Performance Assessment

There are four stages involved in the assessment of performance:

- Self assessment

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

- Performance Review Discussion with Line Manager

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

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

- Relative Assessment Peer Group

In 2012-13 the performance of individual SCS staff was relatively assessed against peers within the same pay band to achieve the following performance profile for the SCS as a whole:

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

- Pay Committees

Senior pay committees provide input to the Departmental moderation process. The Pay Committees for 2012-13 comprised of:

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

Pay Band 1 and Pay Band 2 Pay Committee:
Robert Devereux (Chair), Chris Last, Gill Aitken, Terry Moran, Hunada Nouss, Sue Owen, Ian Cheshire (non-Executive Director), and Willy Roe (non-Executive Director).

After the end of year performance review, the Pay Committees consider line managers' pay recommendations, assess the relative contribution of those in the pay band and make final base pay and non-consolidated performance pay award decisions.

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

i) Base pay; and
ii) Non-consolidated performance related pay award.

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

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

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

There was no increase in SCS base pay in 2012-13 and therefore base pay criteria were not required to be considered.

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

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

Policy on notice periods and termination payments

Standard SCS notice period

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

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

- Continuous service up to four years, a notice period of five weeks;
- Continuous service of four years and over, a notice period of one week plus one week for every year of continuous service, up to a maximum of 13 weeks.

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

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

On the expiration of such notice, employment will terminate.

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

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

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

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

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

The main details of service contracts as at 31 March 2013 are included in the table shown below.

Officials	Date of appointment	End date of term
Robert Devereux, Permanent Secretary	1/01/2011	Not Applicable
Gill Aitken	1/03/2010	Not Applicable
Sue Owen	30/09/2009	Not Applicable
Terry Moran	14/06/2004	14/03/2013
Noel Shanahan	8/10/2012	Not Applicable
Andrew Nelson	25/2/2013	Not Applicable
Philip Langsdale	3/09/2012	22/12/2012
Kenny Robertson	1/04/2012	2/09/2012
Mike Driver	3/09/2012	Not Applicable
Hunada Nouss	8/03/2010	15/10/2012
Chris Last	2/01/2008	Not Applicable

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

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

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

* This information is audited by the Comptroller and Auditor General

Departmental Board*

The Departmental Board is chaired by the Secretary of State. As at 31 March 2013 the Board is made up of Ministers, the Executive Team and non-Executive Directors as follows:

Ministers	
Right Honourable Iain Duncan Smith MP	Secretary of State for Work and Pensions
Steve Webb MP	Minister of State for Pensions
Right Honourable Chris Grayling MP (until 9 September 2012)	Minister of State for Employment
Mark Hoban MP (from 5 September 2012)	Minister of State for Employment
Lord Freud	Parliamentary Under Secretary of State for Welfare Reform
Maria Miller MP (until 3 September 2012)	Parliamentary Under Secretary of State and Minister for Disabled People
Esther McVey MP (from 5 September 2012)	Parliamentary Under Secretary of State for Disabled People
Executive Team	
Robert Devereux[1]	Permanent Secretary
Gill Aitken	Director General, Professional Services
Sue Owen	Director General, Strategy
Terry Moran[1]	Director General, Chief Operating Officer until 14 March 2013
Noel Shanahan[1]	Director General, Operations from 8 October 2012
Andrew Nelson[1]	Director General, IT and Chief Information Officer from 25 February 2013
Philip Langsdale[1]	Director General, Corporate Information Technology and Chief Information Officer from 3 September 2012 to 22 December 2012
Kenny Robertson[1]	Director General, Corporate Information Technology and Chief Information Officer from 1 April 2012 to 2 September 2012
Hunada Nouss[1]	Director General, Finance and Chief Financial Officer to 2 September 2012
Mike Driver[1]	Director General, Finance and Chief Financial Officer from 3 September 2012
Chris Last	Director General, Human Resources and Head of Government HR Operations

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

Non-Executive Directors	
Ian Cheshire	Lead Non-Executive Director
John Clare	Non-Executive Board Member to 31 October 2012
David Lister	Non-Executive Board Member
Willy Roe	Non-Executive Board Member
Dame Clara Furse	Non-Executive Board Member

Directorships

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

Remuneration and pension entitlements*

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

	2013		2012	
Remuneration*	Salary	Full Year Equivalent (FYE)	Salary	Full Year Equivalent (FYE)
Ministers	£	£	£	£
Rt Hon Iain Duncan Smith MP Secretary of State	68,827	68,827	68,827	68,827
Steve Webb MP Minister of State	33,002	33,002	33,002	33,002
Rt Hon Chris Grayling MP Minister of State	14,576	33,002	33,002	33,002
Mark Hoban MP Minister of State	16,501	33,002	-	-
Lord Freud[1] Parliamentary Under-Secretary (Lords) and Minister of State	-	-	-	-
Maria Miller MP Parliamentary Under-Secretary and Minister of State	11,849	23,697	23,697	23,697
Esther McVey MP Parliamentary Under-Secretary and Minister of State	13,560	23,697	-	-

Benefits in Kind for Ministers

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

This report is based on accrued payments made by the Department and thus recorded in these financial statements. In respect of Ministers in the House of Commons, Departments bear only

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

the cost of the additional ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010) and various allowances to which they are entitled are borne centrally.

	2012-13				2011-12			
Officials *	**Salary**	**Bonus Payments**	**Benefits in Kind**	**Total**	**Salary**	**Bonus Payments**	**Benefits in Kind**	**Total**
	£000	**£000**	**(to nearest £100)**	**£000**	**£000**	**£000**	**(to nearest £100)**	**£000**
Robert Devereux *Permanent Secretary*	180-185	15-20	-	195-200	180-185	5-10	-	185-190
Gill Aitken	125-130	-	-	125-130	125-130	-	-	125-130
Sue Owen	130-135	15-20	-	145-150	130-135	15-20	-	145-150
Terry Moran	155-160 (FYE 165-170)	15-20	-	170-175 (FYE 180-185)	160-165	15-20	-	175-180
Noel Shanahan	80-85 (FYE 170-175)	15-20	-	95-100 (FYE 185-190)	-	-	-	-
Andrew Nelson	15-20 (FYE 190-195)	-	-	15-20 (FYE 190-195)	-	-	-	-
Philip Langsdale	55-60 (FYE 190-195)	-	-	55-60 (FYE 190-195)	-	-	-	-
Kenny Robertson	60-65 (FYE 150-155)	10-15	-	75-80 (FYE 165-170)	-	-	-	-
Hunada Nouss	65-70 (FYE 165-170)	-	-	65-70 (FYE 165-170)	165-170	-	-	165-170
Mike Driver	65-70 (FYE 115-120)	-	-	65-70 (FYE 115-120)	-	-	-	-
Chris Last	180-185	15-20	-	195-200	180-185	-	-	180-185

Salary

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

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

Bonuses

Bonuses are non-consolidated variable performance related payments and are based on performance levels attained and are made as part of the appraisal process. Within the Department, Directors' non-consolidated performance related payments (bonuses) are normally paid in July following the financial year to which they relate and are in respect of the performance

* This information is audited by the Comptroller and Auditor General

during their period of service during the preceding financial year i.e. bonuses included in July 2012 salaries (year 2012-13) relate to the period served during 2011-12. This ensures that payments made in relation to their period of service are disclosed in their totality. Bonus payments made in July 2013 relating to performance during the 2012-13 year will be reported in the Department's 2013-14 Annual Report and Accounts.

Benefits in Kind for Officials

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

Compensation for Loss of Office

Hunada Nouss left under voluntary exit terms on 15 October 2012 receiving a compensation payment of £76,312 (her membership to the Executive Team ended on 2 September 2012).

Pay multiples

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

	Band of highest paid director's total remuneration	Median* total remuneration	Ratio
	£000	**£**	
2012-13	195-200	22,576	8.75
2011-12	330-335	21,990	15.12

The banded remuneration of the highest-paid director in the Department during the financial year 2012-13 was £195,000 - £200,000 (2011-12 £330,000 - £335,000 included compensation paid on leaving the Department under voluntary exit terms). This remuneration was 8.75 times (2011-12 15.12) the median[1] remuneration of the workforce, which was £22,576 (2011-12, £21,990). The ratio shows a decrease from 15.12 in 2011-12 to 8.75 in 2012-13. The decrease is due to both the retirement of the previous highest paid director in the Department and a change in reporting requirement to no longer include severance payments in the pay multiple calculations. Senior salaries were subject to a pay freeze.

In 2012-13 and in 2011-12, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £14,500 – £15,000[2] to £195,000 – £200,000 (2011-12, £14,000 – £14,500[3] to £330,000 – £335,000).

From 2012-13 total remuneration includes salary, non-consolidated performance related pay and benefits-in-kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

[1] Median: The total remuneration of the member of staff at the mid-point of staff paid and in post in the Department on 31 March 2013

[2] Whole time equivalent

[3] Whole time equivalent

Ministerial Pensions *

Ministers *	Total accrued pension at age 65 as at 31/03/13	Real increase in pension at age 65	CETV[1] at 31/03/13	CETV at 31/03/12	Real increase in CETV
	£000	£000	£000	£000	£000
Rt Hon Iain Duncan Smith MP Secretary of State	5-10	0-2.5	136	105	16
Steve Webb MP Minister of State	0-5	0-2.5	21	14	4
Rt Hon Chris Grayling MP Minister of State	0-5	0-2.5	28	23	2
Mark Hoban MP Minister of State	0-5	0-2.5	28	22	4
Lord Freud Parliamentary Under-Secretary (Lords) and Minister of State	-	-	-	-	-
Maria Miller MP Parliamentary Under-Secretary and Minister of State	0-5	0-2.5	19	16	2
Esther McVey MP Parliamentary Under-Secretary and Minister of State	0-5	0-2.5	4	-	2

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

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

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with Pensions Increase legislation. From 1 April 2013 members pay contributions between 7.9% and 16.7% depending on their level of seniority and chosen accrual rate.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.
In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015.

* This information is audited by the Comptroller and Auditor General

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

The Cash Equivalent Transfer Value (CETV) - Ministers

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

Officials *

Officials	Accrued pension at pension age as at 31/03/13 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/13 [1]	CETV at 31/03/12 [2]	Real Increase in CETV
	£000	£000	£000	£000	£000
Robert Devereux[3] Permanent Secretary	-	-	-	1,506	-
Gill Aitken	35-40 plus 110-115 lump sum	0-2.5 plus 0-2.5 lump sum	692	641[4]	4
Terry Moran	60-65 plus 190-195 lump sum	5-7.5 plus 15-17.5 lump sum	1,185	1,041	88
Sue Owen	50-55 plus 155-160 lump sum	0-2.5 plus 0-2.5 lump sum	1,098	1,032	7
Hunada Nouss	10-15	0-2.5	223	196	22
Mike Driver	45-50 plus 135-140 lump sum	2.5-5 plus 7.5-10 lump sum	824	766	46
Chris Last [5]	20-25	2.5-5	309	236	44
Kenny Robertson	20-25	2.5-5	321	274	43
Andrew Nelson	0-5	0-2.5	4	-	4
Noel Shanahan	15-20	0-2.5	301	276	11

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

* This information is audited by the Comptroller and Auditor General
[1] Where an official left the Department part way through the year, the CETV column refers to the value at the date of leaving
[2] The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at the 31 March 2011 and the 31 March 2012 have both been calculated using the new factors for consistency. The CETV at the 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors
[3] Opted out of PCSPS
[4] Gill Aitken bought Additional Pension which resulted in a change to the closing CETV balance at 31/03/12
[5] Opted to join the Nuvos Scheme

Civil Service Pensions (CSP) [1]

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. 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. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Cash Equivalent Transfer Values (CETV) - Officials

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Non-Executives *

Fees amounting to £26,000 (2011-12 £20,000) were payable to the non-Executive Board Directors as follows:

	Total Fees	Total Fees
	2012-13	2011-12
	£000	£000
Ian Cheshire[1]	-	-
John Clare (to 31 October 2012)	9	6
David Lister[2]	-	-
Willy Roe	17	6
Dame Clara Furse[3]	-	-
	26	**12**[4]

Robert Devereux
Accounting Officer

6 December 2013

* This information is audited by the Comptroller and Auditor General
[1] Ian Cheshire has waived his entitlement to an honorarium of £20,000
[2] David Lister has waived his entitlement to an honorarium of £15,000
[3] Dame Clara Furse has waived her entitlement to an honorarium of £20,000
[4] In addition to £12,000 there were also fees totalling £8,000 in 2011-12 payable to non-executive Board members who have since left the Board

Financial Overview

Supply procedure

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

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

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

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

Results for the year

Comparison of outturn against Estimate (Statement of Parliamentary Supply)

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

In 2012-13 the Department met all of its control totals:

- Resource Departmental Expenditure Limit (DEL) – Outturn was £7.4 billion, 2.1 per cent below the Estimate;
- Capital DEL – Outturn was £0.4 billion, 12.1 per cent below the Estimate;
- Administration Cost Limit – Outturn was £1.2 billion, 5.8 per cent below the Estimate;
- Net Cash Requirement – Outturn was £85.9 billion, 1.4 per cent below the Estimate;

The total voted resource outturn was £85.2 billion, 1.5 per cent below the Estimate (£1.3 billion underspend). The underspend is made up of £0.2 billion DEL, £0.9 billion Annually Managed Expenditure (AME) and £0.3 billion non-budget. The full analysis by Estimate line is provided in Note 3. Explanation of some of the significant variances (+/-10%) are as follows:

Estimate Line	Limit £000	Outturn £000	Variance (Over)/Under £000	Explanation of variance
Voted Expenditure DEL				
Other programmes – Resource	69,905	89,473	(19,568)	This is made up of a number of elements, the most notable is Remploy (£37m) in relation to funding recorded within the Departmental Operating Costs line as part of the Supplementary Estimate. The outturn has been shown appropriately against Other Programmes. The remainder of the variance relates to underspends against funding on National Employment Savings Trust; and Pensions Protection Fund.
Departmental Operating Costs – Capital	321,578	273,146	48,432	This variance arose as a result of capital underspends in the Department's investment portfolio, predominantly in the ring-fenced areas of Universal Credit and Fraud & Error.
Voted Expenditure AME				
Financial Assistance Scheme – Resource	265,000	92,781	172,219	The variance on Financial Assistance Scheme arises for two main reasons: increases in the long-term cash flow forecasts as a result of more comprehensive sampling data; a change to the discount rate in line with revised HM Treasury guidance. These factors have resulted in a lower than forecast increase in the Financial Assistance Scheme provision during the year. Some of this increase was foreseen at the Supplementary Estimate, but there are inherent uncertainties in the data until the initial transfer stage of the schemes is complete.
Other expenditure – Resource	(15,245)	(141,674)	126,429	European Social Fund exchange rate losses, previously provided for in AME, crystallised in year. These result from the strengthening of sterling relative to the euro between the time that European Social Fund claims were made to the time they were recovered from the European Union, and the time between when start up advances for a programme are made and the programme closes. When these losses crystallised, the expense transferred to DEL and was credited in AME. The Supplementary Estimate did not include the funding impact of the loss being realised.
Non Voted Expenditure AME				
Expenditure incurred by the Social Fund - Capital	85,083	27,383	57,700	Expenditure control measures have continued to reduce the number of loans made. Recoveries from loans made in previous years have also

				increased, further reducing the demands on this budget.
Voted Expenditure Non Budget				
Cash paid in to the Social Fund – Resource	2,798,480	2,517,753	280,727	Winter 2012-13 was milder than anticipated at the time the funding was finalised in the Supplementary Estimate. This meant that there were fewer Cold Weather Payments triggered resulting in the majority of the underspend.

Consolidated Statement of Comprehensive Net Expenditure

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

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

- Net Operating Cost amounting to £173.0 billion (2011-12 £167.0 billion);
- Programme expenditure mainly consists of Voted expenditure amounting to £80.2 billion (2011-12 £77.8 billion) and Non-Voted contributory benefit expenditure amounting to £87.0 billion (2011-12 £ 82.2 billion) (see Notes 10 and 11).

Reconciliation of resource expenditure between Estimates, accounts and budgets

		Outturn £000	Estimate £000	Variance £000
Total Resource Outturn (Estimates)		**175,454,976**	**177,116,464**	**1,661,488**
Adjustments to remove non-budget elements:				
Cash to the Social Fund		(2,517,753)	(2,798,480)	(280,727)
Total Resource Budget Outturn		**172,937,223**	**174,317,984**	**1,380,761**
Of which:				
	Departmental Expenditure Limits (DEL)	7,366,133	7,523,248	157,115
	Annually Managed Expenditure (AME)	165,571,090	166,794,736	1,223,646
Adjustments include:				
	Capital Grants	(70)	-	70
	Consolidated Fund Extra Receipts	(712)	-	712
Other PFI adjustments		71,552	201,561	130,009
Net Operating Cost (Accounts)		**173,007,993**	**174,519,545**	**1,511,552**

Statement of Financial Position

The Statement of Financial Position includes trade and other receivables of £4.1 billion (see Note 20) and trade and other payables of £5.2 billion (see Note 22), which consist mainly of amounts due to or from the Department in respect of benefit payments, European Social Fund claims and finance lease obligations. Provisions of £4.0 billion (see Note 23) mainly relate to the Financial Assistance Scheme provision of £3.95 billion.

Property, plant and equipment assets total £0.82 billion (see Note 15). These comprise mainly of land and buildings of £0.72 billion, £0.68 billion of which are on-Statement of Financial Position Private Finance Initiative (PFI) contracts and IT related assets of £0.1 billion.

Statement of Cash Flows

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

The Statement of Cash Flows shows a net cash outflow from operating activities of £173.0 billion compared to a cash outflow in 2011-12 of £166.5 billion. The change is mainly due to the increase in net operating costs of the Department from £167.0 billion to £173.0 billion.

Departmental reporting cycle

The Department's Main Estimate for 2012-13 was published in April 2012 as part of the Central Government Supply Estimates 2012-13 Main Supply Estimates (HC 1919). The Department also applied for a Supplementary Estimate, details of which are available in the Central Government Supply Estimates 2012-13 Supplementary Estimates (HC 894) published in February 2013.

These documents are in the public domain and can be accessed from the HM Treasury website[1].

Benefit overpayment receivables

During 2012-13 the Department implemented the Overpayments, Decisions, Calculation and Appeal (ODCA) process. This moved the overpayment recoverability decision from Debt Operations to the benefit decision makers. The aim was to:

- reduce handoffs and inefficiencies that exist within the current process;
- improve the customer experience;
- improve the end to end process, and identification of potential overpayments;
- reduce Departmental costs; and
- make the right decision at the right time with all available information.

The Department has achieved a substantial increase in performance levels on Social Security benefit overpayment recovery whilst maintaining the percentage of overpayments that are referred for recovery action.

The following table shows the number of overpayments referred for action and the amount of debt recovered in 2012-13. Independent assurance checks of overpayment referrals are included and demonstrate no drop in performance, even during a period of significant change. For comparison purposes, the figures since 2005-06 are also included:

Year	Overpayment volumes	Overpayment referral rate	Recoveries
2005-06	0.8 million	N/A	£149 million
2006-07	1.0 million	N/A	£212 million
2007-08	1.3 million	70%	£242 million
2008-09	1.6 million	85%	£251 million
2009-10	1.9 million	91%	£260 million
2010-11	2.1 million	97%	£288 million
2011-12	2.0 million	96%	£335 million
2012-13	2.0 million	96%	£358 million

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

The Department made an assessment of the value of unreferred overpayments at 31 March 2013 and has established that the cumulative value of unreferred benefit overpayment debt since 2007-08 has been falling and constitutes less than 0.1 per cent of total benefit expenditure.

Contingent liabilities

Details of contingent liabilities reported under IAS 37 are disclosed in Note 30. In addition, the Department is required to disclose details of remote contingent liabilities, that is, those that are disclosed under Parliamentary reporting requirements and not under IAS 37. Details are reported in Note 29 – Financial Guarantees, Indemnities and Letters of Comfort.

Other information

Principal risks and uncertainties

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

Payment to suppliers

The Department is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the supplier's contract. If there is no contractual provision or other understanding, the Department aims to make all payments not in dispute within 5 working days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review of all payments made during 2012-13, conducted to measure how promptly the Department pays its bills, found that 86 per cent of bills were paid within this standard (2011-12 85 per cent).

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

i. the right to claim interest for late payment;
ii. the right to claim reasonable debt recovery costs, unless the supplier has acted unreasonably;
iii. the right to challenge contractual terms that do not provide a substantial remedy against late payment; and
iv. the right for 'representative bodies' to challenge contractual terms that are grossly unfair on behalf of small and medium sized enterprises.

There were no interest charges arising and payable by the Department in 2012-13 (2011-12 £159,584). 2011-12 costs are included within Interest Charges in other administration costs, which are reported at Note 8.

Research and development

The Department incurred expenditure on research and development activities to the value of £157.5 million (2011-12 £91.2 million). This includes £149.1 million (2011-12 £82.6 million) of the Department's IT services costs and £8.4 million (2011-12 £8.6 million) of Health and Safety Executives' research and development expenditure costs both included in Notes 8 and 9.

Pension liabilities

Details of the Department's treatment of pension liabilities are disclosed within Accounting Policy 1.23 and Note 7 to the accounts. Further information regarding the Civil Service Pension Schemes is included in the Remuneration Report.

Statement of compliance

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

External audit

These accounts have been audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000. His certificate is on page 71.

The total cost of audit work was £2.5 million (2011-12 £2.8 million). This includes cash fees of £0.4 million (2011-12 £0.8 million see Notes 8 and 9) and notional fees of £2.1million (2011-12 £2.0 million see Note 8).

During the year, the NAO completed and published the following Value for Money studies:
- Preventing Fraud in Contracted Employment Programmes (published 16 May 2012);
- Managing the Impact of Housing Benefit Reform (published 1 November 2012);
- A Commentary for the PAC on the Work Programme Outcome Statistics (published 13 December 2012); and
- Responding to Economic Change (published 13 February 2013).

As at 31 March 2013, the following Value for Money studies were ongoing:
- Retirement Incomes;
- Universal Credit.

Statement on the disclosure of relevant audit information

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

The Departmental Accounts 2012-13

for the year ended 31 March 2013

Departmental accounting boundary

The Departmental accounting boundary is detailed in Note 1.4. Within the boundary Crown, Executive and Tribunal Non-Departmental Public Bodies are administered separately from the Department and produce their own Annual Report and Accounts.

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

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

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

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

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

Bodies outside the accounting boundary

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

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

Financial Assistance Scheme Trust Statement

Further regulations came into force on 2 April 2010 in relation to the Financial Assistance Scheme (FAS), which enable the assets remaining in qualifying schemes to transfer to the Government. The Department has prepared a Trust Statement in relation to the revenue associated with asset transfers from FAS qualifying schemes. The Trust Statement is published alongside this Annual Report and Accounts at pages 149 - 165.

Events after the reporting period

Government announcements

On 16 July 2013 the Minister for Disabled People announced that the Department's advisory Non-Departmental Public Body, Equality 2025, will be abolished at the end of September 2013. The decision was made following a triennial review in accordance with the Cabinet Office's guidance. The review concluded that the continuing need for independent, strategic, confidential expert advice supplemented by lived experience of disability did not need to be delivered by a Non-Departmental Public Body and recommended options for successor arrangements.

In line with the actions published in the Civil Service Reform Plan[1] in June 2012, certain Departmental accounting, procurement and employee service functions have been transferred to Shared Services Connected Limited (SSCL) from 1 November 2013. SSCL is an independent joint venture between Steria Limited (75%) and the Government (25%).

The Accounting Officer authorised these financial statements for issue on 9 December 2013.

Robert Devereux
Accounting Officer

6 December 2013

[1] http://resources.civilservice.gov.uk/wp-content/uploads/2012/06/Civil-Service-Reform-Plan-acc-final.pdf

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department for Work and Pensions to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department and its sponsored non-Departmental bodies designated by order made under the GRAA by Statutory Instrument 2012 number 717 together known as the 'Departmental group', consisting of the Department and sponsored bodies listed at Note 1.4 to the accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by Non-Departmental Public Bodies;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

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

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department or Non-Departmental Public Body for which the Accounting Officer is responsible, are set out in Managing Public Money published by HM Treasury.

Governance Statement 2012-2013

1. Introduction

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

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

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

2. Context in which governance has operated

2.1The context in which the Department's governance arrangements have operated in 2012-13 has been extremely challenging.

2.2 The Department continues to be the largest public service delivery department in the UK, serving over 22 million customers, and paying benefits totalling £167 billion per annum. Every day, in offices right across the UK, the Department conducts 98,000 Advisor interviews, receives more than 164,000 calls in its contact centres and processes over 17,000 Working Age Claims.

2.3 The operational funding for this baseline activity continues to reduce, as planned originally in the 2010 Spending Review. In 2012-13, baseline funding was £1.6 billion lower than in 2009-10, a reduction in real terms of 28 per cent.

2.4 Alongside this continuing operational activity, the Department continues to deliver an unprecedented programme of welfare reforms. The Welfare Reform Act 2012 made the most fundamental reforms to social security legislation in 60 years, and the Department is now implementing the huge resulting change programme. Over the last year this has included: further reforms to Housing Benefit; the start of automatically enrolling employees in workplace pensions; a new Child Maintenance Scheme; a replacement for Disability Living Allowance (the Personal Independence Payment); a cap on benefits; introduction of Universal Credit; the abolition of parts of the Social Fund and Council Tax Benefit; and the restriction of the annual uprating of many benefits to 1 per cent.

2.5 All of these changes have involved a combination of process and IT design and build, testing, training, and communication both to those affected and society at large. This has been done at pace, and across such a wide swathe of the Department's business, that it has almost inevitably stretched the Department's capability and capacity. Not everything has gone perfectly. There are important lessons to be learned from experience this year, reflected in both the review of assurance and some of the significant control challenges (more detail on both below). But, overall, the Department has delivered a huge amount – on its operational business and reform – with a great deal less resource.

3. System of control

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

3.2 The Departmental Board is responsible for collectively advising on strategic and operational issues affecting the Department's performance, scrutinising and challenging Departmental policies and performance (further details in Annex One). The Board is supported by two sub-committees.

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

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

3.4 The Principal Accounting Officer and the Department's Directors General together form the Department's Executive Team (ET). ET is responsible for agreeing the framework of responsibilities, plans and resourcing to deliver the Department's agenda, and for ensuring the culture of the Department best supports that agenda. ET also has specific responsibilities to challenge and approve investment plans. ET has agreed a Risk Management Framework (compatible with ISO31000).

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

3.6 The Departmental Security Officer is responsible for providing assurance on protective security, risk assessments on emerging threats and vulnerabilities, and assessing information security and assurance risks and recommending appropriate actions. The Senior Information

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

Risk Owner is responsible to the Principal Accounting Officer for providing the focus for information risk at Board level.

3.7 Departmental programmes and projects on the Government's Major Projects Portfolio are subject to external scrutiny and assurance from the Major Projects Authority through independent assurance reviews. The outcomes of the reviews are shared with HM Treasury and are used by the Major Projects Review Group to assess the programmes' and projects' value for money and deliverability. Additionally, the Department complies with all Cabinet Office spending controls, including on IT spend, marketing/communications, and interims/consultants. The IT spending control requires the Department to justify the selection of the IT solution and value for money.

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

3.9 The Head of Internal Audit is responsible for effectively managing internal audit activity to provide an objective assessment and annual opinion on the adequacy and effectiveness of the Department's framework of governance, risk management and control, reporting directly and independently to the Principal Accounting Officer and Chair of the Departmental Audit Committee.

4. Review of assurance

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

4.2 The Departmental Board scrutinised and challenged the Department's regular finance, planning, and performance reports, identifying the Department's top priorities and undertaking an in-depth discussion of one of them at each meeting, including Fraud and Error, Universal Credit and the Work Programme. It also, through a non-Executive Member, reviewed the Department's relationship with its Arm's Length Bodies and agreed a new framework to govern this. Further details of the Board's work this year can be seen in Annex Two.

4.3 The Board reviewed the Department's management of controls through reports received from the Chair of the Departmental Audit Committee. The Committee provided this by scrutinising audit reports, and challenging findings through discussion. The Committee challenged Universal Credit, Pensions Reform, and Transformation programmes to provide assurances over risks to delivery and the risks to be managed by frontline operations as the Department moves to meet its efficiency challenge. The Committee also scrutinised the Department's accounts and issues arising from audit reports, specifically relating to the Universal Credit Programme and the Atos Healthcare contract. Further details of this Committee's work this year can be found in Annex Three.

4.4 The Board scrutinised the Department's leadership, succession planning, incentive structure, and its governance arrangements through reports received from its Nominations and Governance Committee. Further details of this Committee's work this year can be found in Annex Four.

4.5 In supporting the achievement of the Department's Strategic Priorities, ET agreed a risk profile and appetite, which is monitored and managed through: regular monthly in depth discussions of particular risks; twice yearly aggregate risk reviews; individual risk self-assessments; and an ad-hoc exercise to identify high impact / low probability risks.

4.6 In its regular consideration of risk, ET has actively managed the Department's risk themes, reducing them from fourteen to seven over the year on the basis that additional action has reduced the level of risk and these risks can be safely managed by individual members. For each of the seven risk themes remaining on ET's risk management profile, ET has set the level of tolerance, with agreed tolerance levels running from low to medium ('low' being where the Department is not willing to accept risks in most circumstances). The level of tolerance for these risk themes has been communicated to Directors General and their teams through facilitated risk conversations.

4.7 In response to the Blackett Review of High Impact Low Probability Risks[1], ET undertook the first of a regular facilitated Reverse Stress Test during which four high impact but low probability risks (business failures) were identified (banks unable to pay welfare for more than 5 days, failure of data centres, total loss of confidence in online channels, and failure of the Bankers Automated Clearing Service). Additional mitigation strategies are being considered, including discussions with the banking sector and further reviewing business continuity arrangements.

4.8 Letters of Assurance to the Principal Accounting Officer from each Director General (and the Directors of Shared Services and the Portfolio Management Unit) have identified a number of new risks and challenges, in particular around the capacity and capability of Directors General to respond to changes and the increase in business activity resulting from Welfare Reform.

4.9 The Departmental Security Officer has reported that, while there have been some positive signs during 2012-13, the Department has not made substantial progress in addressing the longstanding information security issues that it faces. The Department has a strategic objective to achieve 'Green' at Level 3 for all six Information Assurance Maturity Model processes within the current spending review period i.e. by 2014-15, but has not achieved that objective this year. The Department is therefore revising its plans to ensure it can meet the strategic objective. There have, though, been no significant lapses of security.

