Department for Work & Pensions

Department for Work and Pensions
Annual Report and Accounts

2014-15

HC 31

Department for Work and Pensions
Annual Report and Accounts 2014-15

For the year ended 31 March 2015

Accounts presented to the House of Commons pursuant to section 6 (4) of the Government Resources and Accounts Act 2000

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HC 31

This is part of a series of departmental publications which, along with the Main Estimates 2015-16 and the document Public Expenditure: Statistical Analyses 2015, present the government's outturn for 2014-15 and planned expenditure for 2015-16.

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Contents

The Annual Report adopts the changes required under the Financial Reporting Manual for 2015-16. It also complies with the Financial Reporting Manual for 2014-15 and includes everything needed in the Strategic Report and the Directors' Report.

Our performance – overview

Who we are and what we do

The Department for Work and Pensions is the UK's biggest public service department. We develop policy and deliver essential services on welfare, pensions and child maintenance. What we do matters: we change the futures of millions of people in the UK:

- we help families achieve financial independence by getting people into sustainable work
- we help the life chances of children by encouraging separated parents to work together to make family-based financial arrangements for their children's welfare and security
- we help people with disabilities and ill-health live independently
- we help pensioners by making sure they have a reasonable income in retirement
- we are committed to reducing our running costs and keeping welfare spending under control. And we do this while continually improving the efficiency and effectiveness of our services

We provide our services in a number of ways:

Jobcentre Plus helps people move from benefits into work and helps employers advertise and fill their vacancies. It also deals with benefits including Jobseeker's Allowance and Employment and Support Allowance plus carers' and disability benefits including Carer's Allowance, Attendance Allowance, Disability Living Allowance and Personal Independence Payment.

The Pension Service provides pensions, benefits and retirement information for current and future pensioners in the UK and abroad. These include the State Pension, Pension Credit, Winter Fuel Payments and Cold Weather Payments.

The Child Maintenance Service calculates and collects child maintenance payments from parents who can't make their own financial arrangements. Child Maintenance Options gives information and support to separated parents to help them make informed choices about child maintenance.

We deliver at scale
In 2014-15 we:

Helped
2.6m people
move off Jobseeker's Allowance

Processed
5m
benefit and pension claims

Carried out over
24.5m
adviser interviews

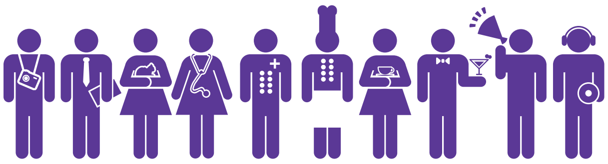
Paid **22m** people
£167.6bn
in benefits and pensions

Answered over
47m calls
in contact centres

Average of 4.5m job searches
conducted every day

Recovered over
£1.3bn
of debt

We improve lives
In 2014-15 we:



Saw a record
31.1m
people in employment – including **22.7m** full-time

Enabled the creation of
65,570
new businesses through the **New Enterprise Allowance**

Boosted the number of people saving in workplace pensions by

2.2m
and legislated for a simpler, fairer **State Pension**

Helped
105,000
families turn their lives around through the Troubled Families Programme

Helped more than
32,400
disabled people find and stay in work by reducing barriers through
Access to Work

Gave
198,000
young people the opportunity to gain valuable work experience with an employer placement

Supported a 2.1 percentage point increase in the employment rate of disabled people
up to
46.3%

Achieved
86%
parents paying maintenance for their children

Secretary of State's foreword

Looking back over the last Parliament, I am immensely proud of this department's achievements and I look forward to continuing the work we have started to create a fair and affordable welfare system for the future.

So far we've designed and delivered reforms across the whole of the social security system: from Child Maintenance reform to the new State Pension; from the benefit cap to the claimant commitment; and from Universal Credit to Personal Independence Payment. But most importantly we've helped many people transform their lives and the lives of their families.

Over the last Parliament, welfare spending increased by the lowest rate since the beginning of the welfare state. This is testament that our welfare reforms are working.

Every day we deliver a vital service to UK citizens: processing and maintaining benefit claims and pensions, and helping people to find work. This year we have yet again made significant improvements to our service while reducing our running costs even further.

