



Department
for Work &
Pensions

Accountability System Statement

Department for Work and Pensions

Accounting officers in government departments are accountable to Parliament for the proper stewardship of the resources allocated to the department. Details of the requirements to ensure regularity, propriety and value for money are set out in HM Treasury's guidance *Managing Public Money*.

Sir Bob Kerslake, then Permanent Secretary of the Department for Communities and Local Government, proposed in his report *Accountability: Adapting to decentralisation*, published in September 2011, that in future departmental accounting officers should publish accountability system statements explaining how they achieve accountability for the funds they distribute to local bodies. This allows accounting officers to demonstrate that, as the government moves to decentralise power to local communities, the appropriate accountability mechanisms are in place.

This document sets out our accountability system, and is signed by Robert Devereux as accounting officer and Permanent Secretary.

September 2015

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1 Introduction

1.1 As accounting officer, I am accountable to Parliament for the proper stewardship of the resources allocated to the department and am required to ensure regularity, propriety and value for money as set out in the HM Treasury Guidance 'Managing Public Money'.

1.2 This statement explains how I meet my responsibilities in relation to the resources we allocate to local authorities and other local bodies outside my direct control. This statement only applies to allocations that are not governed by contractual arrangements, because they are grants, are a benefit or benefit subsidy, or fund transactions undertaken by local organisations (including local authorities) on our behalf.

1.3 It covers seven separate funding streams (see Annex One) in place for the financial year 2015-16. It has been signed by me as the Accounting Officer.

1.4 In addition, two of the funding streams to local authorities – the Working Well and Working Matters pilots (see Annex Two) – are not ring-fenced. With these, therefore, I am relying significantly on the core system of local authority accountability for which the accounting officer at the Department for Communities and Local Government is responsible. This is the framework within which local authorities spend all of their resources. It ensures resources are spent with regularity, propriety and value for money. I have though, recorded in this statement relevant information about our involvement in the pilots.

1.5 For the remaining seven funding streams, the arrangements in place are guided by five principles, whose application is proportionate to the funds involved. The principles are that it is clear:

- 1) what the funding can be spent on and what, if any, discretion the recipient has
- 2) what information has to be provided to us on what the funding was spent on and, where appropriate, the benefits which it has provided
- 3) what the requirements are for auditing of the expenditure
- 4) what remedies are available in the event that local spending is found to be outside the purposes for which it was provided
- 5) that any disbursement of funding by recipients to third parties will be lawful, in particular that any applicable EU directives for public procurement will be followed

1.6 For each funding stream, where applicable, we specify in writing how these principles are to be applied in practice.

2 Conclusion

2.1 Recognising that some of our short term funding arrangements will be bespoke, I believe there to be a robust framework, on which I can rely as accounting officer, for each of the funding streams described here.

Robert Devereux
Accounting Officer – Department for Work and Pensions

Annex One

Regular funding arrangements

Housing Benefit We provide £24 billion to local authorities in support of Housing Benefit, and an administration subsidy of £304 million contributing towards delivery costs.	
Principle 1 – It is clear what the funding can be spent on and what, if any, discretion the recipient has	Housing Benefit is an income related benefit paid to help those who are entitled to meet costs for their rent. Provisions in the Social Security Administration Act 1992 and other enactments set out the framework for entitlement within which local authorities deliver it. This legislation also provides the arrangements for us to pay subsidies to local authorities for the benefit they pay out and to contribute towards their administration costs.
Principle 2 – It is clear what information has to be provided to us on what the funding was spent on and, where appropriate, the benefits which it has provided	We manage our relationship with local authorities in respect of the administration of the benefit through the Housing Benefit subsidy returns they are required to make and by collecting other data from them. This enables us to publish data at a local level on caseload, speed of processing claims, overpayments and fraud, and helps us provide appropriate support.
Principle 3 – It is clear what the requirements are for auditing of the expenditure	<p>Our accounts include estimates of amounts due from and to local authorities. We recognise that the basis of this estimate is subject to uncertainty and may need adjustment in a subsequent year on receipt of final audited claims.</p> <p>To help ensure propriety, regularity and accuracy with regard to the expenditure incurred by local authorities, the District Auditor certifies the final claim from each local authority. More generally, the District Auditor gives an opinion on the accuracy of financial statements and on wider matters of efficiency, effectiveness and economy.</p>
Principle 4 – It is clear what remedies are available in the event that local spending is found to be outside the purposes for which it was provided	<p>We reimburse local authorities in full where they pay the benefits accurately. Where it's not, or in relation to specific types of cases, the subsidy paid can be at a lower rate or not paid at all. We recover any benefit subsidy that has been overpaid. We take caseloads into account when making payments towards local authorities' administration, with different weightings for different case types, such as private or local authority housing. We also make adjustments to compensate for regional variations in accommodation and labour costs.</p> <p>To help reduce loss due to fraud and error, we have improved the way we provide information to local</p>