4.10 A new Departmental Security Oversight Board (D-SOB) was established in September 2013. This is chaired by the Senior Information Risk Owner. Other members are the Chief Information Officer, Chief Operating Officer and Director General for Universal Credit. The Board has agreed to take ownership of the security and information risk appetite for the Department, escalating wider risk issues and actions to ET and other individual Directors General as required. The supporting governance in terms of decision-making bodies and team structures is being fully reviewed and refreshed, in line with the emerging DWP Business Security Strategy. This will impose short term change pressures in 2013 and 2014, but will strengthen capability, coherence and integration in the longer term. The D-SOB will also own the new DWP Business Security Strategy being developed by the Departmental Security Officer, which comes into force on 1 April 2014.

4.11 The Major Project Authority (MPA) conducted 29 independent reviews of 19 Departmental projects during 2012-13 and a further 12 between April and October 2013. This builds on the range of internal assurance activity including internal audit reports. The review results reflect the

[1] http://www.bis.gov.uk/assets/goscience/docs/b/12-519-blackett-review-high-impact-low-probability-risks

fact that the Department's major projects are complex business transformations, largely IT enabled, and often delivered in phases over several years. The reviews typically report the immediate delivery phases positively (which has been reflected in the huge amount of change successfully launched this year), and assess the remaining challenges across the life of each programme.

4.12 During 2013-14, there will be the final Gateway assurance review for five major projects which closed in 2012. This will provide the opportunity to look back across the lifetime of the project and its assurance outcome profile and understand better the relationship between review outcomes and successful delivery of projects and benefits.

4.13 The Accountability System Statement[1] confirms there is a generally robust framework for each of the funding streams in relation to the resources allocated to local authorities and other local bodies outside of the Department's direct management chain.

4.14 There were no Ministerial directions during the year.

4.15 Based on the consolidated findings and recommendations from Internal Audit reviews during 2012-13, and his cumulative knowledge and experience of the Department and its operations, the Head of Internal Audit's opinion is that the governance, risk management and control arrangements provide a "Reasonable Assurance" that material risks are identified and managed effectively, with the exception of information security and assurance where recognised limitations remain.

4.16 Having reviewed the effectiveness of the system of internal control described above and the assurances provided, there were seven control challenges during 2012-13 on which further detail is provided below.

5. Significant control challenges

5.1Fraud, error and debt

5.1.1 The continuing control challenge is to protect the annual spend on benefits (£167 billion in 2012-13) against fraud and error, despite the complexity of the benefit rules, and historic underinvestment in supporting IT. Preliminary estimates show the level of overpayment due to fraud and error in 2012-13 at 2.1 per cent of total benefit expenditure, with underpayments at 0.9 per cent. The estimate for overpayments has remained stubbornly stable at between 2.0 per cent and 2.2 per cent of expenditure since 2006-07 and underpayments are between 0.8 per cent and 0.9 per cent over the same period.

5.1.2 The substantive action in hand to improve on this position in line with the published strategy to reduce overpayments to 1.7 per cent of benefit expenditure by 2015, can be summarised under two headings: action within the framework of current benefits and processes; and action to introduce new, radically reformed, benefits with both simpler rules and better processes and new IT.

5.1.3 Within the current framework the Department has introduced legislative changes for the new Penalties Regime from the Welfare Reform Act which received Royal Assent on 8 March 2012. The new penalties regime has successfully implemented the new Administrative Penalty which came into effect on 8 May 2012 and Civil Penalties legislation came into force on 1

[1] www.gov.uk/government/publications/accountability-system-statement-for-work-and-pensions

October 2012. The Department has put in place a programme of case cleansing the major benefits, which is achieving much success in identifying and correcting claims that have become incorrect. The Department will also be running further pilots for the Single Fraud Investigation Service to test the design of a single investigation process and prosecution policy covering the totality of welfare benefit fraud. Robust assurance mechanisms ensure that the Department brings to account virtually all overpayments that are identified. The Department recovered a record value of benefit debts in 2012-13, even while reducing the cost of debt operations. This includes over £358m of Vote 1 and National Insurance Fund benefit overpayments. The Debt Strategy aims to ensure that the Department maintains this trend by developing an effective operating model that is underpinned by a professional workforce, optimal processes and IT, digital services and effective partnerships with external providers. Furthermore the work across Government and with the private sector is enabling the Department to explore effective joined-up value for money services.

5.1.4 Fundamental welfare reforms provide a more systemic way to address the fraud and error control challenge: simplifying the rules, assisting compliance for both claimants and staff; exploiting new IT rather than continually amending existing IT; and, in the process, enabling better links with other sources of data/intelligence to identify and manage risks. For example, the new Child Maintenance Scheme, begun in December 2012, defines the absent partner's income differently (taxable income in the past tax year), and automatically draws that data from HMRC systems, in the process removing both errors and misrepresentations.

5.1.5 While there is, therefore, much work in hand to address this control challenge, substantial progress is very much tied to the pace of the safe delivery of fundamental reforms.

5.1.6 In parallel with this substantive work, and with the aim also of informing that work, the Department is working in partnership with the NAO to assess what "good" looks like in terms of fraud and error. A pilot for a new benchmarking approach has been completed in Pension Credit, with encouraging results. Following that it has been agreed to carry out a further pilot in Jobseeker's Allowance during the winter of 2013-14. This work may also provide an agreed methodology to inform the Department how it can earn the removal of the longstanding account qualification.

5.2 Information Security

5.2.1 The continuing control challenge is to protect the vast amount of sensitive personal data necessary to determine and pay benefits accurately, while at the same time making efficient use of that data, both for claimants themselves and in the efficient administration of other public services. The Department's information security risk appetite remains low.

5.2.2 The Department is continuing to operate with some known control weaknesses. Many of these reflect longstanding shortcomings in the Department's legacy IT systems, which cannot readily be remedied. Some weaknesses are being addressed, or will be in due course, but have been deferred as a deliberate choice because of cost or the impact on the timetable for other priorities. In each case, the Department is taking action to mitigate, but not eliminate, the associated risk. There are plans to achieve the information assurance goals the Department intends to meet by the end of 2014-15.

5.2.3 Despite these weaknesses, and the vast amount of information the Department uses, there have been no major information-related incidents.

5.2.4 Looking ahead, increased risks and threats arising from on-line services will make the information security challenge greater. The Department will need to review its risk appetite as well as the appropriate Information Assurance maturity level at which to operate.

5.3 Capacity and capability to transform at pace

5.3.1 With the previous two control challenges in large part dependent for resolution on the safe delivery of fundamental reforms, in addition to the importance of those reforms for reducing public spending, a further control challenge arises in the capability and capacity to deliver such a large programme, safely and at pace. This challenge has been increased by baseline funding for operating the Department itself being reduced by 28% in real terms between 2009-10 and 2012-13.

5.3.2 Despite the challenge, the Department has, first and foremost, delivered each step on each reform safely from the point of view of the claimant or consumer. By deliberately starting each reform at small scale and moving in stages to progressively larger volumes (only after the previous stage has successfully been completed), the Department has avoided the biggest mistakes of the past.

5.3.3 Secondly, since most of the reforms unlock significant savings in public spending, and generate significant economic benefits, the Department's spend on programmes is typically dwarfed by savings/benefits.

5.3.4 All that said, there are control challenges relating to the investment spend, and the speed of delivery, relating to both the quality and quantity of critical skills and experience in key areas. The Department is taking steps to build:

- its ability to design, build and introduce truly digital services, and to do so efficiently; the requirements to manage new online services securely has, in particular, seen other sectors rebuild greater capability on the client side; and
- stronger commercial skills, given that several key services are provided under contract.

5.3.5 As part of Civil Service Reform, the Department has taken important steps forward in each of these areas in the last year, but it remains a critical area for management focus.

5.4 Universal Credit

5.4.1 The size and complexity of Universal Credit in particular stretched the Department's capacity and capability. This challenge was compounded both by using "agile" development and by doing so in parallel with the policy development leading to the Welfare Reform Act 2012.

5.4.2 The "agile" development, required the programme to manage successive rapid transitions from design choices to detailed IT design and build, within a pre-existing framework of contracts (and contract approval mechanisms), designed for more traditional IT development, and reflected in limited client side resourcing. Both internal and external reviews during 2012-13 found this approach had resulted in a number of control risks, and led to further examination both of the programme and its control environment.

5.4.3 In March 2013, David Pitchford joined the Department for three months to lead work to reset the programme. This culminated in May 2013 in a Blueprint for the further development of Universal Credit, in particular the target operating model, together with a series of recommendations to improve the governance, programme management, and assurance of the programme. The Department accepted all his recommendations. The new Senior Responsible Owner has reflected this work in a Strategic Intent Document for Universal Credit which sets out a clear line of sight from the vision, policy intent and strategy, through the target operating model, to the arrangements for transition and programme roll out.

5.4.4 In parallel, PwC reviewed the financial controls in place within the UC Programme. This highlighted a number of weaknesses in the financial governance and reporting within the Programme, including inadequate oversight and evidence in respect of spending approvals and control over suppliers. The Department has implemented improvements to the Programme's controls, including: clarifying the roles and responsibilities of senior officials in approving expenditure, appointing a senior Director for Universal Credit supplier manager; and establishing clear and risk based controls relating to procurement and receipting. Where appropriate, the department is also ensuring lessons learned are applied across our portfolio of programmes and projects.

5.4.5 The National Audit Office Report "Universal Credit – early progress"[1] published in September 2013 concluded that at the early stage of the Universal Credit Programme the Department has not achieved value for money, but it is still entirely feasible that it goes on to achieve considerable benefits. The Department accepted and is implementing all five recommendations made by the NAO and will respond in due course to the subsequent recommendations of the PAC including that in regard of the impairment review. Developing the IT system in parallel with the detailed policy in the early stages of the programme enabled some key learning about the policy (leading for example to the simplification of policy on housing costs) and the overall design of business processes and IT support. The Programme concluded that the early software releases would be better re-worked than successively adjusted. This re-work is the principal element of the £40.1m impairment noted in note 16d of these accounts. The subsequent review of the IT platform and plans for rollout conducted by the current SRO has confirmed the substantial utility and value of the IT already in use in the pathfinder areas.

5.5 Incapacity Benefit Reassessments / Employment and Support Allowance: assessments

5.5.1 A particular example of the control challenge around commercial suppliers identified above is the number and quality of Work Capability Assessments undertaken by Atos Healthcare, in support of both Employment and Support Allowance and the programme to reassess Incapacity Benefit claims. The number of assessments has fallen consistently short of demand which has itself proved difficult to predict below national level. This has led to increasing number of cases awaiting assessment. When quality audits showed in 2012-13 a reduction in the quality of written reports from Atos Healthcare, the Department instructed Atos Healthcare to implement a quality improvement plan. Measures included retraining and re-evaluating all Atos Healthcare professionals, with those not meeting the required standard of written reporting either remaining subject to 100% audit until compliant or having their approval to carry out assessments revoked by the Department. This was implemented over the summer and significant improvements have been achieved, with the latest data showing accuracy has almost reached the required level.

5.5.2 Additionally, the Department has engaged PwC to provide independent advice in relation to strengthening quality assurance processes across all its health and disability assessments.

5.5.3 The work by Atos Healthcare to improve quality further reduced the volumes of completed assessments. This further increased the numbers of cases awaiting assessment. The Department has taken action in two areas as a result. First, to begin a procurement for additional

[1] http://www.nao.org.uk/wp-content/uploads/2013/09/10132-001-Universal-credit.pdf

providers, and on a regional basis to increase capacity while ensuring a continuing focus on quality: these arrangements are likely to be operational by the end of Q2, 2014-15. Second, the Department has reduced the rate at which existing Incapacity Benefit cases are re-assessed against the criteria for Employment and Support Allowance: this is forecast to reduce steadily the numbers of assessments outstanding with Atos Healthcare. Managing performance in this area will continue to be a significant challenge and ongoing area of focus for both the Executive Team and Departmental Board.

5.6 Child Maintenance Client Funds Account

5.6.1 The Comptroller and Auditor General has already given a qualified opinion (in November 2012) on the Client Funds Account on regularity, as a result of transactions not conforming to legislation (specifically over and under payments relating to errors in maintenance assessments). He also gave an adverse opinion on the maintenance arrears note due to material errors in the underlying data systems supporting the outstanding maintenance arrears.

5.6.2 This opinion reinforced the need to implement the Government's programme of reforms to child maintenance. On 10 December 2012 the Department launched the Child Maintenance Service 2012 scheme, receiving new applications on a pathfinder approach, with volumes expected to ramp up as the Department first moves new cases to the 2012 scheme and then proactively pushes cases from the existing 1993 and 2003 schemes (or closing them as appropriate). The Department published the 'Child Maintenance – Arrears and Compliance Strategy 2012-2017'[1] in January 2013 identifying proposals for tackling the legacy of the old schemes and identifying solutions for effective prevention and management of the arrears.

5.6.3 The intention is by the end of 2017-18 to have all cases managed on the 2012 scheme. At this point it will be possible to decommission the Legacy systems and planning is underway to manage this process. The early indications from the pathfinder approach to the 2012 Scheme are positive, with processes being tested prior to increases in volumes expected as work progresses.

5.7 Social Fund

5.7.1 One control challenge from last year has now been addressed, and has resulted in the Comptroller & Auditor General lifting the regularity qualification from the Social Fund accounts (see paragraph 5.8.1). The continuing control challenges relate to debt reconciliation and to passported debt. The Department has had difficulty reconciling the details held on the Social Fund Computer System (that holds loans and repayments details) with the accounting information held on the Central Payments System, and also had inadequate procedures for the recording of Social Fund overpayments arising when the recipient of a Social Fund grant is no longer eligible due to no longer qualifying for the underlying qualifying benefit.

5.7.2 A number of accounting errors going back as far as 2006-07 have been identified that account for £20 million of the debt difference. The accounts have now been restated to correct for these errors. Along with further scrutiny and reconciliation of other elements of the accounts, plans and resources are in place to address the remaining differences between the two systems across 2013-14. For that debt that arises from passported benefits, the Department has developed a process for establishing an estimate of the amount of the debt, and is determining the optimum business as usual approach for identifying, recording and referring instances.

[1] www.gov.uk/government/uploads/system/uploads/attachment_data/file/138030/cm-arrears-and-compliance-strategy-2012-2017.pdf

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

5.8.1 In three areas, significant control challenges reported in last year's Governance Statement no longer apply. These are:

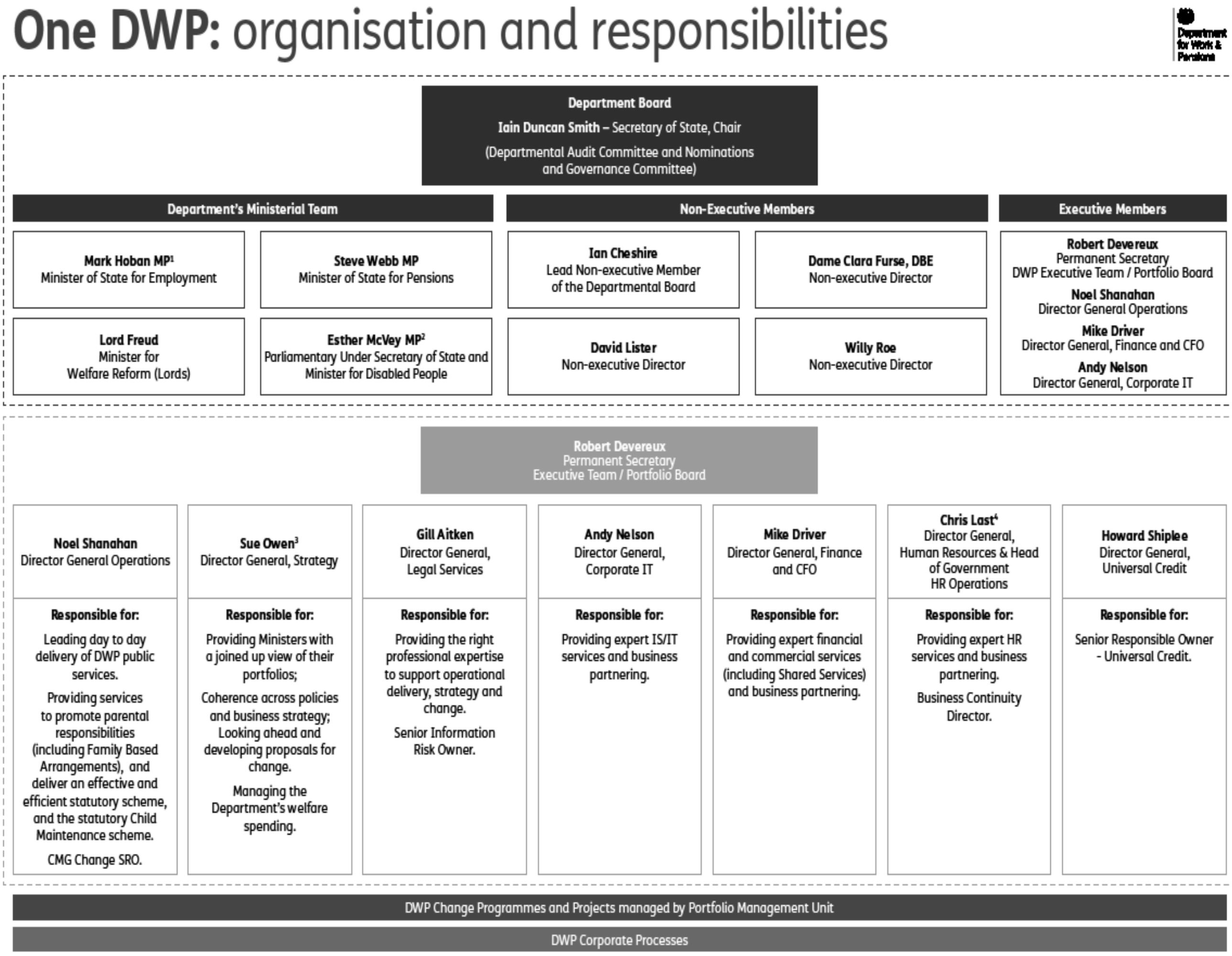
- **Social Fund - Regularity:** For a number of years the Social Fund White Paper Account has been qualified by the Comptroller & Auditor General on the grounds of regularity – documentation and quality of decision-making (where the NAO estimate a value of the most likely error from test results from testing compliance against Secretary of State directions and regulations). The Department has been working hard to get the qualification removed and has established clear, well managed processes for both scanning and retrieval of documents, enabling faster and more efficient document retrieval to take place as it is required. The Department has also embedded the Quality Assurance Framework within the business and the application of focussed guidance and training has greatly improved the quality of decision making. The Comptroller & Auditor General has removed the regularity qualification for the 2012-13 Social Fund White Paper Account, however the Department will keep the position under review (and on the Social Fund risk register) to ensure the progress seen to date is embedded into the business and further improvements are identified and developed.
- **Contracted Employment Programmes:** The weak controls within most legacy contracted employment programmes (i.e. those pre-dating the Work Programme) have largely been dealt with. The Department is also undertaking a forensic review of the outcome payment validation process operated for the Work Programme, which will also feed in to on-going cross-government reviews. The Operations Director General will continue to review and improve control in this area.
- **RM Manual Payments:** All payment authority forms are now produced electronically and their use monitored through compliance reporting.

Robert Devereux
Permanent Secretary DWP
Principal Accounting Officer

6 December 2013

Annex One

Organisation and Responsibilities Framework



1. Mark Hoban MP left October 2013 Esther McVey MP, Minister of State from October 2013
2. Esther McVey MP moved October 2013 Mike Penning MP, Minister of State for Disabled People from October 2013
3. Sue Owen left October 2013 Jeremy Moore, Interim Director General, Strategy from 1 November 2013
4. Chris Last left October 2013 Debbie Alder, Director General, Human Resources from December 2013

* Kevin Cunnington, Director General, Digital Transformation from October 2013

Annex Two

Departmental Board

1.1 A review of the effectiveness of the Departmental Board (the Board) was carried out by the lead non-Executive, Ian Cheshire, in March 2013. This was the second year that a review has been conducted and this review confirmed that the Board has made good progress over the last twelve months. The third effectiveness review is scheduled to take place via an externally facilitated evaluation within 2013-14. Highlights of Board activity during the year are set out below.

1.2 The Board is required to ensure that it complies with the provisions in the Corporate Governance Code or, where it has not, explains the reasons for that – the comply or explain approach. The Board is satisfied that it has complied with the Code. A Nominations and Governance Committee has been established (chaired by Ian Cheshire, the Department's lead non-Executive) and meets twice a year. The Board is confident that the committee's role and responsibilities will develop further over the forthcoming year.

1.3 During the year, the Board:

- scrutinised and challenged the Department's regular finance, planning and performance reports
- identified the Department's top priorities, undertaking a 'deep dive' scrutiny of one of them at each meeting. Topics for the 'deep dive' sessions over the year have included:
    - Personal Independence Payments
    - Fraud and Error
    - Child Maintenance Changes
    - Universal Credit
    - Work Programme
    - Youth Contract
    - Change Portfolio Review
- through its non-Executive members:
    - undertook a review of the Department's Arm's Length Bodies in terms of: understanding the landscape, strategic alignment, relationships with the Department.
    - reviewed and strengthened the Department's talent management arrangements
    - is assessing the Department's IT capability against the context of preparing to deliver a number of large scale reforms in 2013.

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

1.5 The Board and its Committees received reports/papers at each of their meetings to support discussion. All reports/papers conform to a standard layout to ensure the appropriate focus on key issues and the steers required. Financial and performance data provided is extracted from corporate accounting and operational systems and is therefore subject to regular, planned internal quality assurance checks, independent audits and occasional external assurance (e.g. from NAO). There have not been any concerns raised over the quality of information received.

1.6 Details of Board attendance are included below.

Departmental Board Attendance				
	12 June 2012	24 October 2012	19 December 2012	6 March 2013
Ministers				
Rt Hon Iain Duncan Smith	✓	✓	✓	✓
Rt Hon Chris Grayling[1]	✓			
Mark Hoban[2]		✓	✓	✓
Steve Webb	✓	✓	✓	x
Lord Freud	✓	✓	✓	✓
Esther McVey[3]			✓	✓
Non-Executives				
Ian Cheshire	✓	✓	✓	✓
Dame Clara Furse	✓	✓	✓	✓
John Clare[4]	✓	x		
David Lister	x	✓	✓	x
William Roe	✓	x	✓	✓
Executives				
Robert Devereux	✓	✓	✓	✓
Terry Moran[5]	✓	x	x	x
Noel Shanahan[6]		✓	✓	✓
Hunada Nouss[7]	✓			
Mike Driver[8]		✓	✓	✓
Philip Langsdale[9]		✓	x	
Andy Nelson[10]				✓

[1] Left the Department on 09/09/2012
[2] Joined the Department on 05/09/2012
[3] Joined the Department on 05/09/2012
[4] Left the Department on 31/10/2012
[5] Left the Department on 14/03/2013
[6] Appointed on 8/10/2012
[7] Left the Department on 15/10/2012
[8] Appointed on 03/09/2012
[9] Died on 22/12/2012
[10] Joined the Department on 25/02/2013

Annex Three

Departmental Audit Committee (DAC)

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

1.2 The DAC received regular reports on the Department's plans to tackle and clear the Department's control challenges (including those that are significant), receiving updates on the impact of the recent organisational transformation and challenged the Department to give an overview of the possible changes to the Departmental Expenditure Limit and its impact on the change portfolio. Following their challenge the Committee welcomed a detailed annex from the NAO covering the definition of irregularity, its materiality and the benchmarking work in respect of fraud and error.

1.3 During the course of the year the DAC challenged:

- the Universal Credit programme to provide assurance (through a regular update at each meeting) that the risks to delivery of the programme were being effectively managed and controlled; highlighting the need for closer scrutiny to the Board through reports from the Chair;
- the Transformation programme to demonstrate that the focus on collaborative working in the Department was consistent with having clear personal accountabilities;
- on the risks to delivery and frontline operations as the Department moved to meet its efficiency requirements.

1.4 The following issues were also highlighted for the board:

- their scrutiny of the Department's accounts and the Governance Statement, including the need for an extra-ordinary meeting in November 2012 to consider the closure accounts and the Clients Fund accounts of the former Child Maintenance and Enforcement Commission;
- the establishment of a Sub-Committee, in addition to the Shared Services Audit Committee (a sub-committee of DAC), to provide assurance on the Client Funds account and the Social Fund White Paper account;
- the risk management framework of the Department and how the Committee could add value to the existing process;
- internal and external audit reports in relation, specifically, to the Universal Credit Programme and Atos Healthcare contract;
- 'deep dive' scrutiny into the impact of the Department's efficiency challenge on operational delivery;
- their assurance that the move of Shared Services to the Cabinet Office, was being executed with the Department's interests at the forefront and that the Shared Services Audit Committee would continue as a sub-committee of the DAC to advise on and review the assurance proposed until the 2012-13 accounts are settled.

1.5 The DAC chair continues to review the way the Audit Committee operates to ensure maximum effectiveness. An effectiveness review during the year found the DAC to be, overall, an effective audit committee, demonstrating some aspects of good practice and excellence. Taking on board the implications of "One DWP" and the termination of the Agencies' Audit

Committees, two new non-Executive members have been recruited and appointed to the Committee from 1 April 2013 to allow for controlled and orderly succession planning.

1.6 The DAC is required to provide an annual report to support preparation of the Governance Statement. The annual report, which was presented to the Board in October 2012, reported that the DAC was satisfied by the comprehensiveness, reliability, and integrity of the assurances it (and therefore the Board and Principal Accounting Officer) received in relation to the Departments governance, risk management and internal control. It noted that it was confident that it would continue to receive both executive and independent assurance on the key challenges and risks facing the Department going forward.

Departmental Audit Committee					
	2012				2013
Non-Executives	Apr -12	Jun-28	Oct-10	Nov-21	Jan-30
Dame Clara Furse	✓	✓	✓	✓	✓
Bill Griffiths	✓	✓	✓	✓	✓
Ken Ludlam	✓	✓	✓	✓	✓

Departmental Audit Sub-Committee	
	2013
Non-Executives	Mar - 07
Bill Griffiths	✓
Ken Ludlam	✓

Shared Services Audit Committee						
	2012			2013		
Non-Executives	May-29	Sep-05	Dec-18	Jan-24	Feb-13	Mar-18
Bill Griffiths	✓	✓	✓	✓	✓	✓
Malcolm Green	✓	✓	✓	✓	✓	**x**
Christine Daws	✓	✓	✓	**x**	✓	✓

Annex Four

Nominations and Governance Committee

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

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

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

1.4 During the year, the Committee:
- ratified its Terms of Reference;
- discussed the status of Civil Service Reform people related activities;
- debated promotion of good leadership and performance;
- examined SCS rewards and incentives focusing on their effectiveness for attraction and retention of talent;
- commissioned work on scoping the Department's Arms' Length Bodies.

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

1.6 Details of Committee attendance are included below.

NOMINATIONS AND GOVERNANCE COMMITTEE ATTENDANCE	
	12 October 2012
NON-EXECUTIVES	
Ian Cheshire (Chair)	✓
David Lister	✓
EXECUTIVES	
Robert Devereux	✓
Chris Last	✓
Gill Aitken	✓

1.7 The Committee would normally sit twice a year but the last meeting was deferred at the last minute to enable some critical senior interviewing to take place, and took place in May.

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 2013 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 2011. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Basis for qualified opinion on regularity

Note 32 to the Accounts records benefit expenditure of £166.8 billion in 2012-13. Some £79.9 billion (47.9 per cent) of this expenditure relates to State Pension and £86.9 billion (52.1 per cent) to other benefits administered by the Department. The Department estimates that in 2012-13, fraud and error within State Pension expenditure resulted in overpayments of £110 million (0.1 per cent of related expenditure) and underpayments of £180 million (0.2 per cent of related expenditure). For other benefits, the Department estimates that fraud and error resulted in overpayments of £3.41 billion (3.9 per cent of related expenditure) and underpayments of £1.25 billion (1.4 per cent of related expenditure). Where fraud and error result in over or underpayment of benefits, the transactions are not in conformity with primary legislation which specifies the entitlement criteria for each benefit and the method used to calculate the amount of benefit to be paid.

I have therefore qualified my opinion on the regularity of benefit expenditure other than State Pension because of the level of overpayments attributable to fraud and error which have not been applied to the purposes intended by Parliament and because the level of under and over payments in such benefit expenditure which are not in conformity with the relevant authorities.

Qualified opinion on regularity

In my opinion, except for the level of fraud and error in certain benefit expenditure referred to in the basis for qualified opinion on regularity paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department’s and the Departmental Group’s affairs as at 31 March 2013 and of the Department’s net operating cost and Departmental Group’s net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the ‘Remuneration Report’, ‘Financial Overview’, ‘Transparency Report’ and ‘Performance Report’ sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General

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

9 December 2013

Report by the Comptroller and Auditor General

Universal Credit Assets

Background

1. The Welfare Reform Act 2012 sets out the Government's proposals to replace six existing means-tested benefits for working age households with a Universal Credit. The Universal Credit programme has been under development since 2010. Following serious concerns expressed about the programme by the Major Projects Authority in February 2013, the Government initiated a Reset of the programme that took place between February and May 2013. This Reset resulted in a new blueprint for Universal Credit in May 2013 and the development of a new delivery approach under a new Senior Responsible Owner (SRO).

2. In November 2013, the Ministerial Oversight Group for Universal Credit approved the new delivery approach proposed by the SRO and authorised an investment in developing a new digital solution for delivering Universal Credit. The Group also approved further investment in the existing IT functionality to support Universal Credit claims from couples and families, and to do so across a wider geographical region.

3. The Department deferred submission of its 2012-13 Annual Report and Accounts for audit until the Ministerial Oversight Group had reached the above conclusion. As a consequence, I needed to consider carefully the impact of the Ministerial Oversight Group's decision to develop a digital solution on the Department's valuation of its existing Universal Credit IT assets.

4. In my report "Universal Credit: early progress" (HC 621) published in September 2013, I commented on the problems the Department had faced in developing and implementing Universal Credit, and on the IT problems in particular. In that report, I concluded that at this early stage of the Universal Credit programme the Department had not achieved value for money.

5. I have not qualified my opinion on the Department's 2012-13 Annual Report and Accounts in respect of the carrying value of the Universal Credit intangible assets. Nevertheless, I have issued this report to draw Parliament's attention to the implications for the use of public funds of the decisions made on the use of the Universal Credit IT assets.