Our success in the labour market is clear. We have seen employment reach a record high, the number of workless households is at a record low, and the youth claimant count is at the lowest level seen since the 1970s. This means more people now have the security of a pay package which work brings. Continuing this success and building on it over the next Parliament we will see the UK achieve full employment.

We've also developed programmes to ensure those furthest away from the labour market receive the support they need to get a job. The Work Programme is using payment by results to support those at risk of becoming long-term unemployed, our Disability Confident campaign is changing the attitudes of employers to employing disabled people, and Work Choice is helping disabled people find and keep a job. All these are continuing to make a lasting difference to people's lives. That is why we have committed to halve the disability employment gap over the next Parliament.

Universal Credit is transforming the benefit system. We already know that Universal Credit claimants spend twice as long looking for work compared to Jobseeker's Allowance claimants. We are rolling out Universal Credit across the country, and by next year it will be in every jobcentre in the country.

During the last Parliament we saw the biggest shake up of the pension system in a generation. The new State Pension will provide a clear foundation on which people can save for their retirement. Automatic enrolment has proven a great success with more people than ever now saving in a workplace pension. We are now supporting small and micro businesses to auto-enrol their employees so they too can benefit from a workplace pension.

During this new Parliament we will continue to support the government's economic plan by helping to build a more secure and better future for everyone at every stage of their lives. Our goal remains to reward hard work and protect the vulnerable. We will continue to establish a labour market where all those who can work do. We will continue to increase saving for and security in later life. And we will continue to deliver value for money by improving the quality of our services while reducing costs.

Managing and delivering the welfare elements of the Smith Agreement will be another priority for this Parliament. We have set up a joint ministerial working group on welfare for UK and Scottish ministers to discuss new arrangements and we will provide expertise on practical and legal interpretation and implementation of the Smith Commission recommendations.

And the Social Justice Cabinet Committee will continue to be key in ensuring a cross-government approach to our reforms. We need to work together across departments and with local government to ensure we support the most vulnerable people to achieve their potential.

I have no doubt about the ability of this department to successfully transform our welfare system and while doing so, make a positive and lasting difference to the lives of millions of people across the UK.

The Right Honourable Iain Duncan Smith MP
Secretary of State for Work and Pensions

Permanent Secretary's overview

The work we do is vital. It touches the lives of millions of UK citizens, helping them change their futures through work, support and saving.

In 2014-15 we continued this crucial work while taking huge strides in the government's welfare reform agenda, a set of once-in-a-generation reforms that will reward work and focus spending on those who need it most.

As a result we contributed to the largest annual fall in unemployment since records began, with two years of consecutive month-on-month reductions in the number of people claiming out-of-work benefits. The number of people now in work is at a record high, as is the employment rate.

We now have a new government, and the next 12 months will bring new challenges. But we can be proud of our achievements over the last year and the last Parliament. These achievements give us confidence in our ability to continually improve our service to our customers, claimants and taxpayers.

Finding work and making it pay

Universal Credit is the government's flagship welfare reform, and is designed to reduce poverty and ensure people are better off in work. By the end of 2014-15 we had introduced Universal Credit in a third of our jobcentres, and had started to make it available to families and couples.

Our early evaluation shows that Universal Credit claimants move into work faster, do more work and earn more money than those on Jobseeker's Allowance.

The use of the claimant commitment – a central part of Universal Credit – also shows how far we've progressed. Over a million people have agreed claimant commitments, with more signing up daily. These two-way agreements between claimants and the state help emphasise personal responsibility and prepare people for work by resembling an employment contract. They are a symbol of the bespoke service Universal Credit offers, and the way it encourages people to keep active in searching for work.

2014-15 also saw the continuation of many programmes to help young people find work or return to education or training. By November 2014 we had arranged work experience for over 198,000 young people and work academy places for another 83,500.

The Work Programme, too, continued to support those who are most at risk of long-term unemployment by giving them up to two years of tailored help and guidance. The results have been getting better with every year. By March 2015 the Work Programme had helped over 430,000 people find sustained employment – that's over a quarter of everyone who'd been on the Work Programme long enough to benefit from it.

But we don't just help people find and keep jobs: we help people create them, too. New Enterprise Allowance helps people set up their own businesses by providing business planning advice and financial support. Since launching the scheme in April 2011 we have helped 65,570 people start up their own business. More than a third of these were in 2014-15.