	authorities on changes linked to qualifying benefits. We are making more use of real time information data. We have introduced an incentive scheme (see below) with local authorities to encourage them to find as many changes of circumstances as possible which reduce entitlement, with a particular focus on the high value changes.
Principle 5 – It is clear that any disbursement of funding by recipients to third parties will be lawful, in particular that any applicable EU directives for public procurement will be followed	Housing Benefits awards paid by local authorities are made in accordance with relevant legislation. Appropriate assurance is obtained primarily from the grant certification arrangements that are in place. Further assurance is provided through the Accountability System Statement from the Accounting Officer from the DCLG, who is accountable for the core system by which local authorities receive central government funding.

Discretionary Housing Payments

In 2015-16 we are providing £125 million in Discretionary Housing Payment funding to local authorities.

Principle 1 – It is clear what the funding can be spent on and what, if any, discretion the recipient has	Discretionary Housing Payments is a scheme that allows local authorities to make awards to people in need of further financial assistance with housing costs. A claimant can qualify for a payment if they are entitled to Housing Benefit or the housing costs element of Universal Credit. Each local authority has overall responsibility to administer the scheme and make awards, taking account of the guidance we issue.
Principle 2 – It is clear what information has to be provided to us on what the funding was spent on and, where appropriate, the benefits which it has provided	Local authorities submit a voluntary 6-monthly monitoring return, detailing the amount of the payments awarded, as well as recording if a successful Discretionary Housing Payment claimant had been affected by one of the welfare reforms (for e.g. removal of the spare room subsidy, or the benefit cap) and to record the main outcome expected from that award. In addition, local authorities have to submit mandatory returns on estimated expenditure and the final outturn, at set points in the financial year.
Principle 3 – It is clear what the requirements are for auditing of the expenditure	The audit requirement for the payment's expenditure is based on self-certification by the local authority that includes a certificate signed by the Section 151 Officer (Section 95 in Scotland) on the accuracy of the claim. This certificate also confirms that the local authority maintains adequate records which can be subject to our verification should the need arise.
Principle 4 – It is clear what remedies are available in the event that local spending is found to be outside the purposes for which it was	At the end of each financial year we request that local authorities provide details of expenditure for financial accounting purposes and any underspend on a local authority's annual allocation is recovered.

provided	
Principle 5 – It is clear that any disbursement of funding by recipients to third parties will be lawful, in particular that any applicable EU directives for public procurement will be followed	The assurance arrangements for the payments are based on self certification by local authorities. Further assurance is provided through the Accountability System Statement from the Accounting Officer from the DCLG, who is accountable for the core system by which local authorities receive central government funding.