Accounting treatment

6. In its 2012-13 accounts, the Department recognises £668.9 million of intangible assets. £151.9 million of these assets relate to Universal Credit intangible assets as at 31 March 2013. This includes:

	Total Value (£million)	Universal Credit Assets (£million)
Purchased Software Licences	99.4	27.1
Payments on Account and Assets under Construction	257.3	124.8
Total carrying value of Universal Credit Assets		**151.9**

7. As at 31 March 2013, the Department had invested some £196.1 million in the intangible assets to support an IT infrastructure for Universal Credit. Following the decision of the Ministerial Oversight Group in November 2013 to approve the development of a digital delivery model, the Department completed an impairment review of the existing Universal Credit IT assets to determine those that continued to have value and reviewed the future economic life of the remaining assets.

8. The Department's impairment review of the assets determined that:

- Assets valued at £40.1 million are either not in use or will not be in use over the remaining life of the existing IT functionality. The Department has therefore written these assets off and also recognised a total loss of £41.4 million (which includes £1.3 million of costs which were not capitalised) in the accounts;
- £33.8 million is in use in the existing IT functionality, but is planned to also be used in the new digital solution;
- £31.2 million relates to software licenses that already had a limited life and will either be fully used before 31 March 2018 (£27.1 million) or have been transferred for use elsewhere in the Department (£4.1 million); and
- £91.0 million relates to assets that will be used in the existing infrastructure but have no usability in the digital solution.

As a result the Department has recognised a carrying value for the Universal Credit IT assets of £151.9 million as at 31 March 2013. We consider that figure to be reasonable.

9. The decision of the Ministerial Oversight Group envisages the continued use and development of the existing infrastructure, with a progressive migration to the new digital solution. This is expected to be broadly complete by December 2017. As the Department will therefore continue to operate the existing Universal Credit IT infrastructure until 2017-18, it has determined that the £91.0 million of assets now have a useful life of only five years and it intends to amortise this amount over that period.

10. This is a major change in accounting treatment. The Department's original intention was to use these assets for at least 15 years and to amortise them over that period. As a result of the decision to migrate to a new digital solution by 2017, the Department now intends to use these assets for only five years and to amortise them over this much shorter period. The effect of this is set out below.

	Value at 31.03.13 (£m)	Useful Economic Life (years)	Amortisation per annum (£m) from 2013-14
Original intention	91.0	15	6.1
Current intention	91.0	5	18.2

Longer-term programme uncertainties

11. While the £151.9 million asset recognised in the accounts at 31 March 2013 is free from material misstatement, the overall cost of developing assets to support Universal Credit is subject to considerable uncertainty. The Department acknowledges in Note 16d to the accounts, that there is uncertainty over the useful economic life of the existing Universal Credit software pending the development of the alternative digital solution and uncertainty over whether Universal Credit claimants will be able to migrate from the current IT infrastructure to the new digital solution by December 2017.

12. There were considerable weaknesses in the Department's financial controls over the Universal Credit programme. The Department commissioned an independent review of the financial management of the Universal Credit programme, which reported in August 2013. The report concluded that there were significant limitations in the programme and commercial mechanisms to support the financial management of Universal Credit. Particular criticisms were focussed on the weaknesses in financial governance and reporting within the programme, limited financial control over the programme and the limited Departmental review and challenge over the quality, efficiency and value of services being delivered by suppliers. The Department acknowledges these criticisms and has implemented improvements to the controls over the Universal Credit programme. We expect to see evidence that the Department has indeed enhanced these controls as it develops the digital delivery model for Universal Credit.

13. In approving the development of a digital solution for the delivery of Universal Credit, the Ministerial Oversight Group noted that the investment and recurrent costs of this solution are between £25 and £32 million up to November 2014. The Department's intention is to build a core digital service that will deliver to 100 people by then, after which it will assess the results of that work and consider whether to extend the service to increasing numbers. At this early stage in its development, there are uncertainties over the exact nature of the digital solution, and in particular:

- How it will work;
- When it will be ready;
- How much it will cost; and
- Who will do the work to develop and build it.

As the Department develops the digital solution, so it will start to recognise some of the costs incurred as assets. Without clear and effective management, in the future the Department may also find it needs to impair some of these new digital assets.

On-going implications for value for money

14. As noted above, in my report "Universal Credit: early progress" (HC 621) published in September 2013, I concluded that at this early stage of the Universal Credit programme the Department had not achieved value for money. I consider this judgement is reinforced by the

information in the Department's 2012-13 Annual Report and Accounts. Up to 31 March 2013, the Department had developed assets with an initial value of £196.1 million for the delivery of Universal Credit. In these accounts it has written off £40.1 million of those assets as it will never use them. It also now expects to write down £91.0 million of the remaining assets to nil value by March 2018, due to the considerable reduction in their expected useful life. While this is the appropriate accounting treatment, it should not detract from the underlying issue that the Department has spent £91.0 million on assets that will only support a limited service for 5 years, with clear consequences for public value.

15. I note above that in November 2013 the Ministerial Oversight Group approved:
- Investment and recurrent costs for the digital delivery solution of between £25 and £32 million up to November 2014. The Department intends this will develop a core Universal Credit service, which will initially be trialled for 100 claimant households. To extend this to further numbers, and to scale it for national roll-out, will cost considerably more; and
- Further investment in the existing IT functionality, at an expected cost of between £37 and £58 million. The Department considers it important to continue to invest and run the existing infrastructure alongside the development of the new digital platform in order to derive learning and knowledge, and to better de-risk the overall programme.

16. These are considerable sums that the Department is proposing to invest, in a programme where there are significant levels of technical, cost and timetable uncertainty. I reiterate both the conclusion and recommendations from my report in September. The Department has to date not achieved value for the money it has incurred in the development of Universal Credit, and to do so in future it will need to learn the lessons of past failures and:
- Properly commission and manage IT development;
- Exercise effective financial control over the Universal Credit programme; and
- Set realistic expectations for the timescale for delivery.

Fraud and error in benefit expenditure

17. The accounts of the Department for Work and Pensions (the Department) disclose net expenditure of £173.0 billion on benefits, employment programmes and their related administration costs in 2012-13.

18. Under the Government Resources and Accounts Act 2000, I am required to give an opinion on whether, in all material respects:
- The financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2013 and of its net operating cost for the year then ended; and
- The financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

19. In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and revenue recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them (my regularity opinion).

20. In respect of the Department's 2012-13 accounts I have qualified my opinion on regularity due to the material level of fraud and error in benefit expenditure, other than State Pension where the level of fraud and error is lower. The Department's accounts, and those of predecessor Departments administering this expenditure, have received similar qualified audit opinions since 1988-89. Issuing an audit qualification is a serious matter, and the fact that similar

qualifications have been in place for such a long period of time does not lessen that seriousness. I consider that the overall value of fraud and error in benefit expenditure remains unacceptably high, and the qualification of my audit opinion reflects that.

21. I have also qualified my regularity opinion on the Social Fund White Paper Account for a number of years. However, I have been able to issue a clear opinion on regularity on the 2012-13 Social Fund White Paper Account (HC 393 2013-14) following a substantial and sustained reduction in the estimated level of error for Social Fund benefits. This has happened, at least in part, due to the on-going efforts the Department has made to address the underlying causes of error.

22. Legislation specifies entitlement criteria for each benefit and the method to be used to calculate the amount of benefit to be paid. Where fraud and error result in over or underpayment of benefit to an individual who is either not entitled to that benefit, or is paid at a rate which differs from that specified in the legislation, the transaction is not in conformity with the governing legislation and is irregular. In determining whether this should lead to a qualification of my audit opinion, I have chosen to apply a materiality judgement. Consequently, I have decided that low levels of fraud and error will not lead to a qualification, which is why I have excluded State Pension from the qualification.

23. Note 32 to the Department's accounts discloses the Department's best estimate of fraud and error within benefit expenditure. As shown in Note 32, the Department estimates total overpayments due to fraud and error in 2012-13 are £3.5 billion (2011-12 – £3.2 billion), which equates to 2.1% of total benefit expenditure of £166.8 billion (2011-12 – 2.0% on expenditure of £159.0 billion). The Department estimates total underpayments in 2012-13 are £1.4 billion (2011-12 – £1.3 billion), which equates to 0.9% of total benefit expenditure (2011-12 – 0.8%).

24. Within those figures, the Department estimates that in 2012-13, fraud and error within State Pension resulted in overpayments of £0.11 billion (2011-12 – £0.10 billion), which is 0.1% of related expenditure (2011-12 – 0.1%), and underpayments of £0.18 billion (2011-12 – £0.15 billion), which is 0.2% of related expenditure (2011-12 – 0.2%).

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

26. The report also explains the significant challenge the Department faces in administering a complex benefits system to a high degree of accuracy in a cost effective way. Some benefits, mainly those with means-tested entitlements, are more inherently susceptible to fraud and error due to their complexity, the difficulties in obtaining reliable information to support the claim and the challenges of capturing changes in a claimant's circumstances. These more difficult to administer benefits, such as Pension Credit, tend to be the ones exhibiting the highest estimated fraud and error rates. The Department is limited in the total resources it can devote to the administration of the complex benefits system, and has to make trade-offs between accuracy checking, customer service and maintaining productivity. We recognise that the Department needs to strike a balance between the need to provide sufficient scrutiny over claims and doing so in a way that is not overly burdensome, otherwise administration of the benefits system would become impractical.

27. Given this, we are working with the Department to develop our approach to evaluating the adequacy of its fraud and error response. We are looking to analyse the Department's processes for administering benefits by identifying the key steps in the processes (or decision points) and benchmarking these against comparable administrative processes with similar levels of complexity in the private and public sector. The aim of the work is to develop a robust methodological approach to evaluating the maturity and reasonableness of the Department's attempts to reduce fraud and error, as well as considering the maturity of governance, capability and processes that the Department applies to mitigating fraud and error. The work will also have regard to the particular challenges faced in administering complex, means tested benefits. We are working with the Department to pilot this approach in Pension Credit.

Where do the errors occur?

Overview

28. The Department's total expenditure on benefits in 2012-13 was some £166.8[1] billion, of which £138.1billion was in respect of benefits paid directly by the Department and £28.7 billion in respect of benefits paid on the Department's behalf by local authorities, mainly Housing Benefit and Council Tax Benefit. Note 32 to the Department's accounts sets out expenditure by benefit type, and the Department's estimate of the extent of fraud and error in each type. The estimate of fraud and error disclosed in the accounts is the best measure currently available. Nonetheless, some caution should be exercised when examining the estimates for trends, due to measurement uncertainties explained in the note. In particular, estimated levels of fraud and error in some benefits are a number of years old. Disability Living Allowance, which accounts for £13.5 billion of expenditure, has not been measured for fraud and error since 2004-05, and the Department does not plan to measure its successor benefit, Personal Independence Payment, until 2016-17.

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

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

30. The tables below report fraud and error rounded to the nearest £100 million, and rows and columns may not sum due to rounding. The percentages are, however, calculated on the basis of unrounded figures.

[1] Sourced from note 32.

Figure 1

Estimated overpayments and underpayments by category

Category	2012-13 Total expenditure £ million *	2012-13 Overpayments £ million * (% of related expenditure)	2012-13 Underpayments £ million * (% of related expenditure)	2011-12 Overpayments £ million * (% of related expenditure)	2011-12 Underpayments £ million * (% of related expenditure)
Official error (figure 2)		700 (0.4)	500 (0.3)	800 (0.5)	400 (0.3)
Claimant error (figure 3)		1,600 (0.9)	900 (0.6)	1,300 (0.8)	900 (0.5)
Fraud (figure 4)		1,200 (0.7)	--	1,100 (0.7)	--
Total	166,800	3,500 (2.1)	1,400 (0.9)	3,200 (2.0)	1,300 (0.8)

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

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

31. The following paragraphs further analyse the types of fraud and error which commonly arise within the Department's three main error categories of official error, claimant error and fraud. For the purposes of this report, I have primarily focussed on the benefits administered directly by the Department and have discussed the different characteristics of Housing Benefit and Council Tax Benefit, which are administered by local authorities on the Department's behalf, separately in paragraphs 41 to 47.

Official error

32. The Department's 2012-13 estimate of official error (defined in paragraph 29 above) is broken down in Figure 2 below.

Figure 2

Estimated official error

Benefits	2012-13 Total expenditure £ million *	2012-13 Official error overpayments £ million * (% of related expenditure)	2012-13 Official error underpayments £ million * (% of related expenditure)	2011-12 Official error overpayments £ million * (% of related expenditure)	2011-12 Official error underpayments £ million * (% of related expenditure)
Benefits administered directly by the Department	138,100	600 (0.4)	400 (0.3)	700 (0.5)	400 (0.3)
Housing related benefits administered by Local Authorities	28,700	200 (0.6)	100 (0.3)	100 (0.4)	100 (0.2)
All DWP benefits	166,800	700 (0.4)	500 (0.3)	800 (0.5)	400 (0.3)

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

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

33. Official errors can cause hardship to claimants who are underpaid and unfairly reward others who are overpaid at an additional cost to the taxpayer. Such errors can take time to identify and correct and as a result their cumulative impact on resource and efficiency can be considerable. The overall rate of official error for overpayments and underpayments shown in Figure 2 represents an average across all benefits. In the benefits administered directly by the Department, the costs of official errors are proportionately higher in means-tested or disability related benefits, where entitlement depends on the Department collating and assessing a wide range of information. In general, the more complex the data requirements required to establish entitlement to a benefit, the more difficult it is to administer and therefore the higher the inherent risk of an official error being made. For example, State Pension has an official error rate of 0.1% in overpayments (2011-12 – overpayments negligible) and 0.2% in underpayments (2011-12 – underpayments 0.2%). Whereas Pension Credit, which is more complex to administer due to its means-tested nature, has an official error rate of 1.7% in overpayments and 0.9% in underpayments (2011-12 – overpayments 2.1%; underpayments 0.8%).

Claimant error

34. The Department's estimate of claimant error, as defined in paragraph 29, is shown in Figure 3 below.

Figure 3

Estimated claimant error

Benefits	2012-13 Total expenditure £ million *	2012-13 Claimant error overpayments £ million * (% of related expenditure)	2012-13 Claimant error underpayments £ million * (% of related expenditure)	2011-12 Claimant error overpayments £ million * (% of related expenditure)	2011-12 Claimant error underpayments £ million * (% of related expenditure)
Benefits administered directly by the Department	138,100	600 (0.5)	700 (0.5)	600 (0.5)	600 (0.5)
Housing related benefits administered by Local Authorities	28,700	900 (3.3)	300 (1.0)	700 (2.6)	300 (1.0)
All DWP benefits	166,800	1,600 (0.9)	900 (0.6)	1,300 (0.8)	900 (0.5)

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

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

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

36. Claimants have a responsibility, as a condition of receiving benefit, to provide the Department with accurate and complete information and to tell the Department promptly about any changes in their personal circumstances that might affect the amount of benefit to which they are entitled. This relies on claimants being pro-active in notifying changes. The Department has adopted this approach because it does not have routine access to verifiable third party sources of information, or the information may not exist that would allow them to track such changes.

37. The Department has increased its case cleanse activity during the year with the aim of contacting more claimants to determine if their circumstances have changed and to ensure that claimants understand their responsibility to notify the Department of subsequent changes in circumstances that may affect their benefit.

Fraud

38. The Department's estimate of fraud, as defined in paragraph 29, is shown in Figure 4 below.

Figure 4

Estimated fraud

Benefits	2012-13 Total expenditure £ million *	2012-13 Fraud overpayments £ million * (% of related expenditure)	2011-12 Fraud overpayments £ million * (% of related expenditure)
Benefits administered directly by the Department	138,100	800 (0.6)	800 (0.6)
Housing related benefits administered by Local Authorities	28,700	400 (1.4)	400 (1.4)
All DWP benefits	166,800	1,200 (0.7)	1,100 (0.7)

NOTES
Figure Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System: Preliminary 2012-13 Estimates (for the 2012-12 estimates), Fraud and Error in the Benefit System: Preliminary 2011-12 Estimates (for the 2011-12 estimates).
* Rounded to the nearest £100 million. Rows and columns may not sum due to rounding.

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

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

Housing Benefit and Council Tax Benefit

41. As noted in paragraph 31, Housing Benefit and Council Tax Benefit are administered by the claimant's relevant local authority on behalf of the Department. Undetected errors in benefits administered directly by the Department, can, however, also lead to errors on Housing Benefit and Council Tax Benefit claims. This is because receipt of income related benefits such as Jobseeker's Allowance or Income Support can be used by a local authority as evidence that claimants are entitled to Housing Benefit and Council Tax Benefit. Therefore, fraud and error in one claim can be passported into the local authority administered benefit. As Housing Benefit and Council Tax Benefit are also means-tested, they are subject to similar limitations around evidence that can be gathered as those means-tested benefits administered by the Department. Consequently, a number of fraud and error types that are common to the means-tested benefits administered by the Department also arise in Housing Benefit and Council Tax Benefit.

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

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

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

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

45. From February 2012 local authorities have received details of changes in benefits administered by the Department on a daily basis through Automated Transfers to Local Authority Systems (ATLAS), which is an IT development that automatically informs local authorities of new awards or changes in benefits. The Department hopes that the provision of more timely information on claimant changes will lead to a significant reduction in fraud and error within local authority administered benefits. Its success, though, is dependent on local authorities having sufficient resources to process the data received in a timely manner.

46. Timely, efficient and accurate data sharing will become even more important with the implementation of changes to Housing Benefit from April 2013, which include the removal of the spare room subsidy for working-age tenants living in social housing and the phased roll-out of the benefit cap. These changes impose additional entitlement to benefit criteria based on housing occupancy and the overall level of benefits received.

47. The Department is planning further changes to Housing Benefit in the future as payments to working-age claimants are progressively replaced by Universal Credit. Housing Benefit payments to pensioner claimants is also planned to be replaced by a housing credit element of Pension Credit. Council Tax Benefit was abolished in April 2013 and replaced by a system of localised support.

Welfare Reform Act 2012

48. On 8 March 2012 the Welfare Reform Act received Royal Assent. Two of the main elements of the Act were the introduction of a new Universal Credit and reforms to Disability Living Allowance, through the introduction of Personal Independence Payment. A phased introduction of Personal Independence Payment started on 8 April 2013, with the Department processing new claims from the north west and north east of England, before aiming to accept new claims from the rest of the country.

49. The Department began a Universal Credit Pathfinder on 29 April 2013, where Universal Credit will be trialled for a limited number of customers. The Department's aim is to then begin a

progressive national roll-out from October 2013. The primary aim of Universal Credit is to create a single streamlined working age benefit, with tapered payments that are structured to encourage claimants to return to work. The Department intends that, in the long term, this streamlining of benefit will remove or reduce some of the current complexities around benefit entitlement, verification of claimant circumstances and administrative requirements that can increase the opportunities for fraud and error.

Future plans

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

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

52. The Department's four year fraud and error strategy, published jointly with HMRC in October 2010, was refreshed in February 2012 as part of *'Tackling Fraud and Error in Government'* and intends to deliver significant reductions in the level of fraud and error across benefits and tax credits. The strategy sets out plans to invest £425 million to reduce the monetary value of fraud and error overpayments by over one quarter, or £1.4 billion per year, by March 2015. The Department's share of this planned reduction is some £600 million per year from existing benefits and £200 million per year from the introduction of Universal Credit. The Department aims for such savings to reduce the estimated level of overpayment to 1.7 per cent by 2015.

53. The Department continues to undertake a range of work to respond to fraud and error risks. In 2012-13, this has included preventative work, such as pre-payment accuracy checking and other work in areas such as data matching, where claimant awards are compared against records from other Departmental systems and other government bodies, in order to identify previously undisclosed changes in a claimant's entitlement. From 1 October 2012, the Department also gained new deterrent powers, and can now issue civil penalties of £50 in cases where the claimant's failure to act or negligence has led to an overpayment. Further changes currently underway or planned include the establishment of a new Integrated Risk and Intelligence Service (IRIS) to deliver a new fraud and error prevention capability which will bring about better use of data and analytics to risk assess benefit claims to support targeted interventions by specialist investigation teams; and further pilots for the Single Fraud Investigation Service, which aims to bring the Department's fraud investigation work together with that undertaken by HMRC and local authorities.

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

55. Complementing these reforms, HMRC is introducing a Real Time Information (RTI) system for Pay As You Earn (PAYE), where employers must report employees' income tax and National Insurance deductions on or before payment, rather than after the end of the tax year. The Department plans to use information on employment and pension income from RTI to support Universal Credit and thus link the tax and benefits systems for the first time. I make further comments on RTI, including the challenging timetable for implementation, in my Report on HMRC's 2012-13 Accounts (HC 10 2013-14). The Department hopes that by reducing complexity and improving access to data (including real time information held by HMRC), Universal Credit will reduce many of the fraud and error risks present in existing means-tested benefits.

Conclusion

56. The estimated value of fraud and error overpayments in benefit expenditure in 2012-13 is £3.5 billion, or 2.1% of expenditure; a similar level to 2011-12 (2011-12 – £3.2 billion and 2.0% respectively). Over the period in which fraud and error have been measured by the Department, fraud and error rates have consistently remained at a high level. This has been most notable in means-tested benefits, where entitlement can be based on complex, interlinked or subjective evidence and which the Department is either unsuccessful in verifying, or which it simply gets wrong. These observations have led me and my predecessors to qualify the Department's accounts on the grounds of material amounts of fraud and error in the benefit expenditure system since 1988-89. I consider that this view remains consistent with the views expressed by the Government in the February 2012 Cabinet Office Fraud, Error and Debt Taskforce document *'Tackling Fraud and Error in Government'* that the level of fraud and error in the welfare system is unacceptable.

57. Alongside the NAO's work to attempt to benchmark[1] the Department's approach to fraud and error against comparable processes in the private and public sector with similar levels of complexity, we consider there are steps the Department could take to reduce fraud and error within the existing legislative framework. The Department is collating quantitative and qualitative data on fraud and error to identify key risk areas, but needs to better exploit this information to focus its activity to reduce fraud and error, and also needs to analyse the cost-effectiveness of these different activities. This might start with developing a more comprehensive feedback loop. It should ensure such feedback is built into its systems for Universal Credit. This will enable the Department to ensure it targets its limited administration resources on activities with the greatest potential to reduce fraud and error.

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

59. We note the refreshed approach that the Department has introduced with the aim of reducing fraud and error, which it sets out in more detail within the Annual Report and in Note 32 to the accounts. In its implementation of some radical changes to the benefits system, we recognise the Department is also, in part, attempting to drive down incorrect payments. Only by developing an evidence based framework will the Department be able to demonstrate that its systems are

[1] As set out at paragraph 27.

sufficiently optimised to minimise the gap between what it should achieve and what it does achieve.

Amyas C E Morse
Comptroller and Auditor General

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

9 December 2013

Financial Statements for the year ended 31 March 2013

The notes on pages 94 to 148 form part of these accounts

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2012-13

		Estimate			Outturn			2012-13	2011-12
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving	Outturn Total
		£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit									
- Resource	3(i)	6,817,333	705,915	7,523,248	6,660,026	706,107	7,366,133	157,307	7,488,202
- Capital	3(ii)	426,553	-	426,553	375,046	-	375,046	51,507	280,221
Annually Managed Expenditure									
- Resource	3(i)	76,926,149	89,868,587	166,794,736	76,053,550	89,517,540	165,571,090	872,599	159,302,649
- Capital	3(ii)	-	85,083	85,083	-	27,383	27,383	-	34,729
Total Budget		**84,170,035**	**90,659,585**	**174,829,620**	**83,088,622**	**90,251,030**	**173,339,652**	**1,081,413**	**167,105,801**
Non-Budget									
- Resource	3(i)	2,798,480	-	2,798,480	2,517,753	-	2,517,753	280,727	2,514,838
Total		**86,968,515**	**90,659,585**	**177,628,100**	**85,606,375**	**90,251,030**	**175,857,405**	**1,362,140**	**169,620,639**

Total Resource Budget	83,743,482	90,574,502	174,317,984	82,713,576	90,223,647	172,937,223	1,029,906	166,790,851
Total Resource Non - Budget	2,798,480	-	2,798,480	2,517,753	-	2,517,753	280,727	2,514,838
Total Resource	**86,541,962**	**90,574,502**	**177,116,464**	**85,231,329**	**90,223,647**	**175,454,976**	**1,310,633**	**169,305,689**
Total Capital	426,553	85,083	511,636	375,046	27,383	402,429	51,507	314,950
Total	**86,968,515**	**90,659,585**	**177,628,100**	**85,606,375**	**90,251,030**	**175,857,405**	**1,362,140**	**169,620,639**

	Note	2012-13 Estimate	2012-13 Outturn	2012-13 Outturn compared with Estimate: saving	2011-12 Outturn
		£000	£000	£000	£000
Net cash requirement 2012-13 Core Department	5	87,141,658	85,946,308	1,195,350	82,822,542

		2012-13 Estimate	2012-13 Outturn	2011-12 Outturn
		£000	£000	£000
Administration costs 2012-13 Departmental Group	4(ii)	1,252,011	1,179,638	1,332,920

Explanations of variances between Estimate and Outturn are given in the Financial Overview on page 47.

Consolidated Statement of Comprehensive Net Expenditure

for the year to 31 March 2013

	Note	2012-13 Core Dept £000	2012-13 Departmental Group £000	2011-12 Core Dept £000	2011-12 Departmental Group £000
Administration costs					
Staff costs	7	456,948	521,882	557,742	648,076
Other costs	8	742,816	846,887	926,004	1,013,178
Income	14	(65,753)	(76,242)	(128,652)	(106,637)
Programme expenditure					
Staff costs	7	2,283,379	2,493,285	2,173,659	2,513,544
Other costs	9	169,354,607	169,757,209	162,943,612	163,463,674
Income	14	(443,311)	(535,028)	(530,715)	(552,608)
Grant in Aid to NDPBs	13	695,404	-	1,036,125	-
Net Operating Costs for the year ended 31 March 2013		**173,024,090**	**173,007,993**	**166,977,775**	**166,979,227**
Total expenditure		173,533,154	173,619,263	167,637,142	167,638,472
Total income	14	(509,064)	(611,270)	(659,367)	(659,245)
Transfer of NDPB's Net Assets		9,803	-	-	-
Net Costs for the year ended 31 March 2013		**173,033,893**	**173,007,993**	**166,977,775**	**166,979,227**
Other Comprehensive Net Expenditure					
Net (gain)/loss on:					
-revaluation of property, plant & equipment		1,023,520	1,021,908	(275,947)	(277,316)
-revaluation of intangibles		(13,489)	(13,475)	(4,419)	(4,096)
-revaluation of available for sale financial assets		(2,241)	(2,241)	(763)	(763)
-pensions		-	10	-	59
Total Comprehensive Expenditure for the year ended 31 March 2013		**174,041,683**	**174,014,195**	**166,696,646**	**166,697,111**

All income and expenditure is derived from continuing operations.