Having dignity in retirement

We want people to live a secure and dignified retirement based on personal circumstances and choice. We promote saving as the best way to achieve this goal.

We continued to expand automatic enrolment, launched in 2012, to increase the number of people saving for their retirement. This has already helped more than 5.2 million people start saving for retirement by setting a legal duty for employers to enrol their eligible workers into a pension scheme. In previous years we helped large and medium-sized employers undertake their automatic enrolment duties, and in 2014-15 we paved the way for small and micro employers. They will join automatic enrolment from June 2015.

The government also passed legislation for a simpler and fairer new State Pension, affecting those who reach State Pension age from 6 April 2016. It will make sure saving always pays, and give people the confidence to plan for their future.

We have also created greater freedom and flexibility in how people can invest and spend their pensions. In April 2015 the government introduced new rules to give people more choice, along with an advice service to help them make informed decisions. People aged 55 and over who have defined-contribution pension savings can now choose to take their pension in several different forms, including a single lump sum, multiple lump sums, and annuities.

Supporting families

We supported the cross-government effort to tackle child poverty by promoting work. The proportion of children living in a workless household was 12.7% in October to December 2014, 3.5 percentage points lower than in the same period in 2010.

We also continued to reform the child maintenance system to encourage separated parents to work together. Our aim was for more people to set up their own family-based child maintenance arrangement, without automatically turning to the state. Parents who agree family-based arrangements can avoid a new fee for the service.

We also introduced a charge for parents who use our collect-and-pay service. Again, parents can avoid this fee if they pay each other using our Direct Pay service. Under this arrangement, we set the amount to be paid, but parents organise the mechanics of the payment between themselves. Results so far are encouraging: two out of three cases now use the Direct Pay service.

Living independently

Personal Independence Payment helps disabled people live independently by providing a payment that can contribute to some of the extra costs of a disability or health condition. It focuses on how a person's disability affects their daily life.

We introduced this new benefit nationally in June 2013, and in 2014-15 we looked critically at the way we deliver it. By refining the way we work with our health assessment providers, we processed more claims and did so faster. We also expanded the number of UK areas where we review which Disability Living Allowance claimants are eligible for Personal Independence Payment.

Service up, costs down

We operate on a huge scale: our work directly affects the lives of 22 million claimants. We make millions of payments every day, adding up to £167.6 billion in 2014-15, so it is crucial that we strive for excellent service both for our customers and for the taxpayers who fund them.

2014-15 saw a further step on our journey to drive service up and costs down. We now do in days what, only a few years ago, we did in weeks and months; and the number of phone calls chasing progress has reduced significantly. We've done this by having teams that do similar work share what they know, by cutting out the unnecessary steps in our processes, and by removing duplication and doing things once only.

All of this has also helped us reduce costs. In 2014-15 we spent £7.2 billion on running our department. That's £1.9 billion less than in 2009-10 and a cumulative cash saving over the Parliament of £6.3 billion. Overall, by March 2015 we had 38,500 (33%) fewer whole-time-equivalent staff in the core department than we did in March 2010. We also saved around £344 million on procurement by using our market expertise to get improved services at lower cost. £43 million of this was in the IT category, but we also saved another £24 million by improving the way we manage our IT demand across the department.

We have a clear responsibility to ensure that spending on benefits and pensions goes to those who are entitled to it and who need it most. In 2014-15 we achieved 97% accuracy across all benefits – bringing official error to a record low. Preliminary estimates for 2014-15 show that overpayments are down to 1.9% of benefit spending, compared to 2.1% a year ago, and for the fourth year running we have recovered over £1.3 billion of debt.

Investing in our people

With so much of our work dealing directly with millions of people, our staff remain our most important asset. In 2014-15 we continued to invest in learning and development, improving our skills and developing our leaders, while embedding civil service reforms. We also continued the DWP Story, our internal communications programme to get our most senior staff talking to – and inspiring – leaders throughout the department.

Our 2014 People Survey results reflect these activities, with staff engagement now up 11 percentage points since 2011. Our staff also demonstrated their public service commitment beyond our core business through charity fundraising and volunteering. Within 48 hours of a request from Public Health England, over 30 of our staff put their names forward to support Ebola screening at UK ports.