Fraud and Error Reduction Incentive Scheme	
This voluntary scheme was introduced to 379 local authorities in November 2014 with the aim of reducing fraud and claimant error in their Housing Benefit caseloads. The scheme offers financial reward to any local authority that finds reductions to Housing Benefit entitlement above a threshold set for that local authority. The level of the reward is dependent on the degree to which the local authority exceeds the threshold, and is set taking into account the local authority’s past performance, its size, and its caseload.	
Local authorities were also able to bid for additional funds to help them introduce improvements with £9.2 million available for 2014-15, and a further £9.4 million for 2015-16. The scheme runs through to April 2016.	
Principle 1 – It is clear what the funding can be spent on and what, if any, discretion the recipient has	The scheme is a package of financial rewards given to those local authorities that can demonstrate solutions to reducing fraud and error. They can either achieve this through payments from the scheme triggered when set performance levels are achieved or through funding they specifically apply for to reduce fraud and error in Housing Benefit. Local authorities have discretion on how to spend incentive scheme payments. Funding through the start up, bid, and maintenance payments must be spent on the activities approved in the local authority’s fraud and error action plan, agreed prior to any payments from the funds. All applications are scrutinised to ensure they are value for money and that the sums are accurate.
Principle 2 – It is clear what information has to be provided to us on what the funding was spent on and, where appropriate, the benefits which it has provided	<p>The awards linked to exceeding thresholds are only made once these have been passed – so the payments are clearly linked to achievements. For the start up, bid, and maintenance funding, local authorities are required to clearly set out activities, costs and an implementation plan to tackle fraud and error in their applications, which we use to demonstrate a return on the investment we offer.</p> <p>We regularly collect implementation plan data from local authorities and monitor their performance against the plans that have attracted funding.</p> <p>Our performance development team provides support to those local authorities who do not appear to</p>

	be realising the expected benefits in respect of their funding. Full evaluation will enable us to judge the effectiveness and value for money of the scheme and inform decisions on future funding options.
Principle 3 – It is clear what the requirements are for auditing of the expenditure	<p>We maintain fully auditable records of payments made.</p> <p>To help ensure propriety, regularity and accuracy with regard to expenditure incurred by local authorities, we also monitor their performance monthly, providing us with a means to ensure the expenditure under the scheme is being utilised correctly. Our fraud, error and debt team provide additional assurances through the fraud, error and debt programme who have delegated authority to approve payments.</p>
Principle 4 – It is clear what remedies are available in the event that local spending is found to be outside the purposes for which it was provided	<p>Recovery of any spending outside the purposes provided would result in the adjustment of any future payments to the local authority in question.</p> <p>Beyond 2015-16 when the scheme closes any outstanding recoveries will be taken from a local authority's administration subsidy.</p>
Principle 5 – It is clear that any disbursement of funding by recipients to third parties will be lawful, in particular that any applicable EU directives for public procurement will be followed	<p>Payments to local authorities are made in accordance with the relevant legislation and the relevant subsidy order. Appropriate assurance is obtained primarily from the local authority application for funding, our monitoring of performance against these, and the data we collect to determine achievement against the individual thresholds.</p>

Flexible Support Fund

We make funds available annually to support jobseekers through the Flexible Support Fund – in 2014-15 we spent £78.9 million and expect to spend a similar amount this year. This fund enables our operational districts to support locally identified claimant needs, and to reflect the requirements of local labour markets. Jobcentre Plus district managers make local decisions on how best to improve future employment outcomes for individuals in communities facing the most complex and intractable barriers to work. Some of the spending by the fund is through conventional contractual arrangements, but some is spent in partnership with local bodies. It is the latter which falls within the scope of this statement.

Principle 1 – It is clear what the funding can be spent on and what, if any, discretion the recipient has	<p>Through the clear framework within which the fund is managed district managers are free to use it to contribute to effective local solutions. Finance and commercial business partners provide appropriate professional advice. The fund is split into four separate 'categories' (targeted training, job search skills, travel or childcare costs, or rapid response support for redundancy situations), each of which have a</p>
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	<p>set of criteria which govern how the funding from that particular 'pot' should be spent. Grants from the fund are supported by written statements that describe the discretion each recipient has around what the grant can be spent on.</p> <p>The fund can be used to support partnerships. These can include charities, and not for profit voluntary and community sector organisations.</p>
<p>Principle 2 – It is clear what information has to be provided to us on what the funding was spent on and, where appropriate, the benefits which it has provided</p>	<p>The grant letter specifies the assurances required of the recipient. This includes each partnership's lead accountable body providing information and evidence of delivery of the partnership's aims and objectives, and assurance that it is meeting the required minimum requirements for outcomes, targets and indicators. A further statement is required setting out how the grant has been spent so that we can monitor and report expenditure.</p> <p>Lead accountable bodies within each partnership are required to ensure that sound internal financial controls are in place with any partner that will be involved in the delivery of the specified minimum requirements agreed for the grant. This ensures that our funds are used solely to pay for the delivery of agreed objectives.</p>
<p>Principle 3 – It is clear what the requirements are for auditing of the expenditure</p>	<p>Grants are made to a recognised lead accountable body within each partnership, which manages and is accountable for the use of the funds on behalf of the partnership. The lead accountable body is responsible for working with other identified partners to distribute the funding. Lead accountable bodies must be a legal entity with auditable accounts, and must be determined as eligible for the fund based both on our financial viability and risk assessment, and evidenced by an incorporation document. They are required to keep accurate financial records for audit purposes.</p>
<p>Principle 4 – It is clear what remedies are available in the event that local spending is found to be outside the purposes for which it was provided</p>	<p>We ask Jobcentre Plus districts to work with lead accountable bodies to ensure grant conditions are met and that expected performance meets actual outturn. Districts will agree monitoring requirements with the lead accountable body before formal award of a grant, to ensure value for money considerations are maintained during delivery. This year we have set up a new performance management process that identifies spend or activities outside that which the grant was awarded for. We also have a rating system for grants in three categories.</p> <p>As specified in the approval letters to grant recipients, district managers will take action if they find discrepancies. If necessary, they write formally to the lead accountable body to explain the need to recover, reduce, suspend or withhold future grant payments. Further recourse can include the sale of fixed assets funded by the grant where they are recovered. Unless the district manager approves otherwise, any allocated grant funding which remains unspent at the end of the grant period is repaid.</p>