Consolidated Statement of Financial Position

as at 31 March 2013

	Note	31 March 2013 Core Dept £000	31 March 2013 Departmental Group £000	31 March 2012 Core Dept £000	31 March 2012 Departmental Group £000
Non-current assets:					
Property, plant and equipment	15	726,733	820,493	1,976,994	2,071,387
Intangible assets	16	665,974	668,941	537,907	571,924
Financial assets	18	252,666	252,666	177,208	177,208
Trade and other receivables	20	1,326,429	1,327,422	1,244,429	1,245,495
Total non-current assets		**2,971,802**	**3,069,522**	**3,936,538**	**4,066,014**
Current assets:					
Inventories	19	-	1,101	-	615
Trade and other receivables	20	2,775,618	2,816,764	2,272,902	2,311,715
Cash and cash equivalents	21	207,011	213,264	329,499	342,583
Total current assets		**2,982,629**	**3,031,129**	**2,602,401**	**2,654,913**
Total assets		**5,954,431**	**6,100,651**	**6,538,939**	**6,720,927**
Current liabilities:					
Trade and other payables	22	(4,292,884)	(4,343,544)	(4,598,262)	(4,706,015)
Provisions	23	(92,466)	(92,636)	(107,548)	(110,058)
Total current liabilities		**(4,385,350)**	**(4,436,180)**	**(4,705,810)**	**(4,816,073)**
Non-current assets less net current assets/liabilities		**1,569,081**	**1,664,471**	**1,833,129**	**1,904,854**
Non-current liabilities:					
Provisions	23	(3,866,838)	(3,869,114)	(3,811,366)	(3,815,488)
Other payables	22	(708,647)	(812,966)	(851,067)	(957,330)
Total non-current liabilities		**(4,575,485)**	**(4,682,080)**	**(4,662,433)**	**(4,772,818)**
Assets less Liabilities		**(3,006,404)**	**(3,017,609)**	**(2,829,304)**	**(2,867,964)**
Taxpayers' equity and other reserves:					
General Fund		(3,249,671)	(3,269,673)	(4,148,928)	(4,196,480)
Revaluation Reserve		243,267	252,064	1,319,624	1,328,516
Total equity		**(3,006,404)**	**(3,017,609)**	**(2,829,304)**	**(2,867,964)**

Robert Devereux
Accounting Officer

6 December 2013

Consolidated Statement of Cash Flows

for the year ended 31 March 2013

	Note	31 March 2013 Core Dept £000	31 March 2013 Departmental Group £000	31 March 2012 Core Dept £000	31 March 2012 Departmental Group £000
Cash flows from operating activities					
Net operating cost		(173,033,893)	(173,007,993)	(166,977,775)	(166,979,227)
Adjustments for non-cash transactions		479,154	487,795	1,668,691	1,675,889
(Increase)/Decrease in trade and other receivables		(584,716)	(586,976)	4,521	20,074
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		501,239	500,853	40,158	51,917
(Increase)/Decrease in inventories		-	(486)	-	366
(Decrease) in trade and other payables		(395,600)	(459,644)	(1,327,057)	(1,341,103)
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		230,070	272,920	135,811	135,225
Utilisation of provisions		(160,112)	(161,241)	(96,005)	(97,556)
Net cash outflow from operating activities		**(172,963,858)**	**(172,954,772)**	**(166,551,656)**	**(166,534,415)**
Cash flows from investing activities					
Purchase of property, plant and equipment	15b	(10,968)	(18,076)	(28,314)	(34,896)
Purchase of intangible assets	16c	(271,478)	(283,725)	(148,034)	(157,515)
Proceeds of disposal of property, plant and equipment		6	225	-	290
Loans to other bodies		(74,123)	(74,123)	(54,436)	(54,436)
Repayments of loans		4,593	4,593	4,040	4,040
Net cash outflow from investing activities		**(351,970)**	**(371,106)**	**(226,744)**	**(242,517)**
Cash flows from financing activities					
From the Consolidated Fund current year		85,433,353	85,433,353	82,799,891	82,799,891
From the Consolidated Fund prior year		22,651	22,651	88,026	87,789
Net financing from the National Insurance Fund		87,916,807	87,916,807	83,471,852	83,471,852
Advances from the Contingencies Fund		506,000	506,000	77,256	77,256
Repayments to the Contingencies Fund		(506,000)	(506,000)	(77,256)	(77,256)
Financing in respect of NDPBs		-	-	-	10,300
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(126,708)	(128,138)	(138,423)	(139,742)
Net financing		**173,246,103**	**173,244,673**	**166,221,346**	**166,230,090**
Net (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(69,725)**	**(81,205)**	**(557,054)**	**(546,842)**
Payments of amounts due to the Consolidated Fund		(565)	(923)	(3,673)	(4,124)
Net (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	21	**(70,290)**	**(82,128)**	**(560,727)**	**(550,966)**
Cash and cash equivalents at the beginning of the period	21	**(269,429)**	**(256,389)**	**291,298**	**294,577**
Cash and cash equivalents at the end of the period	21	**(339,719)**	**(338,517)**	**(269,429)**	**(256,389)**

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2013

		General Fund[a]		Revaluation Reserve[b]		Total Reserves	
		Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011		**(3,707,618)**	**(3,764,176)**	**1,245,216**	**1,253,688**	**(2,462,402)**	**(2,510,488)**
Net Parliamentary Funding drawn down (current year)		82,799,891	82,799,891	-	-	82,799,891	82,799,891
Net Parliamentary Funding drawn down (prior year)		88,026	87,789	-	-	88,026	87,789
Funding from National Insurance Fund		83,471,852	83,471,852	-	-	83,471,852	83,471,852
Funding from Northern Ireland to ILF		-	10,300	-	-	-	10,300
Supply receivable adjustment	20(i)	22,651	22,651	-	-	22,651	22,651
Supply receivable previous year clearance		(88,026)	(87,789)	-	-	(88,026)	(87,789)
CFERs payable to the Consolidated Fund		(1,144)	(1,535)	-	-	(1,144)	(1,535)
Advances from the Contingencies fund		77,256	77,256	-	-	77,256	77,256
Repayments to the Contingencies fund		(77,256)	(77,256)	-	-	(77,256)	(77,256)
Comprehensive net expenditure for the year		(166,977,775)	(166,979,227)	-	-	(166,977,775)	(166,979,227)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	8	1,989	1,989	-	-	1,989	1,989
Actuarial loss on pensions		-	(59)	-	-	-	(59)
Movements in reserves:							
Recognised in Statement of Comprehensive Expenditure		-	-	281,130	282,175	281,130	282,175
Transfers between reserves (c)		206,722	207,347	(206,722)	(207,347)	-	-
Other		34,504	34,487	-	-	34,504	34,487
Balance at 31 March 2012		**(4,148,928)**	**(4,196,480)**	**1,319,624**	**1,328,516**	**(2,829,304)**	**(2,867,964)**
Net Parliamentary Funding drawn down (current year)		85,433,353	85,433,353	-	-	85,433,353	85,433,353
Net Parliamentary Funding drawn down (prior year)		22,651	22,651	-	-	22,651	22,651
Funding from National Insurance Fund		87,916,807	87,916,807	-	-	87,916,807	87,916,807
Supply receivable adjustment	20(i)	512,955	512,955	-	-	512,955	512,955
Supply receivable previous year clearance		(22,651)	(22,651)	-	-	(22,651)	(22,651)
CFERs payable to the Consolidated Fund	6	(675)	(712)	-	-	(675)	(712)
Advances from the Contingencies fund		506,000	506,000	-	-	506,000	506,000

Repayments to the Contingencies fund		(506,000)	(506,000)	-	-	(506,000)	(506,000)
Comprehensive net expenditure for the year		(173,033,893)	(173,007,993)	-	-	(173,033,893)	(173,007,993)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	8	2,143	2,143	-	-	2,143	2,143
Actuarial loss on pension		-	(10)	-	-	-	(10)
Movements in reserves:							
Recognised in Statement of Comprehensive Expenditure		-	-	(1,007,790)	(1,006,192)	(1,007,790)	(1,006,192)
Transfers between reserves (c)		68,567	70,260	(68,567)	(70,260)	-	-
Other		-	4	-	-	-	4
Balance at 31 March 2013		**(3,249,671)**	**(3,269,673)**	**243,267**	**252,064**	**(3,006,404)**	**(3,017,609)**

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

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

	2012-13 Total	2011-12 Total
	£000	£000
Balance at 1 April	(5,034)	(2,951)
Net change in Revaluation Reserve	(7,169)	(2,083)
Balance at 31 March	**(12,203)**	**(5,034)**

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

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

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

Notes to the Departmental Accounts

1. Statement of Accounting Policies

1.1 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with the 2012-13 'Government Financial Reporting Manual (FReM)' issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are set out below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare an additional primary statement. The 'Statement of Parliamentary Supply' and supporting notes show outturn against Estimate in terms of the Department's net resource requirement and net cash requirement.

1.2 Accounting standards, interpretations and amendments

All International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) Interpretations and Amendments to published standards, effective at 31 March 2013 have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM. This includes the following adoptions effective from 1 April 2012 which have had limited or no impact:

IAS 39 'Financial Instruments: Recognition and Measurement'.
IFRS 7 'Financial Instruments: Disclosures'.
IAS 12 'Income Taxes'.

The following IFRSs, IFRIC Interpretations and Amendments have been issued but are not yet effective and have not been adopted early by the Department. An assessment on the Department and its Non-Departmental Public Bodies will be undertaken to consider their impact on the Department's financial statements.

Accounting Standard	Effective for periods beginning on or after
IFRS 7 Financial Instruments: Disclosure	1 January 2013
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013

IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 1 Presentation of financial statements	1 July 2012
IAS 19 Employee Benefits	1 January 2013
IAS 27 Consolidated and Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates	1 January 2013
IAS 32 Financial Instruments: Presentation	1 January 2014
IPSAS 32 Service Concession Arrangement	1 January 2014

1.3 Accounting convention

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

1.4 Basis of consolidation

These accounts comprise a consolidation of the Core Department and the Department's Non-Departmental Public Bodies (NDPBs) which fall within the Departmental boundary as defined in the FReM and make up the 'Departmental Group'. Transactions between entities included in the consolidation are eliminated. The entities within the Departmental Group are:

Supply Financed:	Core Department
Crown NDPBs:	Health and Safety Executive Child Maintenance and Enforcement Commission (until 31 July 2012)
Executive NDPBs:	Independent Living Fund The Pensions Advisory Service Limited The Pensions Regulator
Tribunal NDPBs	The Pensions Ombudsman/Ombudsman for the Board of the Pension Protection Fund
Advisory NDPBs:	Equality 2025 Industrial Injuries Advisory Council Social Security Advisory Committee Disability Living Allowance Advisory Board (until 7 February 2013)

1.5 Transfer of functions

Machinery of Government changes, which involve the merger of two or more Departments or the transfer of functions or responsibilities from one part of the public sector to another, are accounted for in accordance with the FReM, using either merger accounting or absorption accounting.

The Government used powers in the Public Bodies Act 2011 to abolish the Child Maintenance and Enforcement Commission as an NDPB and transferred its functions to the Core department using absorption accounting. The Public Bodies (Child Maintenance and Enforcement Commission: Abolition and Transfer of Functions) Order 2012 became effective from 1 August 2012.

1.6 Areas of judgement and Estimation Techniques

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

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

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

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

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

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

The estimate is produced using information on past recoveries. The 2012-13 and comparative year estimate calculations have been sourced from the Government Actuary's Department.

The most recent year for which full data is available for SSP/SMP is 2010-11. Projecting the total from that year forward, to arrive at a value for the current year, generates the estimates. In doing so, allowances are made for the changes that have occurred since 2010-11.

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

1.7 Administration and programme expenditure

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

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

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

1.8 Employee benefits

In accordance with IAS 19 Employee benefits, an accrual is made for short-term employee benefits, such as salaries, paid absences and general staff bonuses. Bonuses in relation to Senior Civil Service employees are not recognised until payments to individuals have been determined and notified. The policy in relation to employee pensions is disclosed in Note 1.23.

1.9 Foreign currency translation

These financial statements are prepared in £ sterling, which is the functional currency of the Department. Foreign currency transactions are accounted for in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates'. European Social Fund claims made to the EU are calculated using the monthly exchange rate published by the EU. Balances relating to the European Social Fund and which are denominated in a foreign currency are translated into £sterling using the month end exchange rate. Foreign exchange gains and losses resulting from such transactions are recognised in the SoCNE.

1.10 Value Added Tax (VAT)

For VAT purposes the Department is treated as a single entity with the exception of its Crown Non-Departmental Public Body, the Health and Safety Executive (HSE), as this body has a separate individual VAT status. Most of the activities of the Department are outside the scope of VAT. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT. Where the VAT is non recoverable then the amount is stated gross, i.e. inclusive of VAT.

The Department's Executive and Tribunal NDPBs are not VAT registered.

1.11 Operating income

Operating income is income that relates directly to the operating activities of the Department. It comprises mainly fees and charges for services provided on a full-cost basis to external customers as well as public repayment work and other income such as that from investments. It includes both income that can be retained in the Department and income to be surrendered to the Consolidated Fund which, in accordance with the FReM, is treated as operating income. Operating income is stated net of VAT.

1.12 Revenue recognition

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

1.13 Property, plant and equipment

Property, plant and equipment are stated at fair value. However, as permitted by the FReM, the Department has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful life or are of relatively low value. This therefore applies to most IT hardware, motor vehicles, plant and machinery and furniture and fittings.

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds the capitalisation threshold. Where appropriate, items are pooled. The following thresholds apply:

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

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

1.14 Land and buildings

Land and buildings are measured initially at cost, restated to current value using external professional valuations in accordance with IAS 16 as interpreted by the FReM at least every five years and in the intervening years by use of published indices appropriate to the type of land or building.

Land and buildings are valued on an existing use basis except for the specialist laboratory site owned by HSE, which has been included at depreciated replacement cost.

Expenditure in respect of major refurbishment and improvement of properties is capitalised and reported as land and buildings or leasehold improvements, depending on its nature. This is appropriate because the expenditure provides a long-term continuing benefit for the Department.

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

Estate	Valuations performed by	Date of valuation
DWP Estate	DVS Valuation Office Agency	31 January 2013
HSE Redgrave Court	DTZ	30 September 2011
HSE Buxton	Jones Lang LaSalle	31 March 2010
HSE Carlisle	Donaldsons	31 March 2009

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

1.15 Intangible assets

Whether acquired externally or generated internally, intangible assets are initially measured at cost, with subsequent measurement at fair value. Where an active market exists for the asset, it is carried at a revalued amount based on market value at the end of the reporting period. Where no active market exists, assets are revalued using appropriate indices to indicate depreciated replacement cost as a proxy for fair value.

For internally developed software and software licences the Department uses the latest available Office for National Statistics (ONS) published indices at the point at which the intangible asset revaluation is run.

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

Expenditure on annual software licences is charged to the SoCNE.

Internally developed software
Internally developed software is capitalised if it meets the criteria in IAS 38. Development costs are classified as assets under construction until the asset is available for use at which point the asset is transferred to the relevant asset class.

Directly attributable staff costs are capitalised in accordance with IAS 38. Costs associated with the maintenance of software are also expensed when incurred.

Website development costs
Website development costs are capitalised in line with the requirements of SIC 32 'Web Site Costs'.
Indefinite Life Assets
The Department has assessed some of its software licences and developed software as indefinite life assets. The Central Payment System is an integrated part of the Department's infrastructure for making payments to customers, providing the accounting and payment link between its entitlement decision systems and its payment engines. This is an ongoing requirement that is not likely to diminish in its usage or priority.

The net book value of these assets at 31 March 2013 was £113.9 million. A further £0.2 million of software licences held by the Department have also been determined as indefinite life assets.

1.16 Depreciation

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

Freehold Buildings	The shorter of 50 years or remaining life as assessed by valuers
Leasehold Land and Buildings	Period remaining on lease or to next rent review
HSL PFI Leasehold Buildings	60 years designated life
Leasehold Improvements	Period remaining on lease (up to 20 years)
Information Technology	3 to 7 years
Plant and Machinery	5 to 10 years
Furniture and Fittings	2 to 15 years (HSL PFI contract is 30 years)
Motor Vehicles	3 to 9 years

1.17 Amortisation

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

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

1.18 Impairment of non-current assets

In accordance with the FReM, impairment losses that result from a clear consumption of economic benefit are taken directly to the SoCNE. Other impairment losses are debited to the Revaluation Reserve up to the level of depreciated historic cost, with any excess being taken to the SoCNE. Where the impairment relates to a previously revalued asset, the balance on the Revaluation Reserve to which the impairment would have been charged is transferred to the General Fund to ensure consistency with IAS 36.

All non-current assets and assets under the course of construction are reviewed annually for impairment.

1.19 Financial assets and liabilities

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

Loans and receivables

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

Cash and cash equivalents comprise cash in hand, short term deposits with an initial maturity of three months or less and current balances with banks and similar institutions. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents are as defined above net of outstanding bank overdrafts and encashment control balances. Bank overdrafts are included within current liabilities in the SoFP.

Available for sale financial assets
Available for sale financial assets are recognised at fair value. Unrealised gains and losses arising from changes in fair value are recognised initially in the Consolidated Statement of Changes in Taxpayers' Equity until sale, when the cumulative gain or loss is transferred to the SoCNE.

Impairment of financial assets
The Department assesses, at the end of the reporting period, whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the end of the reporting period. For the purposes of a collective evaluation of impairment, financial assets are grouped, where they are not individually significant, on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors.

1.20 Overpayment receivables

The Department seeks to recover all overpayments where it is cost effective to do so, unless it will cause hardship to the customer. Where it is not cost effective to recover, overpayments are written off, with the exception of fraud cases, exception cases and direct payments after death.

Receivables are recognised in the accounts when there is a legal basis to seek recovery. Benefit receivables recognised in the SoFP are valued at the difference between the amount the customer has been paid and what they should have been paid, less any impairment of these receivables.

Certain categories of identified benefit overpayment are not recognised as receivables, including:
- Those due to official error where there is no statutory right of recovery;
- Cases satisfying Secretary of State waiver policies; and/or
- The customer is deceased and there is insufficient estate to recover the overpayment.

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

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

Non-recoverable Social Fund grants are only available to claimants with appropriate qualifying benefits. However, if an individual's qualifying benefit is subsequently withdrawn (for example, because of claimant misrepresentation), the Department's policy is to classify these Social Fund grants as overpayments and recover accordingly. However, HM Treasury has agreed that it does not represent value for money to mount specific exercises to identify and pursue recovery of historic grant overpayments that arose prior to 1 April 2010.

Housing Benefit, Council Tax Benefit and Discretionary Housing Payment receivables arise when the subsidy paid to a Local Authority by the Department is in excess of entitlement and results in an overpayment. Following the certification of final claims submitted by Local Authorities, the Secretary of State will decide whether and, how much of the overpayment should be recovered.

1.21 Provisions

Provisions are recognised in accordance with IAS 37. They are valued using the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury.

1.22 Early departure costs

For past early departure schemes, the Department meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits, in respect of employees who retire early, by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments, discounted by the HM Treasury discount rate of 2.35 per cent (2011-12 2.8 per cent) in real terms. Where the Department funds these early release schemes a provision is created.

From 22 December 2010, all exit costs falling to be paid by the Department under the Civil Service compensation terms consist of lump sum payments only.

1.23 Pensions

Past and present employees are covered by the provisions of the PCSPS, details of which are described in Note 7. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements, on a systematic and rational basis, over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

There is a separate scheme statement for the PCSPS as a whole. Details can be found in the accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

1.24 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys the right to use the asset.

Leases of assets where substantially all risks and rewards of ownership are borne by the Department are classified as finance leases. Significant lease arrangements have been assessed under IFRIC 4 and IAS 17 and have been accounted for in accordance with the FReM. Related assets are recognised as non-current assets in the SoFP and the liability to pay for these assets is accounted for as a finance lease. Contract payments are attributable to either the service charge element or the capital repayment and interest element of the contract.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases.

1.25 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with IFRIC 12 and IAS 17, as interpreted for the public sector.

Where the Department has control over the PFI asset, or where the Department does not have control but the balance of risks and rewards of control is borne by the Department, the asset is recognised as a non-current asset and the liability to pay for it is accounted for as a finance lease obligation. Contract payments are apportioned between a reduction in the capital obligation, an imputed finance lease interest charge and a service charge.

Where the Department does not have control over the PFI asset and the balance of risks and rewards of control are borne by the PFI operator, the PFI payments are recorded as an expense. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract.

Where at the end of the PFI contract a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

1.26 Contingent liabilities

Contingent liabilities are disclosed in accordance with IAS 37.

In addition, the Department discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of ‘Managing Public Money’.
Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.27 Third- party assets

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

Financial Assistance Scheme
Regulations came into force on 2 April 2010, in relation to the Financial Assistance Scheme, which enable the transfer of assets remaining in qualifying schemes to the Government. Full details of the income collected as an agent rather than as principal for the Consolidated Fund are in the Department's Trust Statement published separately from, but alongside, these financial statements.

1.28 Grant in Aid (GiA)

GiA to the Department's NDPBs (see Note 13) is treated as expenditure in the Core Department's SoCNE and as financing in the accounts of the NDPBs, credited to their reserves. With the exception of NEST, it is accounted for on a cash basis.

2. Statement of Operating Costs by Operating Segment

	Operations	Housing Benefit	Other	2012-13 Total
	£000	£000	£000	£000
AME:				
Expenditure	134,268,373	28,244,396	3,093,801	165,606,570
DEL Admin:				
Expenditure	163,235	-	1,205,534	1,368,769
Income	(3,444)	-	(72,798)	(76,242)
DEL Programme:				
Expenditure	2,240,045	528,976	3,743,959	6,512,980
Income	(9,472)	-	(394,612)	(404,084)
Total	**136,658,737**	**28,773,372**	**7,575,884**	**173,007,993**

	Operations	Housing Benefit	Other	2011-12 Total
	£000	£000	£000	£000
AME:				
Expenditure	127,784,728	27,213,106	4,304,214	159,302,048
DEL Admin:				
Expenditure	235,597	-	1,425,657	1,661,254
Income	(3,893)	-	(102,744)	(106,637)
DEL Programme:				
Expenditure	2,163,009	547,048	3,909,368	6,619,425
Income	(11,968)	-	(484,895)	(496,863)
Total	**130,167,473**	**27,760,154**	**9,051,600**	**166,979,227**

Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker and used to make strategic decisions. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Departmental Board.

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

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

The following Segments have been disclosed:

- Operations – These are the front line costs incurred by the Department in the delivery of a range of benefits in respect of people of working age and pension age.
- Housing Benefit - The Department provides subsidies paid by way of a grant to local authorities who administer Housing Benefit and Council Tax Benefit.
- Other - Other areas include corporate functions that support the business, contracts for accommodation and IS/IT, payments of SSP/SMP to HMRC, Employment Programmes, TV

Licences for the over 75s and grants to Motability. It also includes the costs of the Department's Child Maintenance Group and NDPBs.

- Restatement of prior year operating segments – 2011-12 operating segments have been restated following the Departmental Transformation exercise and the closure of the Pensions, Disability and Carers Service and Jobcentre Plus agencies.

3. Net Outturn

(i)Analysis of net resource outturn by section

										2012-13	2011-12
							Outturn			Estimate	Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit											
Voted:											
A Operational Delivery	164,122	(3,187)	160,935	2,378,101	(3,863)	2,374,238	2,535,173	2,593,734	58,561	58,889	2,487,475
B Child Maintenance Group	88,319	(92)	88,227	241,686	(318)	241,368	329,595	326,624	(2,971)	314	-
C Child Maintenance and Enforcement Commission	44,046	-	44,046	111,327	-	111,327	155,373	155,280	(93)	1,576	483,546
D Health and Safety Executive	104,679	-	104,679	57,139	-	57,139	161,818	165,482	3,664	4,162	175,383
E Financial Assistance Scheme	-	-	-	108,971	-	108,971	108,971	110,000	1,029	1,029	72,543
F European Social Fund	-	-	-	309,539	(187,365)	122,174	122,174	124,712	2,538	2,538	15,268
G Executive Non-Departmental Bodies (Net)	16,402	-	16,402	349,854	-	349,854	366,256	373,205	6,949	6,949	375,411
H Employment Programmes	-	-	-	805,508	(3,395)	802,113	802,113	875,796	73,683	3,766	875,580
I Housing Benefit and Council Tax Benefit Administration	-	-	-	528,977	-	528,977	528,977	539,000	10,023	10,023	545,688
J Other Programmes	-	-	-	143,601	(54,128)	89,473	89,473	69,905	(19,568)	-	183,328
K Departmental operating costs	771,532	(6,183)	765,349	741,689	(46,935)	694,754	1,460,103	1,483,595	23,492	68,061	1,452,828
	1,189,100	**(9,462)**	**1,179,638**	**5,776,392**	**(296,004)**	**5,480,388**	**6,660,026**	**6,817,333**	**157,307**	**157,307**	**6,667,050**
Non-voted:											
L National Insurance Fund	-	-	-	706,107	-	706,107	706,107	706,107	-	-	821,152
M Consolidated Fund Extra Receipts	-	-	-	-	-	-	-	(192)	(192)	(192)	-
	-	**-**	**-**	**706,107**	**-**	**706,107**	**706,107**	**705,915**	**(192)**	**(192)**	**821,152**
Annually Managed Expenditure											
Voted:											
N Severe Disablement Allowance	-	-	-	886,865	-	886,865	886,865	894,620	7,755	7,755	880,687
O Industrial Injuries Disablement Benefit	-	-	-	905,249	-	905,249	905,249	911,509	6,260	6,260	887,638
P Jobseeker's Allowance	-	-	-	4,509,748	(2,276)	4,507,472	4,507,472	4,660,258	152,786	90,601	4,172,678
Q Employment and Support Allowance	-	-	-	4,474,979	(79)	4,474,900	4,474,900	4,423,431	(51,469)	-	2,167,535

										2012-13	2011-12
							Outturn			Estimate	Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
R Income Support	-	-	-	5,279,440	(25,454)	5,253,986	5,253,986	5,377,587	123,601	123,601	6,921,554
S Pension Credit and Minimum Income Guarantee	-	-	-	7,565,813	-	7,565,813	7,565,813	7,560,626	(5,187)	-	8,112,235
T Financial Assistance Scheme	-	-	-	92,781	-	92,781	92,781	265,000	172,219	172,219	1,171,098
U TV licences for the over 75's	-	-	-	596,198	-	596,198	596,198	590,669	(5,529)	-	587,285
V Attendance Allowance	-	-	-	5,475,625	-	5,475,625	5,475,625	5,527,453	51,828	51,828	5,339,425
W Disability Living Allowance	-	-	-	13,430,161	-	13,430,161	13,430,161	13,502,803	72,642	72,642	12,565,735
X Carer's Allowance	-	-	-	1,927,222	-	1,927,222	1,927,222	1,927,471	249	249	1,732,977
Y Housing Benefit	-	-	-	17,686,436	-	17,686,436	17,686,436	17,781,129	94,693	94,693	16,940,593
Z Council Tax Benefit	-	-	-	4,810,368	-	4,810,368	4,810,368	4,874,439	64,071	64,071	4,825,095
AA Rent Rebates	-	-	-	5,747,592	-	5,747,592	5,747,592	5,771,134	23,542	23,542	5,447,418
AB Statutory Sick Pay and Statutory Maternity Pay	-	-	-	2,442,799	-	2,442,799	2,442,799	2,448,243	5,444	5,444	2,548,002
AC Other benefits	-	-	-	396,276	(937)	395,339	395,339	427,557	32,218	32,218	394,803
AD Other expenditure	-	-	-	(141,674)	-	(141,674)	(141,674)	(15,245)	126,429	126,429	(32,738)
AE Other expenditure ENDPBs	-	-	-	(3,582)	-	(3,582)	(3,582)	(2,535)	1,047	1,047	-
	-	**-**	**-**	**76,082,296**	**(28,746)**	**76,053,550**	**76,053,550**	**76,926,149**	**872,599**	**872,599**	**74,662,020**
Non-voted:											
AF Incapacity Benefit	-	-	-	3,275,830	-	3,275,830	3,275,830	3,264,241	(11,589)	(11,589)	4,938,989
AG Jobseeker's Allowance	-	-	-	664,741	(2,400)	662,341	662,341	672,873	10,532	10,532	735,416
AH Employment and Support Allowance	-	-	-	2,304,893	-	2,304,893	2,304,893	2,213,323	(91,570)	(91,570)	1,413,909
AI Maternity Allowance	-	-	-	394,986	-	394,986	394,986	387,520	(7,466)	(7,466)	365,536
AJ State Pension	-	-	-	79,858,005	-	79,858,005	79,858,005	80,065,661	207,656	207,656	74,218,860
AK Bereavement Benefits	-	-	-	592,544	-	592,544	592,544	602,698	10,154	10,154	593,970
AL Expenditure incurred by the Social Fund	-	-	-	2,428,941	-	2,428,941	2,428,941	2,662,419	233,478	233,478	2,373,949
AM Consolidated Fund Extra Receipts	-	-	-	-	-	-	-	(148)	(148)	(148)	-
	-	**-**	**-**	**89,519,940**	**(2,400)**	**89,517,540**	**89,517,540**	**89,868,587**	**351,047**	**351,047**	**84,640,629**

										2012-13	2011-12
							Outturn			Estimate	Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	£000	£000	£000		£000	£000	£000	£000	£000	£000	£000
Non-budget resource											
Voted:											
AN Cash paid in to the Social Fund	-	-	-	2,517,753	-	2,517,753	2,517,753	2,798,480	280,727	280,727	2,514,838
	-	**-**	**-**	**2,517,753**	**-**	**2,517,753**	**2,517,753**	**2,798,480**	**280,727**	**280,727**	**2,514,838**
Total resource											
	1,189,100	**(9,462)**	**1,179,638**	**174,602,488**	**(327,150)**	**174,275,338**	**175,454,976**	**177,116,464**	**1,661,488**	**1,661,488**	**169,305,689**

(ii)Analysis of net capital outturn by section

						2012-13	2011-12 Outturn
			Outturn			Estimate	
	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 Operating Delivery	5,903	-	5,903	6,543	640	640	36,995
B Child Maintenance Group	11,869	-	11,869	15,000	3,131	1,904	-
C Child Maintenance and Enforcement Commission	7,700	-	7,700	7,700	-	-	11,839
D Health and Safety Executive	7,201	-	7,201	5,974	(1,227)	-	4,875
G Executive Non-Departmental Public Bodies (Net)	1,109	-	1,109	1,215	106	106	868
H Employment Programmes	(70)	-	(70)	-	70	70	2,911
J Other programmes	68,188	-	68,188	68,543	355	355	52,171
K Departmental operating costs	280,206	(7,060)	273,146	321,578	48,432	48,432	170,562
	382,106	**(7,060)**	**375,046**	**426,553**	**51,507**	**51,507**	**280,221**
Spending in Annually Managed Expenditure							
Non-voted:							
AL Expenditure incurred by the Social Fund	27,383	-	27,383	85,083	57,700	57,700	34,729
	27,383	**-**	**27,383**	**85,083**	**57,700**	**57,700**	**34,729**
Total	**409,489**	**(7,060)**	**402,429**	**511,636**	**109,207**	**109,207**	**314,950**

Detailed explanations of the variances are given in the Financial Overview in the Annual Report on page 47.

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

(i)Reconciliation of net resource outturn to net operating cost

		Note	2012-13 Outturn £000	2011-12 Outturn £000
Total resource outturn in Statement of Parliamentary Supply	Budget		172,937,223	166,790,851
	Non-Budget		2,517,753	2,514,838
		3(i)	**175,454,976**	**169,305,689**
Add:	Capital Grants		-	1,939
	Other PFI Adjustment		71,552	187,972
			175,526,528	**169,495,600**
Less:	Income payable to the Consolidated Fund		(712)	(1,535)
	Repayment of Capital Grant		(70)	-
	Cash paid to the Social Fund – Voted Non-Budget		(2,517,753)	(2,514,838)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			**173,007,993**	**166,979,227**

(ii)Reconciliation of Administration Outturn against final Administration budget and Administration net operating cost

	Note	2012-13 £000	2011-12 £000
Administration costs limit - Estimate		1,252,011	1,425,512
		1,252,011	**1,425,512**
Gross Administration Costs	3(i)	1,189,100	1,438,588
Gross Income relating to Administration Costs	3(i)	(9,462)	(105,668)
Administration costs - Net outturn	3(i)	**1,179,638**	**1,332,920**
Reconciliation to operating costs:			
Add: PFI adjustment		119,640	270,266
Less: other		(6,751)	(48,569)
Administration net operating costs		**1,292,527**	**1,554,617**

5. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	2012-13 Net total outturn compared with Estimate: saving/(excess) £000
Net Resource Outturn	3(i)	177,116,464	175,454,976	1,661,488
Capital: Adjustment for capital items		511,636	402,429	109,207
Accruals adjustments				
Non-cash items		(949,502)	(768,553)	(180,949)
Changes in working capital other than cash		1,000,000	949,312	50,688
Utilisation of provisions		127,731	159,645	(31,914)
Adjustments for NDPBs				
Remove voted resource and capital		(706,321)	(695,875)	(10,446)
Add cash grant-in-aid		701,235	695,404	5,831
Non Voted Budget		(90,659,585)	(90,251,030)	(408,555)
Net Cash Requirement of Core Department		**87,141,658**	**85,946,308**	**1,195,350**

Detailed explanations of the variances are given in the Financial Overview on page 47.

6. Income payable to the Consolidated Fund

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

	Outturn 2012-13		Outturn 2011-12	
	Income £000	*Receipts £000*	Income £000	*Receipts £000*
Operating income outside the ambit of the vote	712	*712*	1,541	*1,541*
Total income payable to the Consolidated Fund	**712**	***712***	**1,541**	***1,541***

Consolidated Fund income shown above does not include any amounts collected by the Department where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the Department's Trust Statement published separately from, but alongside, these financial statements.