Our controls

As a large and complex department we operate a multi-faceted control system, setting clear budgets and delegations, tracking and monitoring performance, and assessing and mitigating risks.

During 2014-15 we continued to benefit from the independent advice of our non-executive directors, both on the departmental board and on the Departmental Audit and Risk Assurance Committee. They advised us on vital issues including Universal Credit, the welfare cap and building our digital and technology capability.

Looking forward

Our story for 2015-16 is one of continuity. We will continue to deliver excellent public services that transform lives, while making ourselves more efficient. As well as seeing through current welfare reforms, we will introduce legislation to take forward the new government's manifesto commitments and continue to monitor our spending on benefits to ensure we do not breach the welfare cap. Managing and delivering the welfare elements of the Scotland Bill, for further devolved powers, will also be an early priority for this Parliament.

Finally, I would like to thank all the people who work for the department for their dedication and commitment in making our department truly extraordinary.

Robert Devereux
Permanent Secretary

Our performance story

Our performance story

This section sets out our activities and achievements against our six 2014-15 business plan priorities. These were:

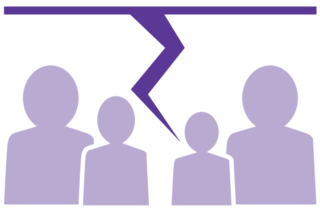
- **tackling the causes of poverty and making social justice a reality** by ensuring that the most disadvantaged people have the opportunity and support to transform their lives and the lives of their families
- **encouraging work and ensuring it pays** by introducing Universal Credit, the claimant commitment and other changes to make sure work always pays
- **enabling disabled people to fulfil their potential** by supporting independent living and employment opportunities through specialist programmes
- **promoting saving for retirement and ensuring saving pays** by providing a decent income and ensuring that the pension system is sustainable and fair between generations
- **recognising the importance of the family in children's lives** by helping separated and separating couples work together in the best interests of their children
- **improving public services and reducing costs** by offering an excellent service while cutting costs and tackling fraud and error

We report data to Parliament for all of these six priorities. You can find further details in the 'our performance analysis' section.

Priority 1: Tackling the causes of poverty and making social justice a reality

Social justice requires sweeping cultural change, spanning not only families and individuals but also public services and the way we fund them. During 2014-15 our focus was on supporting families, keeping young people on track, promoting the importance of work and supporting the most disadvantaged in our society.

By working with our partners we identified the individuals and families who faced the most difficult personal circumstances. We gave them support and tools to help them turn their lives around by tackling the causes of their poverty and disadvantage.



Helped

105,000

families turn their lives around through the Troubled Families Programme

Transforming troubled families

We worked with local authorities in England to help troubled families transform their lives. We did this by providing specialist employment advisers to enable at least one adult in the family to move into work. By the end of February 2015 the programme had helped turn around the lives of 105,000 families, including 10,508 families that have found continuous work.

Leaving care with confidence

We protected those leaving care from the risk of long-term unemployment. We've done this by giving them tailored support through the Work Programme to help them find work from day one of their benefit claim. We continued to provide an education-support programme called Second Chance Learning so care leavers can remain on benefit up to the end of the year they turn 21 if they return to education.

Escaping the gang lifestyle

We continued to support young people aged 14 and over who are involved or at risk of involvement in gangs. We provided around 80 coaches in places like police stations, probation offices and other community venues. Since February 2012 our coaches have supported nearly 3,000 young people in London and the surrounding counties and 63% of them are now in work, education or training. From October 2014 we've expanded this service into 10 new priority areas in England.

From jail to jobs

We gave prisoners tailored employment and benefit advice before their release. Those who claim Jobseeker's Allowance within 13 weeks of leaving prison are enrolled on the Work Programme immediately to minimise the risk of reoffending and increase their chances of finding work. We've helped around 4,400 prisoners find lasting work. Our evaluation of this work, published in December 2014, indicated that reoffending is around 20% lower for offenders who find work after release.