<p>Principle 5 – It is clear that any disbursement of funding by recipients to third parties will be lawful, in particular that any applicable EU directives for public procurement will be followed</p>	<p>We require the lead accountable body to comply with all relevant legal requirements including those governing procurement and state aid. This year we have taken further legal advice (including government grant advice from BIS) to ensure we are fully complying with both de minimis and Service of General Economic Interest European State Aid rules.</p>
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Minor funding arrangements that support departmental business

<p>Fit for Work Scotland An independent review of sickness absence in the UK (by Dame Carol Black and David Frost CBE) identified a lack of access to occupational health advice as one of the obstacles to people returning to work. In response the government introduced an independent assessment service in December 2014 to help employees on sick leave get back to work. In Scotland this is not a devolved service but delivered on our behalf by the Scottish government. Fit for Work provides both a supportive occupational health assessment and general health and work advice to employees, employers and doctors (GPs), to help individuals stay in or return to work.</p> <p>In 2014-15 we provided £1.2 million to set up Fit for Work Scotland and £3.8 million for the first year of delivery.</p>	
<p>Principle 1 – It is clear what the funding can be spent on and what, if any, discretion the recipient has</p>	<p>Agreements reached between the Secretary of State and Scottish ministers to deliver Fit for Work Scotland have defined the respective roles and responsibilities of all parties, and that our funding is for delivery within the service design.</p>
<p>Principle 2 – It is clear what information has to be provided to us on what the funding was spent on and, where appropriate, the benefits which it has provided</p>	<p>The Scottish government provide us with a monthly forecast and actuals finance report for the given financial year, in an agreed format and level of detail. The amount payable to the Scottish government takes account of any deductions if Fit for Work Scotland’s performance does not meet the agreed Service Level Agreements.</p> <p>At the end of each financial year, the Scottish government will provide us with a final report for that year, and a forecast for expenditure for the next. Both organisations will discuss the reconciliation of total actual expenditure against the forecasts supplied previously. We will request evidence from the Scottish government of their expenditure to enable reconciliation with forecasting.</p>
<p>Principle 3 – It is clear what the requirements are for auditing of the expenditure</p>	<p>We have developed, with the Scottish government, an independent programme of audit and inspection of the service that will be carried out in accordance with our agreements. This provides both parties with accurate and reliable information, and ensures:</p>