7. Staff numbers and related costs

	2012-13 Core Dept £000	2012-13 Departmental Group £000	2011-12 Core Dept £000	2011-12 Departmental Group £000
Administration staff costs	456,948	521,882	557,742	648,076
Programme staff costs	2,283,379	2,493,285	2,173,659	2,513,544
Total staff costs	**2,740,327**	**3,015,167**	**2,731,401**	**3,161,620**

Staff costs comprise:

	Permanently employed staff £000	Others £000	Ministers £000	Special Advisers £000	2012-13 Total £000	2011-12 Total £000
Wages and salaries	2,395,288	36,415	158	160	2,432,021	2,556,915
Employers' National Insurance	160,859	1,061	14	18	161,952	168,674
Superannuation and pension costs	419,664	1,530	-	-	421,194	436,031
	2,975,811	**39,006**	**172**	**178**	**3,015,167**	**3,161,620**
Less recoveries in respect of outward secondments	(2,796)	-	-	-	(2,796)	(4,527)
Less other recoveries of staff costs	(4,160)	-	-	-	(4,160)	(3,870)
Total net costs	**2,968,855**	**39,006**	**172**	**178**	**3,008,211**	**3,153,223**
Of which:						
Core department	**2,698,240**	**34,872**	**172**	**178**	**2,733,462**	**2,723,181**
NDPBs	**270,615**	**4,134**	**-**	**-**	**274,749**	**430,042**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Department is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the accounts of the Cabinet Office: Civil Superannuation: (www.civilservice.gov.uk/pensions/governance-and-rules).

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

For 2012-13, employers' contributions of £419.6 million were payable to the PCSPS (2011-12 £434.1 million) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions amounting to £41.2 million (2011-12 £39.6 million) were payable to the Civil Superannuation Vote at 31 March 2013 and are included in Trade payables and other current liabilities (see Note 22).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £1.5 million (2011-12 £1.7 million), were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £0.1 million (2011-12 £0.1 million) 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £0.1 million. Contributions prepaid at that date were £nil.

In 2012-13, 150 persons (2011-12 159 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £0.247 million (2011-12 £0.309 million).

(i) Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below. These figures include those working in the Core Department as well as in NDPBs included within the consolidated Departmental Account.

			2012-13 Number			2011-12 Number
	Permanent staff	**Others**	**Ministers**	**Special Advisers**	**Total**	**Total**
Numbers of Staff	97,450	1,758	5	3	99,216	104,047
Staff engaged on capital projects	30	-	-	-	30	49
Total	**97,480**	**1,758**	**5**	**3**	**99,246**	**104,096**
Of which:						
Core department	**90,729**	**1,693**	**5**	**3**	**92,430**	**92,320**
NDPBs	**6,751**	**65**	**-**	**-**	**6,816**	**11,776**

(ii) Reporting of Civil Service and other compensation schemes - exit packages 2012-13

	Core Dept			Departmental Group		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
< £10,000	76	213	**289**	76	228	**304**
£10,001 - £25,000	14	223	**237**	14	230	**244**
£25,001 - £50,000	1	159	**160**	1	164	**165**
£50,001 - £100,000	1	108	**109**	1	113	**114**
£100,001 - £150,000	-	14	**14**	-	14	**14**
£150,001 - £200,000	-	4	**4**	-	4	**4**
£200,001 - £250,000	-	-	**-**	-	-	**-**
£250,001 - £300,000	**-**	-	**-**	**-**	-	**-**
Total number of exit packages by type	**92**	**721**	**813**	**92**	**753**	**845**
Total resource cost £000	**649**	**20,192**	**20,841**	**649**	**20,913**	**21,562**

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

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

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full when the early retirement programme becomes binding on the Department but actual dates of departure may fall in the following reporting period. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

From 22 December 2010, new Civil Service compensation terms were introduced for Early Release schemes. All voluntary exit costs payable by the Department are now made in the form of lump sum payments. Payments made in respect of schemes prior to this date were made as both lump sum payments and annual compensation payments. The liability in respect of these annual payments is disclosed in Note 23.

8. Administration costs

		2012-13		2011-12	
		Core Dept	Departmental Group	Core Dept	Departmental Group
		£000	£000	£000	£000
Goods and services		68,930	96,160	162,646	197,988
IT services		228,032	246,876	182,344	173,124
Accommodation costs		59,067	68,104	41,871	46,960
Finance lease charges		8,202	8,202	13,815	13,815
Research and Development expenditure		-	2,261	-	1,514
PFI and other service concession arrangements service charges		7,953	27,773	7,169	27,907
Rentals under operating leases		2,470	8,493	2,682	9,464
Compensation payments to customers		321	321	7,470	7,474
Audit fee		-	329	-	678
Interest charges		-	-	159	159
Other administration costs		230	9,009	534	9,492
Administration costs		**375,205**	**467,528**	**418,690**	**488,575**
Non-cash:					
Auditor's remuneration		2,143	2,143	1,989	1,989
Depreciation of non-current assets		159,357	166,468	322,724	330,548
Amortisation of non-current assets		118,998	121,569	123,730	130,363
Loss on disposal of non-current assets		10,239	10,369	26,232	26,511
Impairment of non-current assets	17	69,695	69,695	26,395	26,526
Amortisation of prepayments		5,000	5,000	5,000	5,000
Movement in impairment of receivables		895	1,056	635	333
Provisions movement in year		1,284	3,059	609	3,333
Administration costs – Non Cash		**367,611**	**379,359**	**507,314**	**524,603**
Total Administration Costs		**742,816**	**846,887**	**926,004**	**1,013,178**

9. Programme costs

		2012-13		2011-12	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Goods and services		519,858	565,796	461,330	541,891
IT services		540,797	564,910	491,878	532,444
Accommodation costs		382,258	391,977	399,832	427,495
Finance lease charges		31,076	31,076	34,106	34,106
Research and development expenditure		-	6,095	-	7,108
PFI and other service concession arrangements service charges		45,068	45,222	40,689	40,689
Rentals under operating leases		5,298	5,971	6,936	7,856
Compensation payments to customers		2,412	2,736	6,097	7,303
Audit fee		-	60	-	61
Voted Expenditure	10	79,844,469	80,151,898	77,491,418	77,821,079
Non-Voted expenditure: contributory benefits	11	87,034,390	87,034,390	82,237,185	82,237,185
Agency payments on behalf of EU to third parties		298,820	298,820	266,291	266,291
Programme balances written off	12	416,129	416,129	344,341	344,341
Other programme expenditure		22,691	33,895	2,132	44,539
Programme Costs		**169,143,266**	**169,548,975**	**161,782,235**	**162,312,388**

Non-cash:

Depreciation of non-current assets		-	75	-	73
Amortisation of non-current assets		-	52	-	40
(Profit)/Loss on disposal of non-current assets		-	-	(3)	4
Impairment of non-current assets	17	-	-	-	1
Movement in impairment of receivables:					
Contributory benefits		(5,728)	(5,728)	(17,256)	(17,256)
Non-contributory benefits		40,689	40,689	79,854	79,854
Social Fund payments		(54,994)	(54,994)	(138,842)	(138,842)
Other		(265)	(36)	(247)	(11,467)
Provisions:					
Movement in year		167,351	164,138	1,078,671	1,077,732
Unwinding of discount		29,470	29,458	160,811	160,827
Revaluation loss/(gain)		34,733	34,495	(1,611)	320
Other non-cash costs		85	85	-	-
Programme Costs – Non Cash		**211,341**	**208,234**	**1,161,377**	**1,151,286**
Total Programme Costs		**169,354,607**	**169,757,209**	**162,943,612**	**163,463,674**

10.Voted expenditure

	2012-13 Core Dept	2012-13 Departmental Group	Restated 2011-12 Core Dept	Restated 2011-12 Departmental Group
	£000	**£000**	**£000**	**£000**
Non Contributory Benefits				
Disability Living Allowance	13,410,412	13,410,412	12,551,861	12,551,861
Income Support	5,191,490	5,191,490	6,836,284	6,836,284
Pension Credit/Minimum Income Guarantee	7,491,296	7,491,296	8,035,708	8,035,708
Attendance Allowance	5,446,219	5,446,219	5,317,985	5,317,985
Jobseeker's Allowance	4,463,066	4,463,066	4,147,393	4,147,393
Carer's Allowance	1,920,035	1,920,035	1,718,883	1,718,883
Severe Disablement Allowance	885,371	885,371	879,411	879,411
Industrial Injuries Benefit Scheme	904,881	904,881	887,651	887,651
Employment and Support Allowance	4,425,503	4,425,503	2,127,739	2,127,739
Other	164,132	164,132	151,873	151,873
Social Fund Expenditure	2,433,897	2,433,897	2,465,805	2,465,805
Amounts Paid to Local Authorities	28,829,655	28,829,655	27,782,535	27,782,535
Employment Programmes	821,445	821,445	912,436	912,436
Other Expenditure	3,457,067	3,764,496	3,675,854	4,005,515
	79,844,469	**80,151,898**	**77,491,418**	**77,821,079**

11.Non-voted expenditure

	2012-13 Core Dept	2012-13 Departmental Group	2011-12 Core Dept	2011-12 Departmental Group
	£000	**£000**	**£000**	**£000**
Retirement Benefit	79,710,898	79,710,898	74,084,490	74,084,490
Christmas Bonus	123,321	123,321	123,296	123,296
Bereavement benefits	591,882	591,882	594,764	594,764
Unemployment benefits:				
Jobseeker's Allowance	658,782	658,782	746,763	746,763
Employment and Support Allowance	2,291,865	2,291,865	1,389,370	1,389,370
Incapacity Benefit	3,262,857	3,262,857	4,933,146	4,933,146
Maternity benefits	394,785	394,785	365,356	365,356
Total contributory benefits	**87,034,390**	**87,034,390**	**82,237,185**	**82,237,185**

NIF income	(2,400)	(2,400)	(4,633)	(4,633)
NIF write-offs and movement in impairment of receivables	57,139	57,139	29,740	29,740
NIF movement on Compensation Recovery Unit provision	(1,215)	(1,215)	(308)	(308)
	87,087,914	**87,087,914**	**82,261,984**	**82,261,984**

12.Programme balances written off

		2012-13		2011-12
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	**£000**	**£000**	**£000**
Contributory benefits	62,867	62,867	46,997	46,997
Non-contributory benefits	300,065	300,065	251,050	251,050
Social Fund payments	53,197	53,197	46,294	46,294
	416,129	**416,129**	**344,341**	**344,341**

13.Grant in Aid to Non-Departmental Public Bodies

	2012-13	2011-12
	£000	**£000**
Child Maintenance and Enforcement Commission	170,202	495,982
Independent Living Fund	311,100	328,000
Health and Safety Executive	161,239	170,885
The Pensions Regulator	46,580	35,017
The Pensions Advisory Service	3,324	3,211
The Pensions Ombudsman	2,959	3,030
	695,404	**1,036,125**

Grant in Aid to the NDPBs above is shown as grant in aid expenditure in the Statement of Consolidated Net Expenditure. These balances are eliminated on consolidation into the Departmental Group. Grant in Aid was made to the Child Maintenance and Enforcement Commission for the four months ended 31 July 2012 after which, it ceased to be an NDPB and its functions were transferred back to the Core Department.

14.Income

(i) Analysis of income

		2012-13		Restated 2011-12
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	**£000**	**£000**	**£000**
Administration				
Income from Other Government Departments	49,474	48,374	70,684	70,056
CMEC income	5,982	-	36,113	-
ESF income	3,038	3,038	3,690	3,690
Operating lease rental income	1,076	-	3,267	-
HSE administrative income	-	18,060	-	17,022
Other administration income	6,183	6,770	14,898	15,869
	65,753	**76,242**	**128,652**	**106,637**

Programme				
Benefit income	29,063	29,063	35,648	35,648
Pension levy receipts	54,073	54,073	46,583	46,583
CMEC income	3,962	-	71,113	-
Income from Other Government Departments	32,090	31,942	35,062	36,269
ESF income	3,971	3,971	33,133	33,133
EU income where DWP acts as agent for payments to third parties	187,365	187,365	246,887	246,887
Exchange rate gain	-	-	16,720	16,720
Exchange rate gain – non cash	99,798	99,798	-	-
HSE programme income	-	97,795	-	98,079
Operating lease rental income	2,734	-	8,119	-
NIF income	2,400	2,400	4,633	4,633
Other programme income	27,855	28,621	32,817	34,656
	443,311	**535,028**	**530,715**	**552,608**
Total income	**509,064**	**611,270**	**659,367**	**659,245**

(ii) Analysis of fees and charges

The following analysis of income from services provided to external and public sector customers is provided for fees and charges purposes.

			2012-13 Departmental Group			**2011-12 Departmental Group**
	Income	**Full Cost**	**Surplus/ (Deficit)**	**Income**	**Full Cost**	**Surplus/ (Deficit)**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
HSE income	104,838	105,604	(766)	100,763	100,124	639
Pension levy receipts	54,073	54,073	-	44,465	44,465	-
Shared Services to Other Government Departments	15,547	15,500	47	15,780	15,684	96
Civil Service HR	8,522	8,523	(1)	5,358	5,358	-
Legal services	7,035	7,035	-	7,292	7,292	-
Income from Mortgage Lenders	725	725	-	1,205	1,205	-
IT Service Charges	564	564	-	1,649	1,649	-
	191,304	**192,024**	**(720)**	**176,512**	**175,777**	**735**

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

15.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 2012	2,883,009	20,657	339,108	42,862	10,835	3,278	2,713	3,302,462
Additions	1,589	1,295	28,034	880	792	906	5,152	38,648
Disposals	(64,073)	(1,089)	(15,975)	(466)	(1,301)	(504)	-	(83,408)
Impairments	-	-	(568)	-	-	-	(331)	(899)
Reclassifications	-	2,186	1,940	-	-	-	(3,637)	489
Revaluations	(1,059,644)	22	98	-	3	-	-	(1,059,521)
At 31 March 2013	**1,760,881**	**23,071**	**352,637**	**43,276**	**10,329**	**3,680**	**3,897**	**2,197,771**
Depreciation								
At 1 April 2012	917,455	11,206	273,488	22,180	5,203	1,543	-	1,231,075
Charged in year	125,531	2,006	32,333	5,507	729	437	-	166,543
Disposals	(3,418)	(1,089)	(13,891)	(369)	(1,151)	(311)	-	(20,229)
Impairments	-	-	(57)	-	-	-	-	(57)
Revaluations	(123)	22	44	-	3	-	-	(54)
At 31 March 2013	**1,039,445**	**12,145**	**291,917**	**27,318**	**4,784**	**1,669**	**-**	**1,377,278**
Carrying amount at 31 March 2013	**721,436**	**10,926**	**60,720**	**15,958**	**5,545**	**2,011**	**3,897**	**820,493**
Carrying amount at 31 March 2012	**1,965,554**	**9,451**	**65,620**	**20,682**	**5,632**	**1,735**	**2,713**	**2,071,387**
Asset financing:								
Owned	11,846	10,926	24,469	4,564	3,385	2,011	3,897	61,098
Finance leased	31,187	-	36,251	11,394	-	-	-	78,832
On-Statement of Financial Position PFI contracts	678,403	-	-	-	2,160	-	-	680,563
Carrying amount at 31 March 2013	**721,436**	**10,926**	**60,720**	**15,958**	**5,545**	**2,011**	**3,897**	**820,493**
Of the total:								
Department	653,157	2,122	56,037	11,478	178	-	3,761	726,733
NDPBs	68,279	8,804	4,683	4,480	5,367	2,011	136	93,760
Carrying amount at 31 March 2013	**721,436**	**10,926**	**60,720**	**15,958**	**5,545**	**2,011**	**3,897**	**820,493**

	Land and Buildings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture and Fittings	Motor Vehicles	Payments on Account and Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2011	2,663,021	24,621	335,731	39,753	12,982	3,300	1,377	3,080,785
Additions	623	1,205	27,908	4,214	504	628	2,713	37,795
Disposals	(58,430)	(5,190)	(24,471)	(1,431)	(2,651)	(650)	-	(92,823)
Impairments	1,528	-	-	(8)	-	-	-	1,520
Reclassifications	766	-	(40)	334	-	-	(1,377)	(317)
Revaluations	275,501	21	(20)	-	-	-	-	275,502
At 31 March 2012	**2,883,009**	**20,657**	**339,108**	**42,862**	**10,835**	**3,278**	**2,713**	**3,302,462**

Depreciation

At 1 April 2011	654,188	14,271	247,215	15,381	6,693	1,410	-	939,158
Charged in year	268,511	2,105	50,660	7,915	896	534	-	330,621
Disposals	(3,881)	(5,189)	(24,316)	(1,108)	(2,386)	(401)	-	(37,281)
Impairments	-	-	-	(8)	-	-	-	(8)
Reclassifications	-	-	(52)	-	-	-	-	(52)
Revaluations	(1,363)	19	(19)	-	-	-	-	(1,363)
At 31 March 2012	**917,455**	**11,206**	**273,488**	**22,180**	**5,203**	**1,543**	**-**	**1,231,075**
Carrying amount at 31 March 2012	**1,965,554**	**9,451**	**65,620**	**20,682**	**5,632**	**1,735**	**2,713**	**2,071,387**
Carrying amount at 31 March 2011	**2,008,833**	**10,350**	**88,516**	**24,372**	**6,289**	**1,890**	**1,377**	**2,141,627**
Asset financing:								
Owned	11,925	9,451	20,762	4,903	3,382	1,735	2,713	54,871
Finance leased	60,840	-	42,793	15,779	-	-	-	119,412
On-Statement of Financial Position PFI contracts	1,892,789	-	2,065	-	2,250	-	-	1,897,104
Carrying amount at 31 March 2012	**1,965,554**	**9,451**	**65,620**	**20,682**	**5,632**	**1,735**	**2,713**	**2,071,387**
Of the total:								
Department	1,896,292	259	61,628	15,927	212	-	2,676	1,976,994
NDPBs	69,262	9,192	3,992	4,755	5,420	1,735	37	94,393
Carrying amount at 31 March 2012	**1,965,554**	**9,451**	**65,620**	**20,682**	**5,632**	**1,735**	**2,713**	**2,071,387**

a. Total depreciation in the year was £166.5 million (2011-12 £330.6 million) which was charged to the Statement of Comprehensive Net Expenditure. The in year depreciation charge for On-Statement of Financial Position PFI Contracts is £124.4 million (2011-12 £265.7 million).

b. Cash flow reconciliation

	2012-13	2011-12
	£000	£000
Capital payables and accruals at 1 April	2,129	28,977
Capital additions	38,695	37,795
Less: Leased capital additions	(20,636)	(29,747)
Capital payables and accruals at 31 March	(2,112)	(2,129)
Purchases of property, plant and equipment as per Statement of Cash Flows	**18,076**	**34,896**
Of the total:		
Department	10,968	28,314
NDPBs	7,108	6,582

Capital additions were £38.7 million (2011-12 £37.8 million) this excludes £(0.05) million (2011-12 £nil) of prior year additions expensed in 2012-13.

Land and buildings

		Land	Freehold Buildings	Leasehold Buildings	Total
		£000	£000	£000	£000
Cost or Valuation					
At 1 April 2012		1,284,213	9,355	1,589,441	2,883,009
Additions		494	273	822	1,589
Disposals		(41,632)	-	(22,441)	(64,073)
Impairments		-	-	-	-
Reclassifications		-	-	-	-
Revaluations	15d	(512,723)	(4)	(546,917)	(1,059,644)
At 31 March 2013		**730,352**	**9,624**	**1,020,905**	**1,760,881**
Depreciation					
At 1 April 2012		394,942	625	521,888	917,455
Charged in year		54,360	359	70,812	125,531
Disposals		(2,092)	-	(1,326)	(3,418)
Impairments		-	-	-	-
Reclassifications		-	-	-	-
Revaluations		-	7	(130)	(123)
At 31 March 2013		**447,210**	**991**	**591,244**	**1,039,445**
Carrying amount at 31 March 2013		**283,142**	**8,633**	**429,661**	**721,436**
Carrying amount at 31 March 2012		**889,271**	**8,730**	**1,067,553**	**1,965,554**
Of the total:					
Department		280,597	4,848	367,712	653,157
NDPBs		2,545	3,785	61,949	68,279
Carrying amount at 31 March 2013		**283,142**	**8,633**	**429,661**	**721,436**

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

c. 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.

d. The Department has changed the way the Fair Value of its Finance Leased Land and Buildings is calculated. Economic benefits are only received from the estate over the term of the lease. Therefore the Fair Value now excludes capitalised rentals beyond that period. As a result of this change, the net book value of Leasehold Land and Buildings at 31st March 2013 is £1,071m lower than it would have been under the previous methodology.

16. Intangible assets

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

	Note	Websites	Purchased Software Licences	Developed Software	Payments on Account and Assets Under Construction	Total
		£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2012		40,009	148,405	756,133	134,066	1,078,613
Additions		3	49,488	6,981	215,016	271,488
Disposals		-	(5,339)	(8,272)	-	(13,611)
Impairments		-	(5,776)	(37,135)	(43,515)	(86,426)
Reclassifications		-	3,742	44,017	(48,248)	(489)
Revaluations		173	21,571	8,730	-	30,474
At 31 March 2013		**40,185**	**212,091**	**770,454**	**257,319**	**1,280,049**
Amortisation						
At 1 April 2012		20,083	80,419	406,187	-	506,689
Charged in year	16a	8,021	30,882	82,718	-	121,621
Disposals		-	(5,002)	(8,270)	-	(13,272)
Impairments		-	(2,692)	(14,881)	-	(17,573)
Reclassifications		-	-	-	-	
Revaluations		86	9,086	4,471	-	13,643
At 31 March 2013		**28,190**	**112,693**	**470,225**	**-**	**611,108**
Carrying amount at 31 March 2013		**11,995**	**99,398**	**300,229**	**257,319**	**668,941**
Carrying amount at 31 March 2012		**19,926**	**67,986**	**349,946**	**134,066**	**571,924**
Of the total:						
Department		11,973	97,419	299,447	257,135	665,974
NDPBs		22	1,979	782	184	2,967
Carrying amount at 31 March 2013		**11,995**	**99,398**	**300,229**	**257,319**	**668,941**

	Note	Websites	Purchased Software Licences	Developed Software	Payments on Account and Assets Under Construction	Total
		£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2011		38,878	130,021	514,438	249,944	933,281
Additions		9	14,535	4,755	174,137	193,436
Disposals		-	(4,560)	(24,428)	(4)	(28,992)
Impairments		-	(2,081)	-	(27,767)	(29,848)
Reclassifications		-	10,275	252,286	(262,244)	317
Revaluations		1,122	215	9,082	-	10,419
At 31 March 2012		**40,009**	**148,405**	**756,133**	**134,066**	**1,078,613**
Amortisation						
At 1 April 2011		11,090	59,208	328,398	-	398,696
Charged in year	16a	8,658	26,663	95,694	-	131,015
Disposals		-	(4,309)	(23,163)	-	(27,472)
Impairments		-	(1,383)	-	-	(1,383)
Reclassifications		-	-	52	-	52
Revaluations		335	240	5,206	-	5,781
At 31 March 2012		**20,083**	**80,419**	**406,187**	**-**	**506,689**
Carrying amount at 31 March 2012		**19,926**	**67,986**	**349,946**	**134,066**	**571,924**
Carrying amount at 31 March 2011		**27,788**	**70,813**	**186,040**	**249,944**	**534,585**
Of the total:						
Department		19,894	53,881	349,621	114,511	537,907
NDPBs		32	14,105	325	19,555	34,017
Carrying amount at 31 March 2012		**19,926**	**67,986**	**349,946**	**134,066**	**571,924**

a. Total amortisation in the year consisted of £121.6 million (2011-12 £130.5 million) charged to the Statement of Comprehensive Net Expenditure and £nil (2011-12 £0.5 million) relating to assets purchased prior to 2012-13 charged to the General Fund.

b. The carrying amount that would have been recognised had the revalued classes of intangible assets been measured after recognition using the cost model is £630.8 million.

c. Cash flow reconciliation:

	2012-13	2011-12
	£000	£000
Capital payables and accruals at 1 April	35,488	63
Capital additions	271,492	192,940
Less: Leased capital additions	(2,365)	-
Capital payables and accruals at 31 March	(20,890)	(35,488)
Purchases of intangible assets as per Statement of Cash Flows	**283,725**	**157,515**
Of the total:		
Department	271,478	148,034
NDPBs	12,247	9,481

Capital additions were £271.5 million (2011-12 £192.9 million) this excludes £(4)k of prior year additions expensed in 2012-13. Capital additions in 2011-12 were £192.9 million this excludes £0.5 million of assets which had been purchased prior to 2011-12 but which had previously been charged as expenditure.

d. Intangible assets include £124.8m of software development within Assets under the course of Construction and £27.1m for software licences relating to the IT solution for Universal Credit

(UC). Since 29 April 2013, substantially all of these assets have been in use for the Pathfinder.

Assets under the course of construction are reviewed annually to determine if there is any indication of impairment. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. The FReM interpretation of value in use is assumed to equal the costs of replacing the service potential provided by the asset. If the carrying value of the asset is more than the recoverable amount, an impairment charge is recognised to this value. Following a comprehensive review of the software development code, components and licences, £40.1m of UC software code has been impaired following replacement or rework as a result of later policy simplification. The impairment was completed using all available evidence and management judgement on the use of assets. Management believe the carrying value of the UC asset to be a fair reflection of the asset's continued value to the organisation.

There remains uncertainty regarding the useful economic life of the UC software pending the development of an alternative digital solution. The current plan is for UC claimants to migrate from the current UC software to a replacement Digital system by the end of 2017. The Department will continue to monitor both the use and the useful life of the UC software.

The amortisation of UC software will commence from the date that it is brought into use; therefore no amortisation has been charged in the year ended 31 March 2013. The anticipated amortisation period for UC software development is 5 years from the commission date.

Software licences have been amortised since the purchase date in line with Departmental policy and will continue to be amortised to the end of their useful life.

17.Non-current assets impairment

	Note	2012-13 Core Dept	2012-13 Departmental Group	2011-12 Core Dept	2011-12 Departmental Group
		£000	£000	£000	£000
Charged to SoCNE					
Property, plant and equipment	15	842	842	(1,528)	(1,528)
Intangible assets	16	68,853	68,853	27,923	28,465
Transferred from Revaluation Reserve					
Intangible assets		-	-	-	(410)
Total		**69,695**	**69,695**	**26,395**	**26,527**

18.Financial assets

	2012-13	2011-12
	£000	£000
Working Links (Employment) Ltd	5,594	3,352
National Employment Savings Trust Corporation	239,317	171,128
HP Enterprise Services UK Ltd	-	324
New Enterprise Allowance	7,755	2,404
	252,666	**177,208**

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

The Department has made loans for the purposes of the New Enterprise Allowance and National Employment Savings Trust Corporation (NEST). The loan to NEST was provided for the purposes of set up and administration of the scheme.

	2012-13	2011-12
	£000	£000
Balance at 1 April	171,128	119,957
Additions	68,189	51,171
Loan repayments	-	-
Loans repayable within 12 months transferred to receivables	-	-
Balance at 31 March	**239,317**	**171,128**

19.Inventories

Inventories of £1.1 million (2011-12 £0.6 million) consist of publications, stationery and protective clothing in relation to the Health and Safety Executive. Of this total £0.7 million (2011-12 £0.3 million) relates to work in progress on research services projects.

20.Trade receivables, financial and other assets

(i) Analysis by type

	31 March 2013		31 March 2012	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Amounts falling due within one year				
Trade receivables	20,693	33,559	17,397	31,522
Deposits and advances	1,888	2,117	1,718	2,097
Amounts due from other government departments	31,121	30,102	41,358	42,971
Benefit overpayments	252,031	252,031	231,823	231,823
Housing & Council Tax Benefit	209,483	209,483	170,796	170,796
Prepayments	990,238	1,017,488	827,584	849,106
Social Fund	430,321	430,321	444,698	444,698
European Social Fund & Other EU receivables	332,864	332,864	498,736	498,736
VAT	73,196	75,872	57,236	60,390
Current part of the HP loan	270	270	4,321	4,321
Amounts due from the Consolidated Fund	512,955	512,955	22,651	22,651
Other receivables	15,245	15,609	25,803	26,482
Gross receivables	**2,870,305**	**2,912,671**	**2,344,121**	**2,385,593**
Less: Provision for impairment	(94,687)	(95,907)	(71,219)	(73,878)
Net receivables	**2,775,618**	**2,816,764**	**2,272,902**	**2,311,715**

	31 March 2013		31 March 2012	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Amounts falling due after more than one year				
Deposits and advances	215	311	274	358
Prepayments and accrued income	20,000	20,000	25,000	25,000
Benefit overpayments	2,131,666	2,131,666	2,073,871	2,073,871
Social Fund loans	773,275	773,275	787,654	787,654
Other receivables	711	1,608	710	1,692
Gross receivables	**2,925,867**	**2,926,860**	**2,887,509**	**2,888,575**
Less: Provision for impairment	(1,599,438)	(1,599,438)	(1,643,080)	(1,643,080)
Net receivables	**1,326,429**	**1,327,422**	**1,244,429**	**1,245,495**
Total net receivables	**4,102,047**	**4,144,186**	**3,517,331**	**3,557,210**

(ii) Intra-Government balances

Amounts falling due within one year

		31 March 2013		31 March 2012	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Balances with other central government bodies		684,782	692,629	184,132	186,266
Balances with local authorities		211,563	211,748	176,124	176,222
Balances with NHS bodies		454	520	95	101
Balances with public corporations and trading funds		32	339	25,599	25,818
Intra-government balances		**896,831**	**905,236**	**385,950**	**388,407**
Balances with bodies external to government		1,878,787	1,911,528	1,886,952	1,923,308
Total receivables at 31 March	20(i)	**2,775,618**	**2,816,764**	**2,272,902**	**2,311,715**

Amounts falling due after one year

		31 March 2013		31 March 2012	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Balances with bodies external to government		1,326,429	1,327,422	1,244,429	1,245,495
Total receivables at 31 March	20(i)	**1,326,429**	**1,327,422**	**1,244,429**	**1,245,495**

21.Cash and cash equivalents

	31 March 2013		31 March 2012	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Balances at 1 April	(269,429)	(256,389)	291,298	294,577
Net change in cash and cash equivalent balances	(70,290)	(82,128)	(560,727)	(550,966)
Balances at 31 March	**(339,719)**	**(338,517)**	**(269,429)**	**(256,389)**
Represented by:				
Cash and cash equivalents	207,011	213,264	329,499	342,583
Bank Overdraft and paying agent control	(546,730)	(551,781)	(598,928)	(598,972)
	(339,719)	**(338,517)**	**(269,429)**	**(256,389)**

The following balances at 31 March were held at:

		31 March 2013		31 March 2012	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Government Banking Services		(350,352)	(355,402)	(315,472)	(315,493)
Commercial banks and cash in hand		30,712	36,964	20,209	33,270
Paying agent control	22	(20,079)	(20,079)	25,834	25,834
		(339,719)	**(338,517)**	**(269,429)**	**(256,389)**

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

22.Trade payables and other current liabilities

(i) Analysis by type

		31 March 2013		31 March 2012	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Taxation and social security		48,834	53,201	47,074	55,196
Superannuation		38,424	41,190	34,085	39,551
Trade payables:					
Non capital		68,764	69,528	28,161	30,229
Capital		-	63	-	111
Amounts due to other government departments		36,434	36,435	34,580	34,804
Accruals and deferred income:		3,097,581	3,124,096	3,106,397	3,176,696
Capital accruals		22,697	22,939	34,316	37,506
Bank overdrafts		526,651	531,702	598,928	598,972
Paying agent control	21	20,079	20,079	-	-
Imputed finance lease element of on-Statement of Financial Position PFI contracts		95,887	97,436	98,971	100,401
Finance lease obligations		27,224	27,224	30,540	30,540
CFERs due to be paid to the Consolidated Fund – received		295	295	185	506
Third party payments		47,801	47,801	65,227	65,227
European Social Fund & other EU payables		222,071	222,071	475,019	475,019
Other payables		40,142	49,484	44,779	61,257
		4,292,884	**4,343,544**	**4,598,262**	**4,706,015**

	Note	31 March 2013 Core Dept	31 March 2013 Departmental Group	31 March 2012 Core Dept	31 March 2012 Departmental Group
Amounts falling due after more than one year					
Imputed finance lease element of on-Statement of Financial Position PFI contracts		433,948	537,517	575,832	680,951
Finance lease obligations		91,123	91,123	100,935	100,935
European Social Fund	22a	183,576	183,576	174,300	174,300
Other Payables		-	750	-	1,144
		708,647	**812,966**	**851,067**	**957,330**
Total payables		**5,001,531**	**5,156,510**	**5,449,329**	**5,663,345**

a. Balances due over one year of £183.6 million (31 March 2012 £174.3 million) consist of monies paid to the Department by the EU relating to European Social Fund. These advances are due to be paid back when final claims are agreed for the 2007-13 Programme which is expected to be in 2015-16.

b. Included in the Statement of Financial Position is a credit balance of £1,066.6 million (31 March 2012 £905.6 million) which represents the current account balance with the NIF. This is held within several ledger balances due to the nature of the relationship between the Department and the NIF.