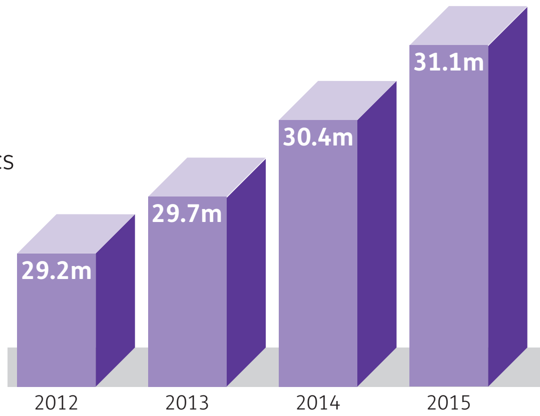
In addition, we've used social impact bonds to help 16,600 disadvantaged young people get what they want out of their lives. Social impact bonds pay providers by the results they achieve, which means providers must cover the costs of delivering their services. These services are generally delivered by social enterprise or charities on the basis that they will receive a payment from us if they achieve agreed results.

Priority 2: Encouraging work and ensuring it pays

For those who can work, jobs are the best way out of poverty[1]. So we've continued to encourage people to take responsibility for their own future by helping them find work, stay in work and progress in work.

The figures: employment

The **number of people in employment** increased steadily during 2014-15. May 2015 figures from the Office for National Statistics show a record 31.1 million people in employment in the quarter January 2015 to March 2015. That's 1.9 million more than the same quarter in 2012.



In 2014-15, we helped around 2.6 million people move off Jobseeker's Allowance and helped thousands of employers fill their vacancies. Every working day we conducted around 96,000 job search interviews and processed around 14,000 working age benefit claims.

1. See page 62 and table 5.7db from the latest 'Households below average income' publication on www.gov.uk

Our work coaches prepare claimants for employment by helping them identify and overcome the barriers they face. This includes referring claimants to individually tailored support to help them get the skills they need to increase their chances of finding work. While doing this, we continued to implement huge changes to the welfare system.

We launched **Universal Credit** in 2013 to merge six means-tested benefits and tax credits into a single monthly payment for the whole household. It will help reduce poverty and ensure that people are better off in work than on benefits. Universal Credit is designed to make sure it will always pay to work extra hours or start a new job.

Universal Credit in
1 in 3
jobcentres

Universal Credit is underpinned by a far-reaching cultural shift affecting jobcentres, local authorities, our partners, employers and claimants alike – changing what it means to provide welfare support, claim benefits, grow a workforce, look for work and much more. So we've been careful to introduce it in a safe and secure way, testing and evaluating it as we go along to ensure the processes work effectively.

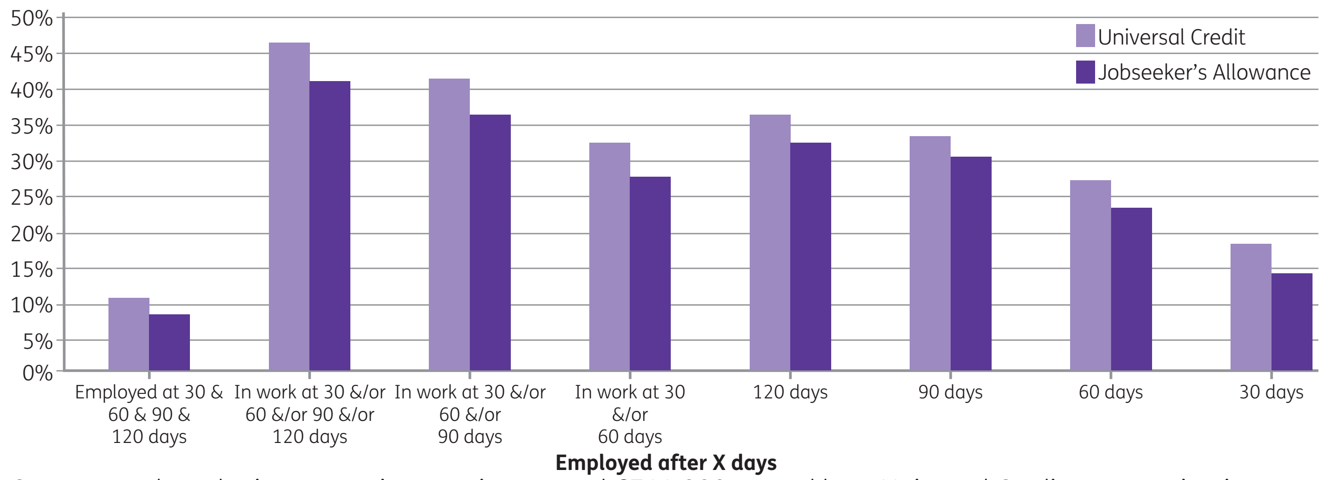
We originally introduced Universal Credit to the North West of England in 2013 for single unemployed claimants. In 2014-15, we've gradually expanded its coverage to areas across England, Scotland and Wales. We've also made Universal Credit available to families and couples who can now claim Universal Credit in over 100 jobcentres. As at March 2015 we had brought Universal Credit to over 1 in 3 jobcentres. By next year it will be available in every jobcentre and local authority across Great Britain.