	<ul style="list-style-type: none"> • the economical and efficient use of resources • the integrity, regularity and reliability of financial, performance, and other information and data • the safeguarding of assets and interests from losses of all kinds, including those arising from corruption, fraud or irregularity • the service delivers according to the aims of Fit for Work
<p>Principle 4 – It is clear what remedies are available in the event that local spending is found to be outside the purposes for which it was provided</p>	<p>The agreements reached specify the actions to take by both parties on discovery of any irregularity. On discovery, the other party is notified immediately and we discuss whether an investigation is appropriate, the process to be followed and the investigator to be appointed. Where an investigation is carried out, copies of the subsequent report are made available to both parties.</p> <p>It has been agreed that where any loss due to fraud and error is incurred by the Scottish government, due to the negligence of the Scottish government and / or its providers, we shall either:</p> <ol style="list-style-type: none"> 1. not be liable for this loss when agreeing funding for the given financial year, or 2. (if funding for the given financial year has already been agreed), take into account this loss when agreeing funding for the following financial year
<p>Principle 5 – It is clear that any disbursement of funding by recipients to third parties will be lawful, in particular that any applicable EU directives for public procurement will be followed</p>	<p>We collaborate on any public accounting obligation requirements, such as the principles of locally devolved expenditure, including that of ‘disbursement of funding by recipients to third parties will be lawful, in particular that any applicable EU directives for public procurement will be followed’. It was also set out in the agreements that the supplier must ensure that they comply with all applicable legislation, and support us in meeting all our legal obligations.</p>

Disabled Peoples User Led Organisations (DPULOs)

These organisations support disabled people to have more choice and control over their lives. They provide support and advice on how to use personal budgets for those who want to work or need support to stay in work. The Personalisation Pathfinder is a new way of supporting sick and disabled people into employment, and offers a more personalised and flexible employment support package. It puts the individual at the heart of the employment offer and takes an all-inclusive approach that empowers and creates opportunities. £430,000 has been allocated for pilot activity in 3 of our Operations districts in 2015-16 to build capacity of the DPULOs involved.

<p>Principle 1 – It is clear what the funding can be spent on and what, if any, discretion the recipient has</p>	<p>The pilot supports activities under the Journey to Employment initiative. This is a series of peer support job clubs that offer a unique combination of personalised activities to enable disabled people to move into employment by building relationships with local employers, and encouraging social inclusion</p>
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	These look to deliver a return in investment across all welfare spend. Key to this will be the role of the community employment specialist who has a dual role to work within both the job club and the Jobcentre. This unique role provides valuable lived experience and an understanding of the issues unemployed disabled people face in finding and staying in employment.
Principle 2 – It is clear what information has to be provided us on what the funding was spent on and, where appropriate, the benefits which it has provided	Payments are made to DPULOs, and are made by the Office for Disability Issues using the DWP Funding Voluntary Organisations Guidance. To make sure they fit the criteria of an eligible body the DPULO has to supply comprehensive information about the nature of their organisation (as part of the application process). They are reimbursed on production of an invoice and associated receipts.
Principle 3 – It is clear what the requirements are for auditing of the expenditure	Funding can only be agreed and made to a DPULO that has auditable accounts. The Office for Disability Issues monitors and records all payments made and ensures that the appropriate financial governance procedures are followed. They also monitor monthly spend against the budget and share this analysis with us.
Principle 4 – It is clear what remedies are available in the event that local spending is found to be outside the purposes for which it was provided	If a problem arises after funding has been awarded, the Office for Disability Issues reserves the right to recover any funding that has been fraudulently claimed. A fraudulent claim for these purposes includes submitting false receipts, submitting receipts for purchases that are not associated with the Personalisation Pathfinder initiative, or submitting receipts that are not duly reflected in the auditable accounts. The decision to award funding may be revoked if the DPULO closes before funding is awarded, or where an invoice is not submitted within an appropriate timescale of the decision notification (with no reasonable explanation for the delay).
Principle 5 – It is clear that any disbursement of funding by recipients to third parties will be lawful, in particular that any applicable EU directives for public procurement will be followed	All DPULO's are required to ensure that their business is conducted lawfully. The Office for Disability Issues seeks to recover any funding that has been used to pay for illegal or fraudulent activity or goods. Given the size of the individual grants, EU directives on procurement do not apply.

English Forums on Ageing

In 2015-16 we provided £124,200 for English Forums on Ageing (£13,800 for each of the nine forums) to cover operating costs. The funds enable the forums to respond to government consultations, contribute to policy development, and forum members to join alliance working groups. Each forum is then better focused on the issues which matter to older people because older people are directly involved in developing the solutions to these issues.