(ii) Intra-Government balance

Amounts falling due within one year

	Note	31 March 2013 Core Dept £000	31 March 2013 Departmental Group £000	31 March 2012 Core Dept £000	31 March 2012 Departmental Group £000
Balances with other central government bodies		350,800	359,272	187,817	204,903
Balances with local authorities		359,979	360,048	404,171	404,179
Balances with NHS bodies		24,546	24,582	18	18
Balances with public corporations and trading funds		4,526	4,736	10,514	10,800
Intra-government balances		**739,851**	**748,638**	**602,520**	**619,900**
Balances with bodies external to government		3,553,033	3,594,906	3,995,742	4,086,115
Total payables at 31 March	22(i)	**4,292,884**	**4,343,544**	**4,598,262**	**4,706,015**

Amounts falling due after one year

	Note	31 March 2013 Core Dept £000	31 March 2013 Departmental Group £000	31 March 2012 Core Dept £000	31 March 2012 Departmental Group £000
Balances with bodies external to government		708,647	812,966	851,067	957,330
Total payables at 31 March	22(i)	**708,647**	**812,966**	**851,067**	**957,330**

23.Provisions for liabilities and charges

	Note	31 March 2013 Core Dept £000	31 March 2013 Departmental Group £000
FAS provision	23a	3,950,108	3,950,108
Other provisions	23b	7,611	10,028
Early departure provision and pension commitments		1,585	1,614
		3,959,304	**3,961,750**

(i) Analysis by type

FAS provision	Core Dept	2012-13 Departmental Group
	£000	£000
Balance at 1 April 2012	3,857,328	3,857,328
Provided in year	173,662	173,662
Provisions not required written back	-	-
Utilised in year	(108,971)	(108,971)
Borrowing costs (unwinding of discount)	28,089	28,089
Balance at 31 March 2013	**3,950,108**	**3,950,108**

Other provisions	Core Dept	2012-13 Departmental Group
	£000	£000
Balance at 1 April 2012	13,386	19,989
CMEC provision transferred in	1,932	-
Provided in year	1,796	2,672
Provisions not required written back	(8,048)	(10,156)
Utilised in year	(2,002)	(3,012)
Borrowing costs (unwinding of discount)	547	535
Balance at 31 March 2013	**7,611**	**10,028**

Early departure provision and pension commitments	Core Dept	2012-13 Departmental Group
	£000	£000
Balance at 1 April 2012	48,200	48,229
Provided in year	2,319	2,441
Provisions not required written back	(629)	(632)
Utilised in year	(49,139)	(49,258)
Borrowing costs (unwinding of discount)	834	834
Balance at 31 March 2013	**1,585**	**1,614**

a. The Financial Assistance Scheme (FAS) provides assistance to members of defined benefit occupational pension schemes that wound up under-funded when their employers became insolvent during the period 1 January 1997 to 5 April 2005, before the introduction of the Pension Protection Fund. FAS assets are disclosed in the FAS Trust statement (page 149).

   Regulations came into force in April 2010 to allow for remaining assets to be transferred from FAS qualifying schemes to Government. The liabilities for the FAS payments associated with these asset transfers will eventually be added to this provision but only when the assets are actually received by Government. Since April 2010, £669 million of FAS assets and equivalent liabilities have been transferred to Government, including £345.8 million during the year ended 31 March 2013, £273.1 million during the year ended 31st March 2012 and £50.1 million during the year ended 31st March 2011.

   The value of the provision as at 31 March 2013 has been impacted by the following:
   - The FAS long term forecasting model has used a larger data set of 84,818 members in 2012-13 (2011-12 data set 44,254 members);
   - Scheme membership data is continually assessed to ensure that it is accurate and legislative requirements are being fulfilled. As a result, these reassessments have led to continuing higher payments to members; and
   - The inflation rates used to discount the provision: Short term (0 - 5 years) -1.8%; Medium term (6- 10 years) -1.0%; Long term (Beyond 10 years) 2.2%.

b. Other provisions mainly comprise onerous contracts and refurbishment work required on vacation of leased properties and termination costs in respect of other contracts, and the expected future costs of Industrial Injuries Benefit permanent allowance payments to Departmental employees injured at work and unable to perform their job as a result. For the latter the amount provided for each individual is based on life expectancy taken from the Interim Life tables produced by the Government Actuary's Department, and discounted at the HM Treasury discount rate of 2.35 per cent (2011-12 2.8 per cent) in real terms.

During 2012-13 an assessment against IAS 37 was undertaken on all benefit-related provisions. As a result, remaining provisions, after in-year utilisation, in respect of Compensation Recoveries, the Child Poverty Action Group and Debt Relief Orders were all written-back. Details of Compensation Recoveries are now disclosed within Contingent Liabilities (Note 30).

(ii) Analysis of expected timing of discounted flows

	Early Departure Provision		FAS Provisions		Other Provisions		Total	
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000	£000	£000	£000	£000
Not later than one year	878	899	91,007	91,007	581	730	92,466	92,636
Later than one year and not later than five years	687	695	471,625	471,625	2,650	2,650	474,962	474,970
Later than five years	20	20	3,387,476	3,387,476	4,380	5,376	3,391,876	3,392,872
Balance at 31 March 2013	**1,585**	**1,614**	**3,950,108**	**3,950,108**	**7,611**	**8,756**	**3,959,304**	**3,960,478**

This table does not include the HSE Pension liability of £1.272 million.

24.Financial instruments

(i) Financial instruments

All Financial Assets are categorised as 'Loans and Receivables' except for the Department's investment in Working Links Employment Ltd. amounting to £5.6 million (2011-12 £3.4 million) which is categorised as 'Available for Sale'.

		31 March 2013		31 March 2012	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note	£000	£000	£000	£000
Financial Assets					
Loan and Investments		253,520	253,520	182,034	182,034
Other receivables		69,873	83,306	87,260	105,122
Cash and cash equivalents	21	207,011	213,264	329,499	342,583
Benefit overpayments		2,593,180	2,593,180	2,476,490	2,476,490
Social Fund		1,203,596	1,203,596	1,232,352	1,232,352
European Social Fund & Other EU receivables		332,864	332,864	498,736	498,736
Total		**4,660,044**	**4,679,730**	**4,806,371**	**4,837,317**
Less provision for impairment		**(1,694,709)**	**(1,695,929)**	**(1,714,804)**	**(1,717,463)**
		2,965,335	**2,983,801**	**3,091,567**	**3,119,854**

	Note	31 March 2013 Core Dept	31 March 2013 Departmental Group	31 March 2012 Core Dept	31 March 2012 Departmental Group
		£000	£000	£000	£000
Financial liabilities					
Other payables		3,265,618	3,303,295	3,248,233	3,341,747
Bank overdraft	21	526,651	531,702	598,928	598,972
European Social Fund and Other EU payables		405,647	405,647	649,319	649,319
Total		**4,197,916**	**4,240,644**	**4,496,480**	**4,590,038**

(ii) Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair value. The book values of the Department's financial assets and liabilities at 31 March 2013 are not materially different from their fair values. They have accordingly not been shown separately.

(iii) Exposure to risk

Due to the largely non-trading nature of its activities and the fact that the cash requirements of the Department are met through the Estimates process, the Department is not exposed to the degree of financial risk faced by commercial business entities. Moreover, financial instruments play a much more limited role in creating or managing risk than would apply to a non-public sector body of a similar size. The Department is therefore exposed to little credit, liquidity, market or interest rate risk.

Foreign currency risk
Due to the time delay between preparation of claims and receipt of funds in respect of the ESF and between advance payment and final settlement, the Department is exposed to movements in the Euro/Sterling exchange rate. Other than this, the Department's exposure to foreign currency risk is not significant.

(iv) Aged analysis of financial assets

Financial assets that are past due but not impaired are analysed below:

	0-30 days past due	30-60 days past due	60-90 days past due	90-180 days past due	180-360 days past due	Total
	£000	£000	£000	£000	£000	£000
Trade receivables	586	1,493	475	421	1,077	**4,052**
Amounts due from Other Government Departments	2,091	210	16	63	772	**3,152**
Other receivables	283	231	190	131	147	**982**
As at 31 March 2013	**2,960**	**1,934**	**681**	**615**	**1,996**	**8,186**
Of the total:						
Department	2,345	434	298	212	970	**4,259**
NDPBs	615	1,500	383	403	1,026	**3,927**
	2,960	**1,934**	**681**	**615**	**1,996**	**8,186**

The above table relates to administration receivables only.

25.Capital commitments

	31 March 2013 Core Dept	31 March 2013 Departmental Group	31 March 2012 Core Dept	31 March 2012 Departmental Group
	£000	£000	£000	£000
Property, plant and equipment	2,221	2,704	-	412
Intangible assets	7,797	7,800	4,223	4,230
	10,018	**10,504**	**4,223**	**4,642**

26.Commitments under non-PFI leases

(i) Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

						31 March 2013
	Land		Buildings		Other	
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000	£000	£000
Not later than 1 year	575	622	1,610	6,460	2,859	3,177
Later than 1 year and not later than 5 years	2,302	2,302	2,682	13,643	2,222	2,714
Later than 5 years	5,374	5,374	7,585	22,072	-	115
	8,251	**8,298**	**11,877**	**42,175**	**5,081**	**6,006**

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

(ii) Finance leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods:

				31 March 2013
	Buildings		Other	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Gross Liabilities				
Not later than 1 year	8,206	8,206	26,972	26,972
Later than 1 year and not later than 5 years	32,825	32,825	22,851	22,851
Later than 5 years	85,081	85,081	-	-
Total gross liabilities	**126,112**	**126,112**	**49,823**	**49,823**
Less: interest element	(53,819)	(53,819)	(3,769)	(3,769)
Present value of obligations	**72,293**	**72,293**	**46,054**	**46,054**

	Buildings		31 March 2013 Other	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Present value of obligations				
Not later than 1 year	2,611	2,611	24,613	24,613
Later than 1 year and not later than 5 years	12,684	12,684	21,441	21,441
Later than 5 years	56,998	56,998	-	-
	72,293	**72,293**	**46,054**	**46,054**

	Buildings		31 March 2012 Other	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Gross Liabilities				
Not later than 1 year	8,206	8,206	30,714	30,714
Later than 1 year and not later than 5 years	32,825	32,825	30,222	30,222
Later than 5 years	93,288	93,288	-	-
Total gross liabilities	**134,319**	**134,319**	**60,936**	**60,936**
Less: interest element	(59,605)	(59,605)	(4,175)	(4,175)
Present value of obligations	**74,714**	**74,714**	**56,761**	**56,761**

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

Newcastle Estates accommodation

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

IT Services

The Department has two contracts for IT hardware, software and associated maintenance services. The first contract commenced in August 2005 to run for an initial period of five years with options to extend. The following extensions to the contract have been agreed:

- Hosting Services to February 2015
- Service Integration and Management to February 2015
- Application Maintenance and Support to February 2016
- Application Development to February 2016.

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

Integrated Communications Network Services

The Department has a contract for a fully serviced IT and telephony network. The contract commenced on 1 October 2005 and continues until March 2014.

Sustainable Print Services

The Department has entered into a contract for the supply of multi-function devices. The contract runs from January 2010 until the end of June 2014.

27. Commitments under PFI contracts and other service concession arrangements

The transactions arising out of the following contracts have been assessed under IFRIC 12 ‘Service Concession Arrangements’ and have been accounted for in accordance with the FReM. As the balance of control of the assets are borne by the Department or the Department’s NDPBs, rather than the PFI provider, the assets provided under the contracts are recognised as non-current assets in the Statement of Financial Position and the liabilities to pay for these assets are accounted for as finance leases. Contract payments are attributable to either the service charge element or the capital repayment and interest element of the contracts.

Private sector Resource Management of the Estate (PRIME)

The Department has a PFI Partnership Agreement under which the former Department of Social Security transferred ownership and management of its estate to a private sector partner, in exchange for the provision of fully serviced accommodation. The contract runs from 1 April 1998 to 31 March 2018.

HSE Merseyside Headquarters – Redgrave Court

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

HSL accommodation

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

HSE IT services

HSE has streamlined the management of its IT service by placing all of its IT services with a single strategic partner who has responsibility for delivery and end-to-end service. In June 2001, HSE signed a ten-year contract with a partner (LogicaCMG with Computacenter as the key subcontractor) for the provision of information and communications technology and information strategy service across all HSE sites and to all HSE users. This contract has been extended to June 2013, after which a new, 3 year IT services supply contract with Steria UK Plc will come into force.

Total obligations for those PFI contracts recognised as non-current assets on the Statement of Financial Position for the following periods comprise:

	31 March 2013		31 March 2012	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	120,643	130,828	135,790	145,975
Later than 1 year and not later than 5 years	482,266	523,500	543,159	584,252
Later than 5 years	-	183,404	135,556	329,286
Total gross obligations	**602,909**	**837,732**	**814,505**	**1,059,513**
Less Interest element	(73,074)	(202,779)	(139,702)	(278,161)
Present value of obligations	**529,835**	**634,953**	**674,803**	**781,352**

	31 March 2013		31 March 2012	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Present value of obligations				
Not later than 1 year	95,887	97,436	98,971	100,401
Later than 1 year and not later than 5 years	433,948	442,119	465,214	472,622
Later than 5 years	-	95,398	110,618	208,329
	529,835	**634,953**	**674,803**	**781,352**

Charge to the Statement of Comprehensive Net Expenditure and future commitments

Contingent rent of £53.0 million (2011-12 £47.9 million) is included in the SoCNE. The contingent rent figures, as at the 31 March 2013, are based on a 2.98 per cent per annum increase on the 31 March 2012 rental figure, as the rental payments within the PRIME lease contract are linked to the RPI.

28.Other financial commitments

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

	31 March 2013		Restated 31 March 2012	
	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	451,312	451,312	564,856	564,856
Later than 1 year and not later than 5 years	470,379	470,379	885,076	885,076
Later than 5 years	3,432	3,432	24,701	24,701
	925,123	**925,123**	**1,474,633**	**1,474,633**

29.Financial guarantees, indemnities and letters of comfort

Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees or indemnities or by giving letters of comfort. None of these are a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. Therefore they have been measured following the requirements of IAS 39.

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

	1 April 2012	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2013	Amount reported to Parliament by Departmental Minute
	£000	£000	£000	£000	£000	£000
Letters of comfort and Letters of intent	903,000	415,600	-	903,000	415,600	-
Financial Guarantee	-	1,895	1,032	-	863	-
	903,000	**417,495**	**1,032**	**903,000**	**416,463**	**-**

Explanation of movements

The items comprising these figures are reported as Contingent Liabilities for internal reporting purposes only and refer to instances where commercial cover has been provided to a supplier prior to contract signature. They have arisen within the normal course of business.

As at the 31 March 2013 there are 2 Letters of Comfort (LOC) and 1 Financial Guarantee in place.

(i) A LOC was issued on the 15 May 2012 to the Independent Living Fund to guarantee that funding of £330.7 million will be made available to cover all financial obligations of the Independent Living Fund incurred before 31 March 2012, as they fall due up to March 2013. This includes ongoing support to individual claimants who were already in receipt of funding or had a firm offer of funding before 31 March 2011.
(ii) A LOC was issued on the 1 September 2012 to Remploy Ltd to guarantee that core funding of £84.9 million will be made available to cover all financial obligations of Remploy Ltd including the transition costs until 31 March 2013.

(iii) A Financial Guarantee was issued to 6 Councils that are participating in the Universal Credit Demonstration Project (Housing Benefit Pilot scheme). This will guarantee rent arrears incurred by participating landlords will be paid by the Department.

30.Contingent liabilities disclosed under IAS 37

Remploy Limited

In the event of Remploy Limited becoming insolvent, the Secretary of State has agreed to pay Remploy Limited a sum equal to its remaining debts and to cover any shortfall in its pension provision.

European Social Fund (ESF) repayments

The Audit Authority produces an annual control report and opinion for the EU. The opinion is largely based on the amount of error found during checks of claims submitted by the Department, as managing authority of the ESF in England and Gibraltar, to the EU. If this exceeds the EU’s defined 2 per cent tolerable error the opinion is likely to be qualified, with the risk that the EU would impose a financial correction, which may not be recoverable.

The 2012 annual opinion is qualified and the estimated financial correction is £2.7 million, although £2.5 million of this amount is expected to be recovered from the Skills Funding Agency.

A further risk arises because ESF commitments are made in sterling, whereas funds are reimbursed from the EU in euros and are fixed at the start of the seven year programme.

Financial Assistance Scheme (FAS)

Regulations came into force in April 2010 enabling the transfer to Government of FAS qualifying pension scheme assets and their associated pension liabilities. As a result, the FAS pension provision (note 23a) will increase as the assets and the associated liabilities transfer. It is estimated that the total value of the assets transferred to Government will reach £1.7 billion. However, until the assets transfer it is not possible to estimate the impact on the FAS pension liability.

Transfer of State Pensions and Benefits

In 2007, regulations were put in place to allow staff employed in certain EU institutions to transfer an enhanced cash value of potential entitlement to the state pension and other contributory benefits to the Pension Scheme for Officials and Servants of Community Institutions. Until the transfer value has been calculated, a contingent liability arises. The overall time limit is 10 months between the date of application and the transfer payment, however the limits can be extended if needed.

Since 2007, 1,155 transfer applications have been received, 80 per cent of which have resulted in transfer payments.

Compensation claims

The Department has contingent liabilities arising from compensation payments that may become due as a result of compensation claims against the Department by staff and members of the public. Claims relate to employment tribunal, personal injury and Civil Service Appeals Board cases. There is significant uncertainty surrounding the estimated liability and the timing of payments, which can fluctuate based on various factors such as medical evidence received, witness statements and whether claims proceed to trial or are settled early.

IT Supplier Dispute

The Department has a contingent liability arising from a dispute with one of its suppliers. The Department terminated a contract in 2011 for IT services provided by the supplier and is currently involved in negotiations together with the Cabinet Office with them to offset the financial impact to the Department of this termination.

Negotiations continue and the information usually required by IAS 37 is not being disclosed because the Department believes that to do so would seriously prejudice the outcome.

Fixed Term Appointments

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

3,678 FTA employees whose contracts of employment had been extended beyond 2 years have been released by the Department since 2008. However, as the Department's liability will depend on the number of future qualifying cases brought, the value of the liability cannot be estimated with any certainty.

Compensation Recovery

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

31. Losses and Special Payments [1]

	2012-13				2011-12			
	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group	Core Dept	Departmental Group
	£000	£000	Cases	Cases	£000	£000	Cases	Cases
Losses	654,131	656,954	1,679,172	1,681,542	579,945	602,136	1,455,968	1,474,173
Special Payments	6,947	7,399	14,783	16,477	16,453	18,233	36,793	41,729

Details of cases over £250,000

	2012-13 £000

(i) Cash Losses

Reimbursement of Child Maintenance overpayments 4,632

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

Return to Work Credit and In Work Credit overpayments 1,530

During 2012-13, the Department reviewed administration debt relating to overpayments of Return to Work Credit and In Work Credit allowances. This review resulted in the identification and subsequent write off of 18,980 overpayments which were either low value and uneconomical to pursue, or were owed by individuals deemed to be vulnerable.

Employment Programme Losses 1,264

The Department provides funds to some claimants to buy items needed to attend a job interview. Where claimants do not provide receipts, or provide incomplete or incorrect receipts to provide claim validation, the funding is treated as a loss.

Child Maintenance Group (CMG) Office Closure Costs 471

Between February and September 2012, CMG incurred costs on an office which was left empty. These costs have been disclosed as a loss. The building was successfully re-let in September 2012 when all obligations for the office ended.

(ii) Bookkeeping Loss

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

Social Fund Computer System 7,065

Following a review of funeral payment debtor balances, an adjustment is required to align accounting entries to the total value of claimant debt on the Social Fund computer system.

(iii) Realised Exchange Rate Fluctuation

European Social Fund (ESF) 104,879

The Department carries exchange rate risk on ESF transactions due to timing differences between paying out claims in Sterling and reclaiming funding from the EC in Euros. During year there were exchange rate losses of £104.9 million and exchange rate gains of £ 99.8 million.

(iv) Constructive Losses

Employment Programme Management Information Project 1,201

Following a value for money review, a decision was taken to discontinue work on the strategic release within the Employment Programme MI project. Whilst costs incurred of £1.2 million have been treated as a loss, discontinuing this work is expected to save £5 million.

Software Licences 1,374

No alternative use can be found for software licences, originally purchased for a project that was cancelled in 2012.

Universal Jobmatch Service Delay 2,310

Compensation was paid to a supplier following revisions to the project timetable that resulted in a delay to the contracted start date of the Universal Jobmatch Service.

IT Supplier Disputes 1,942

A settlement was reached in relation to a supplier seeking compensation in respect of IT work undertaken without commercial cover during 2011.

Resource Management (RM) Supplier Costs 2,790

The Department entered into contracts with new suppliers for RM Hosting and Application Maintenance. Subsequently, a decision was made to delay the transition of RM hosting to a new supplier because of the need to prioritise the implementation of pension legislation changes for Departmental staff and to protect a critical business change release to RM, requiring those new contracts to be cancelled. Costs of £2.79 million relating to transitional work already undertaken by those suppliers on hosting and application maintenance have been recognised as a constructive loss.

Oracle Projects Closure

In March 2013 the Department took the decision to close the Oracle Project Accounting strand of the RM Development Programme. Expenditure already incurred on the strand has been recognised as a loss. 4,846

Universal Credit 41,421

The Department embarked on a programme called Universal Credit in 2010 using an "agile" approach to the development of the new IT system, in parallel with the policy development leading to the Welfare Reform Act 2012. £41.4 million of expenditure on code development (of which £40.1 million was capitalised) was subsequently replaced or reworked including as a result of later policy simplification.

Enquiry Service 34,948

The Enquiry Service aimed to secure cost savings in operations through the provision of a single telephony process designed to deal with multi-benefit enquiries and changes of circumstances. Since the programme began, however, there has been significant efficiency improvement in operations to the extent that future use of the Enquiry Service is no longer value for money. This has resulted in a loss of £34.9 million which includes £26.3 million of impaired assets.

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

General losses 356,375

General losses are mainly due to non recoverable overpayments of benefit which the Department does not have the legal right to pursue or cannot enforce repayment. These are written off during the year where monies cannot be recovered. This represents 0.21% of benefit spend.

Customer Fraud 6,361

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

State Pension Reduction 1,184

In 2000, part time working customers were given the opportunity to apply for backdated membership to their employer occupational pension scheme. If successful, the impact on the individual pensioner's State Pension would generally be a reduction, resulting in overpayment. The amount of State Pension overpayment, after offsetting against a refund of NI contributions, will not have to be repaid and will therefore be written off. Around 2,500 pensioners at present have taken up this option.

6,492

Incorrect payment of Disability Living Allowance or Attendance Allowance

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

Disability Living Allowance or Attendance Allowance alongside their State Pension. Ministerial approval was obtained to correct errors and to waive recovery of overpayments. 1,575 cases were waived in 2012-13.

1,058

Duplicate Christmas Bonus

Duplicate Christmas Bonus payments can arise because more than one benefit system may generate that payment. The volume of duplicate payments during 2012-13 is 84,585.

885

Housing and related benefits

The Secretary of State, in accordance with provision in section 140C (3) of the Social Security Administration Act 1992, may exercise his discretion in deciding as to whether, and if so, how much of Housing Benefit and Council Tax Benefit overpaid subsidies to recover from local authorities. In the exercise of his discretion the Secretary of State has, in relation to 196 local authorities, decided to waive recovery of overpaid subsidy estimated at £885k, in respect of 2006-07 to 2012-13 inclusive.

Child Poverty Action Group judicial review 1,251

On 25 October 2010, the Supreme Court upheld the judgement that the Department has no right to recover overpayments arising due to official error, where the error arose pursuant to an award of benefit.

The Department ceased deductions in all cases where recovery was ongoing and refunds were made where appropriate. The value of refunds in relation to the remaining cases in 2012-13 was £1.3 million. This exercise was completed in July 2012.

Social Fund 41,436

Low-cost funeral payments are made to a person who is in receipt of (or whose partner is in receipt of) a qualifying benefit or tax credit. Whilst they are recoverable from the estate of the deceased, the majority are written off because insufficient assets exist. During 2012-13, the Department wrote off 34,688 such payments with a total value of £41.4 million.

Budgeting and Crisis Loans are written off in a limited number of cases, subject to a set of strict criteria. During the year, 32,605 loans with a total value of £4 million were written off which represents less than 0.5 per cent of the total debt stock. 4,127

During the year, there were 9,072 irrecoverable grant overpayments, totalling £0.6 million that have been written off. 569

Independent Living Fund Grant 657

The Independent Living Fund seeks recovery of grants where incorrect information has led to incorrect payment, or where grants have not been used for their intended purpose. During 2012-13, the Fund wrote off 195 such grants where recovery was deemed to be unachievable.

(vi) Special Payments

Incorrect payment of Disability Living Allowance or Attendance Allowance 640

The Department identified 34,886 claimants at risk of being incorrectly paid Disability Living Allowance or Attendance Allowance alongside their State Pension. Throughout 2012-13 Special Payments were made to 1,941 claimants as financial redress.

Procurement Activity Costs 950

During the year a payment was made to compensate a supplier for reasonable costs incurred in connection with procurement activities.

(vii) Other Accountability Issues

Fraud

There were 33 internal fraud investigations completed in relation to salary, expenses, contract and other non-benefit losses, resulting in proven fraud of £80k.

In addition 21 investigations were completed on non-contributory and Jobseeker's Allowance (contributory) benefits, resulting in proven fraud of £144k.

A total of 4 investigations of potential fraud by Welfare to Work providers were completed between 1 April 2012 and 31 March 2013 which resulted in a case to answer. The total value of these cases was £73k.

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

Serious and Organised Fraud

The Fraud Investigation Service conducts investigations into organised and systematic abuse of the benefits system. 179 fraud investigations with a value of £10 million were concluded in 2012-13. Recovery action is taken at a local level and not recorded separately for disclosure.

32.Incorrect payments

Background

The Department has a responsibility to pay claimants the right benefits at the right time. Social Security legislation sets out the basis on which the Department calculates and pays benefits. The purpose of this legislation is to provide a regulatory framework within which we have to operate to provide support for those in need within society.

In many instances Parliament has targeted benefits to claimants' needs and circumstances to ensure an efficient use of overall resources. However, this introduces complexity and an inherent risk of fraud and error which, as a consequence, results in incorrect payments being made in a minority of cases. This complexity has resulted in the Department administering over 27 benefits, at more than 300 different rates, at any one time. Despite these challenges, the Department correctly pays approximately 97 per cent of benefit expenditure.

Overall performance

The Department remains committed to reducing fraud and error in benefits. The latest 2012-13 fraud and error preliminary estimates, published on 9 May 2013, show that the value of benefit overpaid has increased from £3.2 billion in the 2011-12 preliminary estimates to £3.5 billion; the proportion overpaid has also increased from 2.0 per cent to 2.1 per cent of total benefit expenditure. The value of benefit underpaid has increased from £1.3 billion in the 2011-12 preliminary estimates to £1.4 billion; the proportion underpaid has also increased from 0.8 per cent to 0.9 per cent. However, these changes are not statistically significant and are likely to be due to sampling variance rather than real change over time. Please see figures 1-4 below for more detail.

In October 2010, the Department, along with HMRC first set out the Government commitment to reduce annual welfare fraud and error overpayments by over 25 per cent (or £1.4 billion) by March 2015. In February 2012 the Department published a strategy refresh in a joint report with HMRC and the Cabinet Office updating its plans to tackle fraud and error in the tax credit and benefit systems. The strategy is being implemented by the Fraud and Error Programme. This Programme is a key part of the Government's Welfare Reform Agenda. It aims to ensure fairness to benefit claimants and to taxpayers, ensuring that people with a genuine claim get the right money and support, whilst preventing and correcting fraud and error. It will also seek to ensure that those who do defraud the system are punished, whilst deterring those who try to abuse the system in the future.

The Department has introduced legislative changes for the new Penalties Regime from the Welfare Reform Bill which received Royal Assent on 8 March 2012. The new penalties regime has successfully implemented the new Administrative Penalty which came into effect on 8 May and Civil Penalties legislation came into force on 1 October 2012. We have put in place a programme of Case Cleansing the major benefits, which is achieving much success in identifying and correcting claims that have become incorrect.