In February 2015 we published 'Universal Credit at Work – Spring 2015' on www.gov.uk. It shows our progress, analysis and evaluation of this vital reform. Some of the key points were that Universal Credit claimants continue to:

- be more likely to find work and spend more time in work than Jobseeker's Allowance claimants: they are 3 to 4 percentage points more likely to be in work than similar Jobseeker's Allowance claimants at various points after making their claim
- do more job search activity than Jobseeker's Allowance claimants
- think the benefit system is effective at encouraging people to find work

Difference in proportion in work:

Labour market outcomes in the original 4 "Pathfinder Jobcentre Plus offices" and "comparable JSA Jobcentre Plus offices" (for new claims made between July 2013 and April 2014).



Our targeted marketing campaign, costing around £714,000, tested how Universal Credit communications influence job-seeking behaviours. Over half of those approached said that as a result of the campaign they intended to try at least one new way to support their search for work, such as exploring new sectors, refreshing their CV or volunteering.

In preparation for the rollout of Universal Credit, we introduced the **claimant commitment**, a new agreement between the claimant and the state for all jobseekers. This deliberately looks like a contract of employment and sets out what we expect a claimant to do to find work in return for support and their benefit, along with the consequences of not doing so.

> Nina, work coach, Southport jobcentre
>
> "The claimant commitment has led to a real change in culture because the information has come mainly from the claimant so it is personal to them. It puts the onus on them to keep active in their work search."

Over the next year, we will make further progress towards realising the economic benefits of Universal Credit. This will include testing the enhanced digital service on a greater scale.

Paying benefit where it's needed most

To ensure that work pays and to underpin a fair welfare system, the **benefit cap** limits how much a household can receive in state benefits. Between April 2013 and February 2015, 58,700 households have been capped. Of these 35,600 are no longer subject to the cap and 14,400 have moved into work. Our evaluation, published in December 2014, shows that the benefit cap is changing attitudes and behaviour and encouraging people into work. Claimants are now making the same sort of financial decisions as families in work. Around the country jobcentre work coaches are helping claimants to experience the wider benefits employment can bring, including improvements to their health and family life.

> Claimant
>
> "It gave me the shock of my life but it's given me the kick I needed. Why should taxpayers pay for my lifestyle? I genuinely do want to work."

The benefit cap has been challenged several times under the Human Rights Act, but the Supreme Court has upheld the lawfulness. Challenges to the removal of the spare room subsidy policy by way of judicial review have also been successfully defended to date.

The number of people affected by the **removal of the Spare Room Subsidy** is decreasing, down 15% from May 2013. We estimate that removing the subsidy is saving around £1 million a day on Housing Benefit payments.

Saved around

£1m a day

in Housing Benefit through removal of the Spare Room Subsidy

Modern ways to find work

Some people need support to enter or rejoin the labour market. So we provide that support, from intensive one-to-one coaching to self-service options. Throughout, our goal is to help claimants prepare for, find and secure work in today's labour market.

Launched in February 2015, the '**Daily Jobseeker**' is our new online resource for claimants and their work coaches. Hosted on Tumblr, a popular social media channel, it provides tips on work-related activities such as searching for jobs, creating CVs and going to interviews, along with advice from recruitment experts and employers.

Daily Jobseeker

> Work coach, Rotherham jobcentre
>
> "It's a great tool. Everything to support a jobseeker's journey is there on one page. It's easy to navigate and the Universal Credit pages help build awareness amongst our claimants."