<p>Principle 1 – It is clear what the funding can be spent on and what, if any, discretion the recipient has</p>	<p>Forums are given clear guidance on appropriate use of the funding. We have regular contact with forum chairs, helping them to identify issues which need addressing, and providing practical support in developing and delivering their plans. The forums can also access additional funding from other sources including local authorities, Primary Care Trusts, and local businesses.</p>
<p>Principle 2 – It is clear what information has to be provided to us on what the funding was spent on and, where appropriate, the benefits which it has provided</p>	<p>The funds are distributed in accordance with activity plans agreed with each Forum. These show how the funding we provide will be used to support the engagement of older people at local level. Each forum submits a plan when applying for funding specifying the outcomes it aims to achieve, with individual activities identified, priced and timed. Forum funds are held by forum members, for example local civil society organisations. At the end of the financial year each forum is required to provide us with a list of activities that were undertaken and any initial views of the success or otherwise of that programme. These are supported by evidence from discussions via the minutes of their quarterly meetings.</p>
<p>Principle 3 – It is clear what the requirements are for auditing of the expenditure</p>	<p>We check that plans are consistent with the objectives set out in ‘Empowering engagement: a stronger voice for older people’¹ before funding is released. The organisation distributing the funding is in turn responsible for their audit in line with their standard procedures (for example the Charity Commission specifies audit requirements for member organisations that are charities). A further requirement is a statement from the auditors (or independent examiner who is a qualified accountant) for each forum on an annual basis.</p>
<p>Principle 4 – It is clear what remedies are available in the event that local spending is found to be outside the purposes for which it was provided</p>	<p>An operating framework has been agreed with the forums to set an appropriate balance of accountability and governance with local flexibility. Each forum’s expenditure is monitored by its members and scrutinised by us through quarterly meetings with the chair. Each forum is informed that any unspent expenditure will be recovered. Records of forum activities, expenditure, and accounts are available for public scrutiny on request.</p>
<p>Principle 5 – It is clear that any disbursement of funding by recipients to third parties will be lawful, in particular that any applicable EU directives for public procurement will be followed</p>	<p>All forums are required to ensure that their business is conducted lawfully. Given the size of the budgets, EU directives on procurement do not apply.</p>

¹ Published 2009 - <http://www.dwp.gov.uk/docs/empowering-engagement-stronger-voice-older-people.pdf>

Annex Two

Other local authority funding streams

Working Well pilot – Salford City Council

In March 2014 we grant-funded Salford City Council £5.35 million to co-fund the Working Well pilot, a Whole Place Community Budget initiative in Greater Manchester. Greater Manchester Combined Authority is funding the remaining 20%. The pilot is being delivered by providers appointed by Salford City Council. The pilot aims to establish whether a key worker model will improve on our current employment outcomes. This involves co-ordinating and sequencing interventions for claimants who have completed two years on the work programme and are in the Employment and Support Allowance work related activity group. The funding model involves us referring 5,000 claimants to the pilot between March 2014 and March 2016, with claimants remaining on the provision for up to two years. Salford City Council pay providers for attachments, job outcomes (taking the claimant off benefit) and sustained job outcomes (after 52 weeks employment). Based on expected performance levels, our maximum exposure is £6.73 million (80%) of the total contract package worth an expected £8.42 million.

Working Matters pilot – Glasgow City Council

In March 2015 we grant-funded Glasgow City Region £4.5 million (50% of the costs) to support a local welfare proposal that was agreed in the Glasgow City Deal. Working Matters is a pilot co-funded by ourselves and the eight Local Authorities which comprise the Glasgow and Clyde Valley Region. The pilot will target claimants in receipt of Employment and Support Allowance to improve their employment outcomes. The delivery model will feature personalised employment support that is integrated with wider local support services such as health, social care and skills training. This support will be co-ordinated by a central caseworker who will challenge and encourage individuals to help them overcome complex barriers to finding sustained work. Over the three year lifetime of the pilot the programme will work with 4000 claimants:

- 80% of these will have completed the work programme and be from the Employment and Support Allowance work related activity group
- 20% will be identified by the local authorities and providers from the broad range of Employment and Support Allowance claimants who have not participated in the work programme.

It is anticipated that Working Matters will achieve 600 (15%) job outcomes over its lifetime. All referrals will be undertaken by Jobcentre Plus advisers. The pilot began to support local claimants in August 2015.