Through 2013-14 the Department will continue to deliver changes to the way Fraud and Error is managed by the Department. We have started the shift to a new "risk based" prevention strategy for managing customer transactions, combining new IT and a blend of analytical/intelligence capability (Integrated Risk and Intelligence Service). The first stage has involved work to

implement new "pre-claim" checks to provide counter-fraud measures in line with the rollout of Universal Credit and Personal Independence Payment, the more strategic capability will be informed by the needs of Universal Credit. We will also be running further pilots for the Single Fraud Investigation Service (SFIS) to test the design of a single investigation process and prosecution policy covering the totality of welfare benefit fraud.
.
The Department's best estimates of the current levels of fraud and error in the benefits system are set out in Figures 1-4 below[1]. Please refer to the end notes below the tables when interpreting these figures.

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

Estimated overpayments	Percentage 2012-13		Amount 2012-13		Percentage 2011-12		Amount 2011-12	
Overpayments								
Fraud	0.7%	(0.6,1.1)	£1.2bn	(1.0,1.8)	0.7%	(0.6,1.0)	£1.1bn	(0.9,1.6)
Claimant Error	0.9%	(0.8,1.2)	£1.6bn	(1.3,2.0)	0.8%	(0.7,1.0)	£1.3bn	(1.1,1.7)
Official Error	0.4%	(0.4,0.6)	£0.7bn	(0.6,1.1)	0.5%	(0.4,0.7)	£0.8bn	(0.6,1.1)
Underpayments								
Fraud	0.0%	(0.0,0.0)	£0.0bn	(0.0,0.0)	0.0%	(0.0,0.0)	£0.0bn	(0.0,0.0)
Claimant Error	0.6%	(0.3,0.8)	£0.9bn	(0.6,1.4)	0.5%	(0.3,0.8)	£0.9bn	(0.5,1.3)
Official Error	0.3%	(0.2,0.4)	£0.5bn	(0.4,0.6)	0.3%	(0.2,0.4)	£0.4bn	(0.3,0.6)
Total Overpayments	2.1%	(1.8,2.5)	£3.5bn	(3.1,4.2)	2.0%	(1.7,2.4)	£3.2bn	(2.8,3.8)
Total Underpayments	0.9%	(0.6,1.1)	£1.4bn	(1.0,1.9)	0.8%	(0.6,1.1)	£1.3bn	(0.9,1.7)
Total Expenditure			£166.8bn				£159.0bn	

Some totals may not sum due to rounding

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

Income-related benefits		Income Support		Jobseeker's Allowance[2]		Pension Credit		Housing Benefit	
Expenditure	2012-13	£5.5bn		£5.2bn		£7.6bn		£23.8bn	
	2011-12	£7.1bn		£5.0bn		£8.2bn		£22.7bn	
Within which are estimated:									
Total overpayments	2012-13	4.6%	£250m	4.2%	£220m	5.5%	£420m	5.3%	£1,270m
	2011-12	4.4%	£320m	5.0%	£250m	5.6%	£460m	4.4%	£1,000m
Total underpayments	2012-13	1.1%	£60m	0.3%	£10m	2.1%	£160m	1.3%	£300m
	2011-12	1.1%	£80m	0.4%	£20m	1.8%	£150m	1.2%	£280m
Analysed between:									
Fraud overpayment	2012-13	2.6%	£140m	2.9%	£150m	2.0%	£150m	1.5%	£350m
	2011-12	2.7%	£190m	2.8%	£140m	1.5%	£120m	1.4%	£310m
Claimant error overpayment	2012-13	1.3%	£70m	0.6%	£30m	1.8%	£140m	3.3%	£790m
	2011-12	1.0%	£70m	0.6%	£30m	2.0%	£170m	2.6%	£600m
Official error overpayment	2012-13	0.7%	£40m	0.7%*	£40m	1.7%	£130m	0.6%	£130m
	2011-12	0.8%	£50m	1.7%	£80m	2.1%	£170m	0.4%	£90m

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

Figure 3: State Pension and disability benefits

State Pension and disability benefits		Disability Benefits: Incapacity Benefit		Disability Benefits: Disability Living Allowance		State Pension	
Expenditure	2012-13	£3.3bn		£13.5bn		£79.9bn	
	2011-12	£5.0bn		£12.6bn		£74.2bn	
Within which are estimated:							
Total overpayment	2012-13	2.4%	£80m	1.9%	£250m	0.1%	£110m
	2011-12	2.4%	£120m	1.9%	£240m	0.1%	£100m
Total underpayment	2012-13	0.7%	£20m	2.5%	£340m	0.2%	£180m
	2011-12	0.7%	£30m	2.5%	£320m	0.2%	£150m
Analysed between:							
Fraud overpayment	2012-13	0.3%	£10m	0.5%	£70m	0.0%	£0m
	2011-12	0.3%	£10m	0.5%	£60m	0.0%	£0m
Claimant error overpayment	2012-13	0.9%	£30m	0.6%	£80m	0.1%	£70m
	2011-12	0.9%	£40m	0.6%	£80m	0.1%	£60m
Official error overpayment	2012-13	1.2%	£40m	0.8%	£100m	0.1%	£50m
	2011-12	1.2%	£60m	0.8%	£100m	0.0%	£40m

Figure 4: Level of fraud and error in other benefits

Benefit		Expenditure	Fraud & error overpayments		Fraud & error underpayments	
Carer's Allowance	2012-13	£2.0bn	5.5%	£110m	0.1%	£0m
	2011-12	£1.8bn	5.5%	£100m	0.1%	£0m
Interdependencies	2012-13			£50m		
	2011-12			£50m		
Council Tax Benefit	2012-13	£4.9bn	4.7%	£230m	1.1%	£50m
	2011-12	£4.9bn	4.0%	£200m	1.1%	£50m
Other Un-reviewed	2012-13	£21.1bn	2.5%	£530m	1.4%	£310m
	2011-12	£17.6bn	2.2%	£390m	1.3%	£230m

Notes to the tables at Figures 1-4 above:

1. Source of 2012-13 data: DWP National Statistics: Fraud and Error in the Benefit System: Preliminary 2012-13 Estimates. Figures are based on fraud and error National Statistics for the period covering October 2011 – September 2012 and estimated benefit expenditure for 2012-13. Source of the 2011-12 data: DWP National Statistics: Fraud and Error in the Benefit System: Preliminary 2011-12 Estimates. Figures are based on fraud and error National Statistics for the period covering October 2010 – September 2011 and estimated benefit expenditure for 2011-12.

The preliminary figures are presented here for direct comparison with last year's ARA. Final estimates of the 2011-12 Fraud and Error in the Benefit System can be found on page 14 of this document or at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/244844/fem_1112.pdf

2. Total expenditure figures for 2012-13 and 2011-12 were the latest estimated expenditure figures available for the financial year at the time of producing the fraud and error estimates.

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

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

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

6. Approximate 95 per cent confidence intervals are given in Figure 1. These allow for the fact that the sampling approach introduces statistical uncertainty into the figures. Further uncertainties arise from imperfections in the design and operation of the review process. Where possible these have been quantified and incorporated into the 95 per cent confidence intervals.

7. None of the changes are statistically significant at a 95% level of confidence, unless marked with an *. Where changes are not statistically significant, this suggests that any changes are more than likely to be due to sampling variation and that these estimates are stable over time and little change occurs year on year. *Indicates that there has been a statistically significant increase/decrease when comparing the 2012/13 preliminary and 2011/12 preliminary estimates.

8. "Interdependencies" is an estimate of the knock-on effects of DLA overpayments on caring and disability premiums on income-related benefits, which depend on the rate of DLA in payment.

Benefit fraud and error estimation and uncertainty

The Department is rigorous in its approach to estimating levels of fraud and error. The estimates are produced to the exacting standards of the UK Statistics Authority (UKSA). National Statistics protocols ensure their production is independent of Departmental and Ministerial influence.

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

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

In particular, when interpreting the statistics, readers should bear in mind that:

The underpayment estimates do not include those who are entitled to benefits but who do not apply, or whose applications to benefit are incorrectly rejected. The Department's policy is to make good all cases of underpayment where and when they are identified.

33.Related party transactions

The Department for Work and Pensions sponsors the Non-Departmental Public Bodies listed in Note 1.4. It also sponsors three public corporations: Pension Protection Fund, the National Employment Savings Trust Corporation and Remploy Limited. The Department is also responsible for the Social Fund and the European Social Fund. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department has had a number of transactions with Other Government Departments, other central Government bodies, local authorities and some charitable organisations. Most of these transactions have been with Government Banking Services, Post Office Limited, the British Broadcasting Corporation, the Department of Health, the Northern Ireland Social Security Agency, the Ministry of Defence, HM Revenue & Customs, the Treasury Solicitor, the Department for Education and the Valuation Office Agency. The Department also transacts with Working Links Employment Limited.

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

34. Third-party assets

Some monies are held on behalf of third parties and relate to maintenance collected from non-resident parents and due to be paid to parents with care or the Secretary of State. These are not Departmental assets and are not included in these accounts but are accounted for in the Client Funds Account of the Child Maintenance Group. The cash balance held at the reporting date is £18.765 million (2011-12 £16.825 million).

Financial Assistance Scheme Trust Statement

for the year ended 31 March 2013

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs in respect of the Trust Statement and of its revenue and expenditure and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the 'Government Financial Reporting Manual' have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer with overall responsibility for the preparation of the Trust Statement. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in 'Managing Public Money', published by HM Treasury.

Governance Statement

The Department's Governance Statement, covering both the Departmental Accounts and the Trust Statement, is shown on page 55.

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 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Financial Assistance Scheme Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Financial Assistance Scheme; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Financial Assistance Scheme as at 31 March 2013 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

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

9 December 2013

Statement of Revenue, Other Income and Expenditure

for the year ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
Revenue			
Income from pension schemes	2	345,831	273,081
Total revenue		**345,831**	**273,081**
Other income			
Investment income	4	1,151	318
Change in fair value of investments	5	2,474	680
Total other income		**3,625**	**998**
Total revenue and other income		**349,456**	**274,079**
Total expenditure		**-**	**-**
Net Revenue for Consolidated Fund		**349,456**	**274,079**

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

The notes on pages 157 to 163 form part of this statement.

Statement of Financial Position
as at 31 March 2013

	Note	31 March 2013 £000	31 March 2012 £000
Non-current assets			
Financial assets – annuity policies	6	26,806	15,522
Financial assets – other	6	237	-
Total non-current assets		**27,043**	**15,522**
Current assets			
Transfer-in receivables	6	1,219	134
Cash and cash equivalents	6	11,576	49,871
Total current assets		**12,795**	**50,005**
Total current liabilities		**-**	**-**
Net current assets		**12,795**	**50,005**
Net current assets plus non-current assets		**39,838**	**65,527**
Non current liabilities		**-**	**-**
Assets less Liabilities		**39,838**	**65,527**
Represented by			
Balance on Consolidated Fund Account	7	39,838	65,527
Total Funds		**39,838**	**65,527**

Robert Devereux
Accounting Officer

6 December 2013

The notes on pages 157 to 163 form part of this statement.

Statement of Cash Flows

for the year ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
Net cash flow from operating activities	A	336,850	259,022
Cash paid to the consolidated fund		(375,145)	(209,199)
(Decrease) / increase in cash		**(38,295)**	**49,823**

Notes to the Statement of Cash Flows

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

	2012-13 £000	2011-12 £000
Net Revenue for the consolidated fund	349,456	274,079
Increase in non-current assets	(11,521)	(14,998)
Increase in receivables	(1,085)	(59)
Increase in current liabilities	0	0
Increase in non-current liabilities	0	0
Net cash flow from operating activities	**336,850**	**259,022**

B: Analysis of changes in net funds

	2012-13 £000	2011-12 £000
(Decrease) / Increase in cash	(38,295)	49,823
Net Funds at 1st April (net cash at bank)	49,871	48
Net Funds at 31 March (Closing Balance)	**11,576**	**49,871**

The notes on pages 157 to 163 form part of this statement.

Notes to the Trust Statement

for the year ended 31 March 2013

1. Statement of Accounting Policies

1.1 Basis of preparation

The Trust Statement is prepared in accordance with the Accounts Direction issued on 18 December 2012 by HM Treasury under section 7 of the Government Resources and Accounts Act 2000. The accounts direction requires the Department to prepare accounts in accordance with the 2012-13 Government Financial Reporting Manual (FreM).

The Trust Statement is prepared in accordance with the accounting policies set out below. The accounting policies have been developed with reference to International Financial Reporting Standards (IFRS) and other relevant guidance.

Where the FreM permits a choice of accounting policy, the policy which is judged to be most appropriate to the particular circumstances of the Financial Assistance Scheme for the purpose of giving a true and fair view has been selected. They have been applied consistently in dealing with items that are considered material to the accounts.

The income and associated expenditure contained in this Statement are those flows of funds which the Department handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal. The financial information contained in the Statement and in the Notes is rounded to the nearest thousand pounds.

1.2 Accounting convention

The Trust Statement has been prepared under the historical cost convention, modified by, where material, the fair valuation of financial assets as determined by the relevant accounting standard. All items of income and expenditure are accounted for on an accruals basis.

1.3 Income recognition

In accordance with IAS 18 ‘Revenue Recognition’, the Department recognises as income the transfer of assets from schemes for which a Transfer Notice has been issued by the reporting date and where it judges that the transfer of those assets is probable. Net assets recognised under this policy are stated net of amounts due for professional services or other liabilities incurred by scheme trustees prior to the transfer of a scheme into the Financial Assistance Scheme.

Annuity income arising from insurance policies held by the Financial Assistance Scheme after transfer from pension schemes is recognised on a cash basis.

1.4 Financial instruments

a. Definition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that is cash, equity, a contractual right to receive cash or another financial asset from another entity, or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavourable.

b. Recognition

Financial assets and liabilities are recognised when the Department becomes party to the contracts that give rise to them.

Financial assets are derecognised when the right to receive cash flows has expired or the Department has transferred substantially all the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation to deliver cash or another financial asset is discharged, cancelled or expires.

c. Classification of Financial Instruments

Financial instruments are classified under the following categories which are determined at initial recognition in accordance with IAS 39 ‘Financial Instruments: Recognition and Measurement’:

- Financial assets/liabilities at fair value through profit or loss are analysed between:
  (a) those designated at fair value through profit or loss upon initial recognition; and
  (b) those classified as held for trading;
- Loans and receivables;
- Held-to-maturity investments;
- Available for sale financial assets; and
- Financial liabilities measured at amortised cost.

d. Financial assets/liabilities at fair value through profit or loss upon initial recognition

Financial assets and liabilities that are managed and evaluated on a fair value basis are designated at fair value through profit or loss at inception.

Insurance contracts in the form of annuity policies are included under this category.

e. Available for sale financial assets

Available for sale financial assets are non-derivative assets that are designated as available for sale or are not classified in any of the other categories, and are recognised at fair value.

Included in this classification are any illiquid financial assets inherited from schemes and transferred into the Financial Assistance Scheme or asset recoveries from insolvent sponsoring employers which have not yet been liquidated.

f. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost. The fair value of trade receivables is usually the original invoiced amount.

Included in this category are investment income receivables, transfer-in receivables and cash and cash equivalents. Cash and cash equivalents comprise cash at bank.

g. Financial liabilities measured at amortised cost

Trade payables and accruals are non interest bearing and are stated at amortised cost. Included in this category are net amounts payable to brokers for outstanding settlements and amounts due for professional services incurred prior to the transfer of a scheme into the Financial Assistance Scheme.

h. Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where the classification of a financial instrument requires it to be measured at fair value, as applies to annuity contracts, fair value is determined using expected cash flows discounted back to a present value. This valuation process requires management to make estimates and assumptions that affect reported amounts. The selection of valuation assumptions, for example, the discount rate to apply to cash flows generated by annuity contracts, requires management to exercise judgement. Actual results could differ from the values produced by these estimates and judgements.

1.5 Transfer Notices

Schemes may exit the process of being assessed for entry into the Financial Assistance Scheme through the issue of a Transfer Notice under regulation 29 of the Financial Assistance Scheme Regulations 2005 (SI2005/1986). This Notice has the effect of the Government assuming responsibility for the scheme, so that all the property, rights and liabilities of the scheme are transferred to the Financial Assistance Scheme. The following accounting policies apply to this transfer of assets and liabilities:

- Cash, insurance contracts and other investment assets are transferred to the legal ownership of the Government at fair value as at the effective date of the Transfer Notice. Fair value carries the same meaning as in Note 1.4 governing the valuation of financial instruments.
- Asset recoveries due from insolvent employers under section 75 of the Pensions Act. In appropriate circumstances, the Department will also disclose contingent assets in respect of recoveries which are less than probable.
- Current assets and current liabilities are transferred to the Financial Assistance Scheme at fair value. Receivables for which recovery is probable are recognised on an accruals basis.

2. Income from pension schemes

		2012-13	2011-12
		£000	**£000**
FAS 1 Scheme Assets transferred	(i)	2,107	1,163
FAS 2 Scheme Assets transferred	(ii)	343,724	271,918
Total income from pension schemes		**345,831**	**273,081**

(i) FAS1 schemes are FAS qualifying schemes which have completed annuitisation and, as part of the finalisation of their winding up, surrender any of their residual assets to the Government. These residual assets arise when, for example, the scheme trustees overestimate the reserves required to pay final winding up expenses and it is not economic to allocate the small amounts of cash to the annuities already purchased. FAS1 beneficiaries receive from FAS amounts which top up the annuities purchased by the scheme trustees to the benefit levels promised by FAS.

(ii) FAS2 schemes are FAS qualifying schemes which have been prevented from annuitising and, as part of the finalisation of their winding up, surrender all of their qualifying assets to the Government. FAS2 beneficiaries receive from FAS the full amount of the benefit promised by FAS.

3. Interest on operating bank accounts

The bank account set up to receive income from annuity policies is interest-bearing. This account is managed by the Board of the Pension Protection Fund who transfer any monies received to the Department's Government Banking Service (GBS) account on a regular basis. Due to the regularity of these transfers interest income earned is minimal.

The bank account established to receive monies from pension schemes transferring into FAS is non interest-bearing, as is the Department's GBS account used to transfer these monies to the Consolidated Fund.

4. Investment income

All investment income disclosed in the Statement of Revenue, Other Income and Expenditure relates to income from annuity policies.

5. Financial assets

Financial Assets held throughout the year consisted entirely of annuity policies.

	31 March 2013	31 March 2012
	£000	£000
Balance at 1 April	15,522	524
Asset transfers	9,047	14,318
Change in fair value	2,474	680
Balance at 31 March	**27,043**	**15,522**

The change in fair value of annuity policies consists of the aggregate impact of changes to a number of estimates and assumptions, including interest rates, inflation rates impacting annuities in payment, and mortality rates, particularly where the actual experience of the deaths of annuitants differs from previous assumptions.

6. Financial Instruments and related risks

(i)Financial Instruments by category	31 March 2013	31 March 2012
	£000	£000
Financial assets designated at fair value through profit or loss		
Annuity policies	26,806	15,522
Other financial assets	237	-
	27,043	**15,522**
Loans and receivables		
Cash and cash equivalents	11,576	49,871
Transfer-in receivables	1,219	134
	12,795	**50,005**
Liabilities	**-**	**-**
Total Financial Instruments	**39,838**	**65,527**

The amounts stated under loans and receivables measured at amortised cost have carrying values which are not materially different to their fair values. Therefore the carrying values of these financial instruments are assumed to be approximate to their fair value.

(ii)Financial risks

IFRS 7 'Financial Instruments*:* Disclosures' requires that users of financial statements are able to evaluate the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The nature and extent of risks arising from financial instruments to which the Department is exposed at the end of the reporting period and the methods used to measure and manage the associated risks are discussed below.

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As disclosed in Note 3, there are no significant interest-bearing assets or liabilities and therefore cash flows are substantially independent of market interest rates. The interest profile of the Department's financial assets and liabilities has therefore not been disclosed.

b. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss to the Department by failing to discharge an obligation. Exposure to credit risk arises from counterparty risk on annuity policies, cash and cash equivalents and transfer-in receivables. The Department is satisfied that the credit quality of all the financial instruments exposed to credit risk is satisfactory, as the instruments consist of receivables with pension schemes and others where recovery of the debt is probable.

At the reporting date, the financial assets exposed to credit risk amounted to the following:

	31 March 2013	31 March 2012
	£000	£000
Annuity policies	26,806	15,522
Other financial assets	237	-
Cash and cash equivalents	11,576	49,871
Transfer-in receivables	1,219	134
Total	**39,838**	**65,527**

c. Liquidity risk

Liquidity risk is the risk that the Department will encounter difficulty in meeting obligations associated with financial liabilities arising as a result of FAS operations. The Department manages this risk by maintaining a small balance in its operating bank account in order to meet these liabilities, which consist entirely of Scheme-related expenses settled after issue of Transfer Notices.

All scheme-related expenses are current liabilities and are therefore due within a year.

7.Balance on the Consolidated Fund account

	2012-13	2011-12
	£000	£000
Balance on Consolidated Fund account at 1 April	65,527	647
Net revenue for the Consolidated Fund	349,456	274,079
Amount paid to the Consolidated Fund	(375,145)	(209,199)
Balance on Consolidated Fund account at 31 March	**39,838**	**65,527**

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 2013 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 2012-13.

2. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties by the Department as agent, and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

3. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

4. When preparing the Statement, the Department shall comply with the guidance given in the FreM (Chapter 13). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

5. Compliance with the requirements of the FreM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FreM is inconsistent with the requirement to give a true and fair view, the requirements of the FreM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FreM. Any material departure from the FreM should be discussed in the first instance with HM Treasury.

6. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to ensure compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

7. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Karen Sanderson
Deputy Director, Government Financial Reporting
Her Majesty's Treasury

17 December 2012

Annexes to the Annual Report[1]

[1] These Annexes do not form part of the Accounts, but do form part of the Annual Report. They are only covered by the consistency statement in the Audit Certificate.

Annex 1 : Expenditure Tables (Core Tables)

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

	£ Millions [12]							
	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Plans	2014-15 Plans	2015-16 Plans
Resource DEL 6								
Section A: Operational Delivery	1,723	1,399	1,294	2,487	2,535	2,123	1,897	2,162
Section B: Child Maintenance Group	-	-	-	-	330	503	488	452
Section C: Child Maintenance and Enforcement Commission (Net)	579	448	391	484	155	-	-	-
Section D: Health and Safety Executive (Net)	218	231	203	175	162	157	150	143
Section E: Financial Assistance Scheme	38	33	45	73	109	93	245	273
Section F: European Social Fund	(1)	-	-	15	122	6	6	-
Section G: Executive Non-Departmental Public Bodies (Net)	399	431	391	375	366	374	344	67
Section H: Employment Programmes	920	1,313	1,814	876	802	736	730	748
Support for Local Authorities	548	614	585	546	529	619	595	341
Section J: Other Programmes	183	145	197	183	89	32	62	81
Section K: Departmental operating costs	2,232	3,100	2,835	1,453	1,460	1,284	980	1,094
Unallocated provision	-	-	-	-	-	1,218	1,441	211
Section L: National Insurance Fund	1,001	1,056	1,093	821	706	611	611	557
Section M: Consolidated Fund Extra Receipts	-	-	-	-	-	-	-	-
Total Resource	**7,841**	**8,770**	**8,848**	**7,488**	**7,366**	**7,757**	**7,549**	**6,127**

DEL								
Of which:								
Staff costs	3,165	3,585	3,553	3,188	3,066	2,578	2,670	2,081
Purchase of goods and services	3,516	2,756	2,945	2,111	2,087	2,302	1,619	2,950
Income from sales of goods and services	(310)	(354)	(373)	(284)	(154)	(173)	(301)	(540)
Current grants to local government (net)	660	741	686	560	565	644	610	341
Current grants to persons and non-profit bodies (net)	710	891	1,092	484	480	806	964	274
Current grants abroad (net)	(221)	(338)	(540)	(248)	(187)	(400)	(390)	0
Subsidies to private sector companies	8	6	2	29	95	-	-	-
Subsidies to public corporations	174	117	174	206	141	83	87	98
Rentals	-	1,124	1,126	983	754	700	704	553
Depreciation [2]	151	222	163	202	249	145	137	139
Other resource	(12)	21	22	257	269	(146)	8	20
Unallocated funds – resource	-	-	-	-	-	1,218	1,441	211
Resource AME [10]								
Section N: Severe Disablement Allowance	888	907	888	881	887	856	218	180
Section O: Industrial Injuries Benefits Scheme	819	845	888	888	905	904	910	913
Universal Credit	-	-	-	-	-	72	191	354
Section P: Jobseekers Allowance	2,128	3,589	3,668	4,173	4,507	4,602	4,828	4,769
Section Q: Employment and Support Allowance	63	689	1,282	2,168	4,475	6,543	7,809	8,332
Section R: Income Support	8,687	8,369	7,872	6,997	5,254	3,280	2,422	2,347
Section S: Pension Credit	7,703	8,133	8,242	8,037	7,566	7,208	6,796	6,666
Section T: Financial Assistance Scheme	750	(71)	(1,481)	1,171	93	450	197	-
Section U: TV Licences for the over 75s	533	555	578	587	596	604	616	626
Section V: Attendance	4,735	5,107	5,228	5,339	5,476	5,591	5,756	5,901

Allowance								
Personal Independence Payment	-	-	-	-	-	183	1,382	2,882
Section W: Disability Living Allowance	10,524	11,503	11,877	12,566	13,430	13,793	12,780	11,382
Section X: Carer's Allowance	1,363	1,497	1,572	1,733	1,927	2,076	2,227	2,373
Section Y: Housing Benefit	11,506	14,279	15,736	16,941	17,686	17,659	18,137	18,500
Section AA: Rent Rebates	5,205	5,324	5,279	5,447	5,748	5,647	5,773	5,868
Section AB: Statutory Sick Pay and Statutory Maternity Pay	1,800	1,713	2,460	2,548	2,443	2,442	2,426	2,438
Section AC: Other Benefits	619	459	499	395	395	415	279	229
Section AD: Other Expenditure	4	(29)	(4)	(34)	(142)	(6)	(6)	(6)
Section AE: Other Expenditure ENDPBs (Net)	9	1	(5)	1	(4)	-	-	-
Section AF: Incapacity Benefit	6,514	6,109	5,562	4,939	3,276	932	(26)	(17)
Section AG: Jobseekers Allowance	729	1,089	788	735	662	656	622	584
Section AH: Employment and Support Allowance	64	582	963	1,414	2,305	3,047	3,405	2,793
Section AI: Maternity Allowance	321	345	343	366	395	402	399	414
Section AJ: State Pension	62,362	66,969	69,884	74,219	79,858	83,427	87,200	90,887
Section AK: Bereavement benefits	675	649	614	594	593	575	568	563
Section AL: Expenditure incurred by the Social Fund	3,214	3,325	3,812	2,374	2,429	2,379	2,321	2,317
Other Contributory Benefits	-	-	-	-	-	-	-	-
Section AM: Consolidated Fund Extra Receipts	-	-	-	-	-	-	-	-
Total Resource AME	**131,215**	**141,938**	**146,544**	**154,478**	**160,761**	**163,738**	**167,231**	**171,521**
Of which:								

Purchase of goods and services	-	-	-	5	19	-	-	-
Income from sales of goods and services	(1)	-	-	(1)	-	-	-	-
Current grants to local government (net)	16,730	19,622	21,034	22,409	23,489	23,462	24,035	24,454
Current grants to persons and non-profit bodies (net)	112,967	121,675	125,715	130,111	136,363	138,928	142,115	145,932
Depreciation [2]	6	(120)	439	(75)	2	69	78	78
Take up of provisions	716	(28)	(1,422)	1,250	204	546	445	503
Release of provision	(80)	(75)	(78)	(98)	(162)	(103)	(251)	(279)
Other resource	878	863	857	877	845	835	809	832
Total Resource Budget	**139,056**	**150,708**	**155,392**	**161,966**	**168,127**	**171,495**	**174,780**	**171,648**
Of which:								
Depreciation [2]	157	102	602	126	251	214	215	218
Capital DEL								
Section A: Operational Delivery	25	51	66	37	6	9	3	3
Section B: Child Maintenance Group	-	-	-	-	12	-	6	6
Section C: Child Maintenance and Enforcement Commission (Net)	13	20	8	12	8	-	-	-
Section D: Health and Safety Executive (Net)	8	6	6	5	7	8	7	5
Section G: Executive Non-Departmental Public Bodies (Net)	1	2	-	1	1	1	1	-
Section H: Employment Programmes	-	-	-	3	-	-	-	-
Section J: Other Programmes	-	7	81	52	68	68	85	94
Section K: Departmental operating costs	38	186	161	171	273	38	30	84
Unallocated provision	-	-	-	-	-	249	110	-
Total Capital DEL	**85**	**272**	**323**	**280**	**375**	**372**	**242**	**191**
Of which:								
Capital support	-	-	-	-	-	-	-	-

for local government (net)								
Capital grants to persons & non-profit bodies (net)	9	19	10	1	-	-	-	-
Capital grants to private sector companies (net)	(9)	-	-	-	-	-	-	-
Capital grants abroad (net)	-	-	-	-	-	-	-	-
Capital support for public corporations	-	7	2	1	-	-	-	-
Purchase of assets	94	254	233	229	308	56	47	99
Income from sales of assets	(4)	(3)	-	(2)	(3)	(1)	-	(2)
Net lending to the private sector and abroad	-	-	-	-	1	-	-	-
Other capital	(5)	(5)	79	51	68	68	85	94
Unallocated funds – capital	-	-	-	-	-	249	110	-
Capital AME								
Section AL: Expenditure incurred by the Social Fund	136	171	177	35	27	46	48	50
Total Capital AME	**136**	**171**	**177**	**35**	**27**	**46**	**48**	**50**
Of which:								
Net lending to the private sector and abroad	136	171	177	35	27	46	48	50
Total Capital Budget	**222**	**443**	**500**	**315**	**402**	**418**	**290**	**241**
Total departmental spending 5	**139,121**	**151,049**	**155,291**	**162,154**	**168,278**	**171,698**	**174,854**	**177,671**
Of which:								
Total DEL	7,775	8,821	9,009	7,567	7,492	7,983	7,654	6,179
Total AME	131,346	142,228	146,282	154,588	160,786	163,715	167,200	171,492

Table 1 Notes

1. Net of income from sales of goods and service.
2. Includes impairments.
3. Pension schemes report under Financial Reporting Standard 17 accounting requirements. Any amounts include cash payments made and contributions received, as well as certain non-cash items.
4. Expenditure on tangible and intangible fixed assets net of sales.
5. Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly total Departmental Expenditure Limit (DEL) is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total Annually Managed Expenditure (AME) is the sum of resource budget AME and capital budget AME.
6. This table represents DEL for Resource and Capital, set for each year in the Spending Review process (amended to incorporate transfers of functions to other government departments as they have arisen).
7. Since 2009-10 the Department has received additional funding to manage the increased workflows caused by the recession. This funding is used to provide additional support to customers affected by the downturn.
8. National Insurance Fund (NIF) administration relates to the administration costs of processing NIF benefits, directly related to volumes of activity. These benefits are paid from the NIF rather than the Consolidated Fund, with associated costs to administer also paid from the NIF. The 2013-14 and future year plans are based on the 2012-13 plans but will be re-calculated on an annual basis.
9. As part of the Spending Review 2010 settlement the Department received funding which is subject to dual key arrangements. Presently this is reported against unallocated provision; it can only be drawn down subject to HM Treasury approval. It is intended for major investments including Universal Credit, Personal Independence Payment and on-going recession related work programme activities.
10. AME limits are set as part of the Budget and Autumn Statement process.
11. DEL Resource covers Spending Review 10 plans only.
12. Totals may not sum due to rounding.

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

	£ Millions			
	2012-13 Original Plans	2012-13 Adjusted Plans	2012-13 Final Plans	2012-13 Outturn
Resource DEL	**8,047**	**8,039**	**7,523**	**7,366**
Operational Delivery	2,423	2,423	2,594	2,535
Child Maintenance and Enforcement Commission	515	515	155	155
Child Maintenance Group	-	-	327	330
Health and Safety Executive	182	182	165	162
Financial Assistance Scheme	42	42	110	109
European Social Fund	6	6	125	122
Executive Non-Departmental Public Bodies (Net)	382	382	373	366
Employment Programmes	1,101	1,101	876	802
Housing Benefit and Council Tax Benefit Administration	397	397	539	529
Other Programmes	90	90	70	89
Departmental operating costs	1,395	1,388	1,484	1,454
Unallocated provision	809	809	-	-
National Insurance Fund	706	706	706	706
Resource AME	**165,838**	**160,838**	**161,920**	**160,761**
Severe Disablement Allowance	895	895	895	887
Industrial Injuries Disablement Benefit	912	912	912	905
Jobseekers Allowance	4,537	4,537	4,660	4,507
Employment and Support Allowance	4,088	4,088	4,423	4,475
Income Support	5,121	5,121	5,378	5,254
Pension Credit and Minimum Income Guarantee	7,781	7,781	7,561	7,566
Financial Assistance Scheme	829	829	265	93
TV Licences for the over 75s	591	591	591	596
Attendance Allowance	5,647	5,647	5,527	5,476
Disability Living Allowance	13,559	13,559	13,503	13,430
Carers Allowance	1,859	1,859	1,927	1,927
Housing Benefit	17,066	17,066	17,781	17,686
Rent Rebates	5,696	5,696	5,771	5,748
Statutory Sick Pay and Statutory Maternity Pay	2,382	2,382	2,448	2,443
Other Benefits	428	428	428	395
Other Expenditure	(18)	(18)	(15)	(142)
Other Expenditure ENDPBs (net)	-	-	(3)	(4)
Incapacity Benefit	2,847	2,847	3,264	3,276
Jobseeker’s Allowance	918	918	673	662
Employment and Support Allowance	2,466	2,466	2,213	2,305
Maternity Allowance	388	388	388	395
State Pension	79,851	79,851	80,066	79,858
Bereavement benefits	571	571	603	593
Expenditure incurred by the Social Fund	2,425	2,425	2,662	2,429

Total	**168,885**	**168,878**	**169,444**	**168,127**
Of which:				
Voted expenditure	78,713	78,706	78,869	77,903
Non-voted expenditure	90,172	90,172	90,575	90,224
Capital DEL	**329**	**329**	**428**	**375**
Operational Delivery	-	-	7	6
Child Maintenance and Enforcement Commission	-	-	8	8
Child Maintenance Group	-	-	15	12
Health and Safety Executive	-	-	6	7
Executive Non-Departmental Public Bodies (Net)	1	1	1	1
Other Programmes	71	71	69	68
Departmental operating costs	65	65	322	273
Unallocated provision	192	192	-	-
Capital AME	**85**	**85**	**85**	**27**
Expenditure incurred by the Social Fund	85	85	85	27
Total Spending in AME	**85**	**85**	**85**	**27**
Total	**414**	**414**	**512**	**402**
Of which:				
Voted expenditure	329	329	427	375
Non-voted expenditure	85	85	85	27

Table 2 Notes

1. Explanations of notable variances are included in the Financial Overview section of the Annual Report and Account.
2. Totals may not sum due to roundings.

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

	£ Millions						
	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Provisional Outturn	2013-14 Plans	2014-15 Plans
Assets and liabilities on the statement of financial position at end of year:							
Assets							
Non-current Assets	**3,328**	**3,612**	**3,760**	**3,937**	**2,972**	**2,823**	**2,702**
Intangible 2,3	363	448	506	538	666	633	669
Tangible	**2,014**	**1,955**	**2,044**	**1,977**	**727**	**611**	**454**
Of which:							
Land and buildings 2	1,872	1,821	1,939	1,896	653	527	401
Leasehold improvements	-	-	-	-	2	1	1
Plant and Machinery	-	2	20	16	11	9	5
Furniture & Fittings	3	10	-	-	-	-	-
Transport & Equipment	-	-	-	-	-	-	-
Information Technology 2	139	122	85	62	56	70	44
Payments on Account & Assets under construction	-	-	-	3	4	4	4
Financial Assets 4	11	49	126	177	253	253	253
Trade and Other Receivables	941	1,160	1,084	1,244	1,326	1,326	1,326
Current Assets	**2,455**	**2,680**	**2,813**	**2,602**	**2,983**	**2,983**	**2,983**
Liabilities							
Payables (<1 year)	(4,599)	(4,905)	(5,276)	(4,598)	(4,293)	(4,297)	(4,298)
Payables (>1 year)	(1,148)	(1,113)	(985)	(851)	(709)	(615)	(485)
Provisions	(4,357)	(4,312)	(2,774)	(3,919)	(3,959)	(4,331)	(4,688)
Pension Liabilities	-	-	-	-	-	-	-

Capital Employed within Core Department	**(4,321)**	**(4,038)**	**(2,462)**	**(2,829)**	**(3,006)**	**(3,437)**	**(3,786)**
Arm's Length Bodies Net Assets	**(69)**	**(65)**	**(48)**	**(39)**	**(11)**	**(11)**	**(11)**
Total Capital Employed in Departmental Group	**(4,390)**	**(4,104)**	**(2,510)**	**(2,868)**	**(3,018)**	**(3,448)**	**(3,797)**

Table 3 Notes

1. In this table the previous years have been restated, moving the capital employed for Health and Safety Executive to Arm's Length Bodies net assets. This is consistent with the Core Department in the 2012-13 Statement of Financial Position.
2. International Financial Reporting Standards (IFRS) requires software licences and internally developed software to be accounted for as intangible rather than tangible assets. In addition, software development that had been expensed under previous accounting standards had to be retrospectively capitalised to comply with IFRS.
3. In 2009-10, the Department adopted IFRS. This resulted in a number of previously off Statement of Financial Position contracts for IT and accommodation moving onto the Department's Statement of Financial Position as assets owned under finance leases. This is a classification change and the opening position at 1 April 2009 has been restated. This makes the figures consistent with the Consolidated Statement of Financial Position in this publication.
4. Provisions are primarily in respect of the Financial Assistance Scheme and reflect the latest forecasts of the likely assistance payments.
5. Totals may not sum due to rounding.

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

	£ Millions							
	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Plans	2014-15 Plans	2015-16 Plans
Resource DEL								
Section A: Operational Delivery	1,714	1,396	1,269	176	161	164	122	90
Section B: Child Maintenance Group	-	-	-	-	88	97	62	37
Section C: Child Maintenance and Enforcement Commission (Net)	579	448	391	121	44	-	-	-
Section D: Health and Safety Executive (Net)	155	153	132	111	105	104	94	94
Section E: Executive Non-Departmental Public Bodies (Net)	-	-	-	15	16	19	20	12
Section F: Departmental operating costs	2,172	3,010	2,726	910	765	883	906	762
Section L: National Insurance Fund	1,001	1,056	1,093	-	-	-	-	-
Section M: Consolidated Fund Extra Receipts	-	-	-	-	-	-	-	-
Total administration budget	**5,621**	**6,063**	**5,610**	**1,333**	**1,180**	**1,277**	**1,210**	**994**
Of which								
Staff costs	3,079	3,506	3,436	652	524	512	479	225
Purchase of goods and services	2,595	1,434	1,123	440	299	729	660	702
Income from sales of goods and services	(203)	(230)	(246)	(100)	(27)	(88)	(66)	(72)
Current grants to local government (net)	-	-	-	-	-	-	-	-
Rentals	-	1,124	1,126	121	138	-	-	-
Depreciation	149	220	162	212	232	145	137	139
Other resource	1	9	8	9	14	(21)	-	-

Table 4 Notes

1. As part of the Spending Review 2010 it was agreed with HM Treasury that the Department would re-classify the costs of delivering front line services from DEL Administration to DEL Programme with effect from 1 April 2011. This has caused significant changes to the size of the Administration budgets for Operational Delivery, Child Maintenance and Enforcement Commission/Child Maintenance Group and some other Departmental costs.

2. National Insurance Fund (NIF) administration relates to the administration costs of processing NIF benefits, directly related to volumes of activity (see Note 8 Table 1). From 2011-12, activities funded from the NIF are now re-classified to DEL Programme.
3. Totals may not sum due to rounding.

Table 5: Staff in Post

Staff in Post		31 March 2013	31 March 2012	31 March 2011
Payroll Staff	**Departmental Group**	98,549	104,182	115,129
	Core Department (Not including Arm's Length Bodies)	92,530	88,626	97,963
	Jobcentre Plus (included in core departmental total)	Not applicable	Not applicable	72,939
	Pensions Disability and Carers Service (included in core departmental total)	Not applicable	Not applicable	13,139
	Arm's Length Bodies	6,019	15,556	17,166
Non-Payroll Staff	**Departmental Group**	397	417	434
	Core Department	121	81	138
	Arm's Length Bodies	276	336	296

Table 5 Notes:

1. All figures are shown as at 31 March on a whole time equivalent basis and payroll staff whole time equivalent numbers reflect the current Office for National Statistics definition for civil service staff.
2. My Civil Service Pensions (My CSP) transferred to Cabinet Office on 1 February 2011 but staff remained on the Department's payroll and are included in the 31 March 2011 and March 2012 Departmental figures above. The figures are not included in the March 2013 Departmental total.
3. Jobcentre Plus and Pension, Disability and Carers Service ceased to have legal status from October 2011. CMG, formerly with NDPB status, became part of the Department on 1 August 2012.

Table 6: Total Department for Work and Pensions identifiable expenditure on services by country and region, 2007-08 to 2011-12

	£ Millions National Statistics				
	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn
North East	5,552	5,873	6,315	6,512	6,583
North West	14,357	15,297	16,418	16,912	17,137
Yorkshire and the Humber	9,732	10,423	11,320	11,706	11,863
East Midlands	8,046	8,706	9,443	9,794	10,037
West Midlands	10,642	11,380	12,327	12,695	12,854
East	9,786	10,590	11,496	11,940	12,299
London	11,735	12,257	13,257	13,708	13,796
South East	13,535	14,720	16,055	16,706	17,279
South West	9,581	10,360	11,240	11,650	12,053
Total England	**92,965**	**99,606**	**107,872**	**111,623**	**113,900**
Scotland	10,548	11,242	12,145	12,487	12,631
Wales	6,713	7,151	7,668	7,900	7,995
Northern Ireland	12	13	13	13	14
UK identifiable expenditure	**110,238**	**118,011**	**127,698**	**132,023**	**134,539**
Outside UK	2,596	2,847	2,980	3,070	3,359
Total identifiable expenditure	**112,834**	**120,859**	**130,679**	**135,093**	**137,898**
Non-identifiable expenditure	-	-	-	7	17
Total expenditure on services	**112,834**	**120,859**	**130,679**	**135,101**	**137,915**

Table 7 – Department for Work and Pensions identifiable expenditure on services, by country and region, per head 2007-08 to 2011-12

	£ per head				
	National Statistics				
	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn
North East	2,157	2,277	2,443	2,513	2,535
North West	2,068	2,194	2,346	2,406	2,429
Yorkshire and the Humber	1,885	2,006	2,166	2,227	2,243
East Midlands	1,829	1,964	2,114	2,175	2,212
West Midlands	1,943	2,065	2,224	2,277	2,292
East	1,724	1,850	1,992	2,053	2,098
London	1,495	1,544	1,651	1,689	1,682
South East	1,611	1,739	1,883	1,945	1,997
South West	1,858	1,995	2,149	2,213	2,274
England	1,800	1,915	2,060	2,116	2,145
Scotland	2,050	2,175	2,338	2,391	2,404
Wales	2,236	2,370	2,528	2,591	2,609
Northern Ireland	7	7	7	7	8
UK identifiable expenditure	**1,791**	**1,904**	**2,047**	**2,102**	**2,127**

Table 8 – Department for Work and Pensions identifiable expenditure on services by function, country and region, for 2011-12

	£ Millions																	
	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable Expenditure`	Outside UK	Total Identifiable Expenditure`	Not Identifiable	Totals
General public services																		
Executive and legislative orgs, financial and fiscal, external affairs	1	1	1	1	1	1	2	1	1	10	0	0	0	11	-	11	17	28
Total general public services	**1**	**1**	**1**	**1**	**1**	**1**	**2**	**1**	**1**	**10**	**0**	**0**	**0**	**11**	**-**	**11**	**17**	**28**
Economic affairs																		
General economic, commercial and labour affairs	85	203	152	109	159	117	217	152	100	1,295	121	85	-	1,500	1	1,501	-	1,501
R&D economic affairs	3	3	3	2	2	3	3	3	3	23	3	2	-	28	-	28	-	28
Total economic affairs	88	206	155	111	161	120	220	155	103	1,317	124	87	-	1,528	1	1,529	-	1,529
Social protection																		
Sickness and disability	1,617	4,260	2,566	2,070	2,705	2,135	2,705	2,869	2,242	23,170	3,062	2,172	-	28,404	57	28,460	-	28,460

Old age	3,702	9,701	7,047	6,294	7,761	8,285	7,468	11,806	8,130	70,195	7,330	4,499	14	82,037	3,137	85,175	-	85,175
Survivors (widows benefits)	29	77	55	45	58	56	56	84	51	512	64	34	-	609	18	628	-	628
Family and children	493	1,360	868	673	912	776	1,727	1,186	751	8,745	960	561	-	10,265	14	10,279	-	10,279
Unemployment	342	762	620	416	654	446	908	545	341	5,033	550	301	-	5,884	1	5,885	-	5,885
Social exclusion n.e.c.	109	273	189	149	218	162	247	207	140	1,694	175	121	-	1,990	1	1,990	-	1,990
Social protection n.e.c.	203	498	363	277	383	317	464	425	294	3,225	366	220	-	3,810	130	3,940	-	3,940
Total social protection	**6,494**	**16,929**	**11,708**	**9,925**	**12,692**	**12,178**	**13,574**	**17,123**	**11,949**	**112,572**	**12,506**	**7,907**	**14**	**133,000**	**3,358**	**136,357**	**-**	**136,357**
TOTAL DEPARTMENT FOR WORK AND PENSIONS	**6,583**	**17,137**	**11,863**	**10,037**	**12,854**	**12,299**	**13,796**	**17,279**	**12,053**	**113,900**	**12,631**	**7,995**	**14**	**134,539**	**3,359**	**137,898**	**17**	**137,915**

Tables 6, 7 and 8 Notes

1. **Tables 6, 7 and 8** show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in October 2012 as part of the National Statistics release.[84] The figures were taken from the HM Treasury public spending database in summer 2012 and the regional distributions were completed by autumn 2012. Therefore the tables do not show the latest position and are not consistent with other tables in the Annual Report and Accounts. Please note that totals may not sum due to rounding.
2. The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department and its non-Departmental Public Bodies, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.
3. TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of HMT's Public Expenditure Statistical Analysis 2012.
4. The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.
5. Across Government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, in this case Great Britain, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.
6. The functional analyses of spending in **Table 8** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA October 2012 release. These are not the same as the strategic priorities shown elsewhere in the report.

[84] https://www.gov.uk/government/publications/national-statistics-release-october-2012

Annex 2 : Technical Annex (Business Plan Indicators)

Input Indicator

DWP productivity measure

Technical Definition	Output (cost-weighted activity index) divided by input (deflated expenditure), in-line with National Accounts convention for public service output and productivity measurement.
Good performance	Over the long term the productivity measure should increase to demonstrate that genuine efficiencies have been delivered
Type of data /Collecting organisation	Data collected from DWP administrative systems, including Departmental Activity Based Management and Management Information System Programme.

Impact Indicators

Rates of people moving from out of work benefits

Technical Definition	This indicator measures the rate of people moving off Jobseeker's Allowance and Employment and Support Allowance to any destination. The indicator reports off-flow rates for cohorts of customers who flow on to each benefit in a given period e.g. 90.3 percent of those starting to receive Jobseeker's Allowance in January 2012 had stopped receiving the benefit 52 weeks later. The rate of people moving off benefit is calculated after 52 weeks in receipt for Jobseeker's Allowance and 65 weeks for Employment and Support Allowance. There is a reporting lag of up to 14 months for Jobseeker's Allowance and up to 17 months for Employment and Support Allowance due to the elapsed time inherent in the indicator and the time needed to process the data. Data are not seasonally adjusted. Off-flow rates vary naturally over time, and will be impacted by policy changes, as well as changes in the economy. Over the time period covered by the Indicator, the Department has enacted Welfare Reform changes that have changed the composition of both of these benefits. The Department has also stopped some employment programmes and introduced new programmes.
Good performance	Generally an increase in the indicator would demonstrate whether an improvement has been achieved. However, the indicator level will be affected by benefit conditionality and operational changes, seasonal variation and the economic cycle. For example, in a recession, even if Jobcentre Plus is performing well, the off-flow rate is likely to fall. Also, as Incapacity Benefit claims are re-assessed for Employment and Support Allowance the off-flow rate is likely to fall.
Type of data / Collecting organisation	Management Information (Jobcentre Plus).

Number of people on key out of work benefits

Technical Definition	This indicator measures the non-seasonally adjusted number of people aged 16 to State Pension age claiming: Jobseeker's Allowance; Employment and Support Allowance; Incapacity Benefit; Severe Disablement Allowance; Income Support (as a lone parent or in the "other" category) and Pension Credit (under State Pension age). The equalisation of State Pension age between 2010 and 2020 will change the composition of this group by including women between 60 and 64. Further rises to age 66, 67 and 68 for men and women will follow The "Others on Income Related Benefit" category: •The majority are Pension Credit claims for men aged under State Pension age. The remainder are on Income Support: •Some are disablement-related, with either the claimant, their partner or their child receiving a disability premium, but without falling into the "Employment & Support Allowance and incapacity benefits" group. •And there are some remaining cases in other small groups. The groups that comprise the key-out-of-work benefits are based on the concept of Statistical Groups presenting each person by the main reason they are in contact with the Department.

Good performance	A decrease would demonstrate whether improvement has been achieved. As this series is based upon 100 percent administrative data, year on year movement of any magnitude can be considered as a change in this indicator. Seasonal movements in benefit claiming patterns affect the quarterly series, hence, year on year comparisons are needed. Economic conditions will also affect the performance of the indicator.
Type of data / Collecting organisation [85]	National Statistics. Raw data are collected by Jobcentre Plus as part of the process for assessing and paying benefits. The claimant count is published by the Office for National Statistics; the other benefit data are published by the Department.

Proportion of children living in workless households

Technical Definition	The number of children living in workless households as a proportion of all children. A workless household is a household that includes at least one person aged 16 to 64, where no-one aged 16 or over is in employment. 'Children' refers to all children under 16. Data are not seasonally adjusted and therefore only year on year comparisons are meaningful.
Good performance	Generally, an improvement would be demonstrated by a statistically significant fall in the indicator. The magnitude of the fall required for a statistically significant change depends on the sampling variability around both the current and previous data points. For example, for there to have been a statistically significant fall between October-December 2011 and October-December 2012, the proportion of children living in workless households had to fall by more than 0.9 percentage points.(Such a change would imply a rise in the proportion of children living in working households). Other factors (for example changes in household formation and economic conditions over time) may also need to be accounted for. Significant changes in the indicator may be observed more easily over a longer time period. Data are not seasonally adjusted so only year on year comparisons are meaningful.
Type of data/ Collecting organisation	National Statistics published by the Office for National Statistics

Proportion of young people not in full time education who are not in employment

Technical Definition	The indicator is the proportion of 18-24 year olds not in full time education who are not in employment. Data are seasonally adjusted so quarterly comparisons can be made.
Good performance	Generally a statistically significant decrease in the indicator will demonstrate an improvement in the labour market position of young people but external factors such as economic conditions will also need to be taken into account. Data are seasonally adjusted. There is no published data for the confidence intervals around the indicator. However, the Department has estimated that the confidence interval for a single quarterly estimate of the indicator is approximately +/- 1.4 percent. The confidence interval for a year on year change is approximately +/- 2 percent.
Type of data/ Collecting organisation	Survey data – The Labour Force Survey by the Office for National Statistics.

Proportion of the lowest earning 25-30 year olds that experience wage progression ten years later

Technical Definition	The indicator measures the proportion of individuals in the bottom fifth of earners at age 25-30 that are twenty or more percentage points higher in the earnings distribution ten years later.
Good performance	An improvement would be indicated by a statistically significant increase in the indicator demonstrating that more lower earners are experiencing wage progression. The magnitude of the increase required for a statistically significant change depends on the sampling variability around both the current and previous data point, for example for there to have been a statistically significant increase between 2002-2011 and 2003-2012 the proportion of the lowest earners experiencing wage progression would have had to have increased by more than 1.4 percentage points. The policy levers for influencing this indicator sit across Government, not just in the Department. Wider factors, for example general economic conditions and skill levels across the workforce, will also influence the indicator.
Type of data/ Collecting organisation	Survey data. Data are collected and processed by the Office for National Statistics. Analysis is performed by the Department's analysts.

[85] https://www.gov.uk/government/publications/dwp-business-plan-transparency-measures/dwp-business-plan-transparency-measures

Rate of disability poverty

Technical Definition	This indicator measures the percentage of individuals in families containing someone who is disabled with incomes below 60 per cent of median income in a particular year. Data are adjusted for family size and composition, before deducting for housing costs, so we are comparing different household types in a robust way. Disability is defined as having any illness, disability or impairment, for more than 12 months, that leads to a substantial difficulty with one or more areas of the individual's life.
Good performance	Generally, a statistically significant decrease in the indicator will demonstrate that an improvement has been achieved but external factors such as wider economic conditions need to be taken into account. The confidence interval range for the 2011/12 data is 17.4 per cent – 19.7 percent which results in a 95 per cent confidence interval of around +/- 1.2 percentage points.
Type of data/ Collecting organisation	Family Resources Survey. A consortium of the Office for National Statistics and the National Centre for Social Research under contract to the Department.

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

Technical Definition	The indicator measures the difference in the employment rates between the employment rate for disabled people (as defined in the Equality Act) and the overall population. The indicator uses the Office for National Statistics Headline Rate definition of the employment rate, i.e. between the ages of 16 and 64 for both males and females.
Good performance	Generally, an improvement would be demonstrated by a statistically significant fall in the indicator greater than the sampling variability of approximately 1.4 percentage points but external factors such as wider economic conditions also need to be taken into account. Data are not seasonally adjusted so only year on year comparisons are meaningful. Due to a change in the wording of the disability questions within the survey questionnaire to ensure that they are in line with the GSS harmonised definition for disability, estimates of disability from the Labour Force Survey for 2013 onwards should not be compared directly with previous years.
Type of data /Collecting organisation	Survey/Management information. Labour Force Survey – with analysis by the Department.

Fraud and Error in the benefit system, as a percentage of expenditure

Technical Definition	This indicator measures the estimates of the levels of overpayment and underpayment, as a percentage of benefit expenditure, due to fraud and error across the benefit system in Great Britain
Good performance	A statistically significant decrease in the percentage of overpayments and underpayments would demonstrate improved performance but economic conditions and overall expenditure would also need to be taken into account. The estimates are based on a random sample of the total benefit caseload and are therefore subject to statistical uncertainties. This uncertainty is quantified by 95 per cent confidence intervals around the central estimate.
Type of data/collecting organisation	Data collected and analysed by Department for Work and Pensions. Published as National Statistics.

Rate of pensioner poverty

Technical Definition	This indicator measures the percentage of pensioners with incomes below 60 per cent of median income in a particular year adjusted for family size and composition and after deducting Housing Costs, so compares different household types in a robust way. The preferred measure of low income for pensioners is based on incomes measured After Housing Costs, as nearly three quarters of pensioners own their own homes. Considering pensioners' incomes compared to others after deducting Housing Costs allows for more meaningful comparisons of income between working age people and pensioners, and between pensioners over time.
Good performance	Generally, a statistically significant decrease in the indicator will demonstrate that an improvement has been achieved, but external factors such as wider economic conditions also need to be taken into account. The 95 per cent confidence interval suggests the true figure is between 12.7 per cent and 14.3 per cent.
Type of data / Collecting organisation	Survey-Family Resources Survey. A consortium of the Office for National Statistics and the National Centre for Social Research under contract to the Department.

Number of employees in a pension scheme sponsored by their employer

Technical Definition	This indicator measures the number of employee jobs where the individual is aged at least 22 years of age and under State Pension age and earning above the earnings threshold for automatic enrolment; and is participating in a pension scheme sponsored by their employer. An individual may have more than one job.
Good performance	An increase of at least 100,000 employee jobs, based on unrounded data would demonstrate that an improvement has been achieved.
Type of data/ Collecting organisation	Survey Data collected and processed by the Office for National Statistics. Analysis is performed by the Department's analysts.

Average age people stop working

Technical Definition	This indicator measures the ages at which older people withdraw from the labour market and become inactive. This indicator is measured using the "average age of withdrawal from the labour market" statistic previously published by the Office for National Statistics. The average age of withdrawal is based on multiplying each age by the probability of exiting the labour market at that age.
Good performance	An increase in the average age of withdrawal of more than around 0.5 years would demonstrate an improvement. Small changes from one year to another are normal; the focus should be on longer term trends. External factors, such as wider economic conditions should also be taken into account. Data are not seasonally adjusted so only year on year comparisons are meaningful.
Type of data/ Collecting organisation	Existing data are a National Statistic based on the Office for National Statistics' Labour Force Survey Data UK. Office for National Statistics.

Customer and claimant opinion of departmental service levels

Technical Definition	The indicator is an overall satisfaction score (either fairly or very satisfied) of the percentage of people who have had meaningful contact with the Department over a 6 month period. This involves an interaction with either Jobcentre Plus (JCP) or the Pensions, Disability and Carers Service (PDCS).
Good performance	This is a baseline measure for the Department. A statistically significant increase in the level of satisfaction would demonstrate an improvement. Satisfaction ratings are reported at the 95 per cent confidence level and subtle changes can be detected (e.g. 1 per cent change).
Type of data/ Collecting organisation	Survey data. External contractor Taylor Nelson Sofres-British Market Research Bureau (TNS-BMRB) on behalf of the Department.

Other Key Data

Proportion of claimants for whom providers have achieved a Job Outcome payment at 12 months on the programme.

Technical Definition	The proportion of claimants for whom providers were paid a job outcome payment at 12 months after their referral to the Work Programme by monthly cohorts of referral. For example. for those that were referred to the Work Programme in June 2011 the indicator will show the proportion of the June 2011 referral cohort that has achieved a job outcome by the end of June 2012. The indictor is calculated on a cohort basis looking at those who were referred each month and how many job outcomes have been paid for these referrals 12 months later.
Good performance	An increase in the indicator over time would demonstrate that the proportion of paid job outcomes for later cohorts is rising.
Type of data/ Collecting organisation	Official Statistic. The Department's administrative systems.

Number of Incapacity Benefit recipients reassessed and those moving from Incapacity Benefit to Employment and Support Allowance nationally

Technical Definition	The indicator records both the number of Incapacity Benefit (IB) claimants that have completed the Employment and Support Allowance (ESA) reassessment process, and the proportion of these moved to ESA (either the Work Related Activity Group or the Support Group). Claimants who start the process but leave benefit before it is completed are included in the data. Completing the reassessment process is defined as the point at which an outcome from the functional assessment is recorded, or the point at which an IB claim ends for those who leave benefit before the reassessment process is completed.
Good performance	Planning assumptions are that national reassessment will take 3 years so a good performance will be one that is in line with plans.
Type of data/ Collecting organisation	Official Statistics published by the Department using data collected by the Department and ATOS Healthcare.

Proportion of new Jobseeker’s Allowance applications submitted online

Technical Definition	This indicator measures the proportion of new Jobseeker’s Allowance (JSA) applications submitted online as a percentage of all JSA new claims received and recorded in the Jobseeker’s Allowance Payment System (JSAPS) within the same month. Submitted online means: the proportion of claims submitted online which are then recorded in the JSAPS system, where the online marker that was set when the claim was made is still retained; and ‘all JSA new claims' means the total number of JSA new claims received and recorded in the JSAPS system.
Good performance	Good performance would be observed through increases in the proportion of new customers claiming JSA online.
Type of data /Collecting organisation	Management Information. Departmental Management Information systems

Proportion of households that are workless

Technical Definition	The number of workless households as a proportion of all households (containing at least one person aged 16 - 64). A workless household is a household that includes at least one person aged 16 to 64; where no-one aged 16 or over is in employment. Data are not seasonally adjusted and therefore only year on year comparisons are meaningful.
Good performance	Generally, an improvement would be demonstrated by a statistically significant fall in the proportion of households that are workless. The magnitude of the fall required for a statistically significant change depends on the sampling variability around both the current and previous data points. For example for October – December 2011 to October – December 2012 this would have been a fall in the proportion of households that are workless greater than the sampling variability of 0.5 percentage points. Other factors (for example changes in household formation and economic conditions over time) may also need to be accounted for. Significant changes in the indicator may be observed more easily over a longer time period. Data are not seasonally adjusted so only year on year comparisons are meaningful.
Type of data /Collecting organisation	National Statistics published by the Office for National Statistics

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