Universal Jobmatch is the UK's largest jobs board – a website where employers can post vacancies and jobseekers can look for work. Around a tenth of all www.gov.uk traffic goes to Universal Jobmatch and an average of 4.5 million job searches are conducted each day.

Universal Jobmatch

New business, new support

With the **New Enterprise Allowance** we've contributed to the wider government priority to help people start their own businesses. Since the scheme's launch in April 2011 around 65,570 people have used it to open a new business. Just over 23,000 of these were set up in 2014-15.

The scheme offers claimants a mentor to help them develop a robust business plan. Claimants get their benefits while they're planning their business and a weekly allowance once they leave benefits to begin trading. On 5 January 2015 we extended the programme to a wider range of claimants.

NEA

Facilitated creation of **65,570** new businesses through the **New Enterprise Allowance**

Claudia, independent baker

"I run a business called Crumbs, Biscuits and Cakes, creating simple but amazing biscuits and cakes for local shops and cafes.

When I started, my local area, Walthamstow, was missing a really good cafe. So I ran a community cafe with the Salvation Army, and customers kept asking when I would open my own. That's how it all started.

I found out about New Enterprise Allowance through the jobcentre, which was very supportive. I started working with Richard, my mentor, in January 2013, and he has been brilliant.

Without his help I do not think I would be where I am today. I started trading in June 2013 and it was a very scary moment because it was something I was doing by myself – even with Richard there to support me.

The most difficult times have been when I have had too many orders and not been able to cope. Richard's advice was simple but important: "Make sure you are in control of your business, not your business in control of you."

Reducing long-term unemployment

As the economy recovers, we've continued to focus additional help and funding on those who are most likely to experience long-term unemployment. The **Work Programme** provides two years of flexible, tailored support for claimants in this category. This support comes from third-party providers, and we pay those providers based on their results.

By March 2015 our providers had helped 432,610 participants find at least 6 months of sustained work (or 3 months for those who were the hardest to help). That's over a quarter of everyone who's been on the Work Programme long enough to find work. It also beats our minimum performance level, which was approximately 410,000.

April 2014 to March 2015 was the fourth year of the scheme and performance was stronger than ever. The Work Programme helped 137,000 people find sustained work against an expectation of 101,000, 35% better than we expected.

In autumn 2014 we agreed changes to all the direct contracts we have with each of our providers. These have strengthened the performance regime and improved financial controls, securing better value for taxpayers and claimants. We also included a 12-month extension of all contracts, meaning referrals to the Work Programme will now continue until March 2017.

Intensive jobseeking support for those who need it most

For some claimants, the Work Programme alone may not be sufficient. **Help to Work**, launched in April 2014, provides intensive support for those who return from the Work Programme without having found employment. Work coaches talk to claimants to understand what's stopping them finding work and use a range of methods to help them overcome those barriers. Support includes community work placements, daily work search reviews and mandatory activities.

A secure future for young people

Securing the futures of our young people is important to give them a sense of purpose and the opportunity to contribute to the society they live in. We ran the **Youth Contract** between April 2012 and March 2015 to offer flexible support for young people. It included extra jobcentre adviser support, work experience, places on sector-based work academies, apprenticeships and training places, and careers advice from the National Careers Service. We are now developing a new youth offer, including a new youth allowance, with clearer requirements from the start of a young person's claim.

Between April 2012 and November 2014, we arranged work experience opportunities for 198,080 young people. Each placement lets someone spend 2 to 8 weeks gaining valuable skills and experience with an employer. We also found sector-based work academy places for 83,530 young people. These offer a combination of pre-employment training, work experience and a guaranteed job interview.

Local as well as national

As well as running our national programmes, our staff worked with local organisations to set up **local services** and events for all their claimants.

Youth employment in Ipswich

In Ipswich we've helped set up the first ever youth employment centre. A pioneering approach to helping young people into work, led by local organisations and Jobcentre Plus, its ambition is to halve youth unemployment in the greater Ipswich area over the next two years. The 'MyGo' centre creates an inspiring, modern and supportive environment, bringing together all the services young people need.

An easier return to work after illness

Launched in December 2014, **Fit for Work** provides free, expert and impartial work-related health advice to help people who have been ill return to work. The service will be expanded across England and Wales over the coming months, with GPs being able to make referrals nationwide by the autumn and across Scotland during the spring.

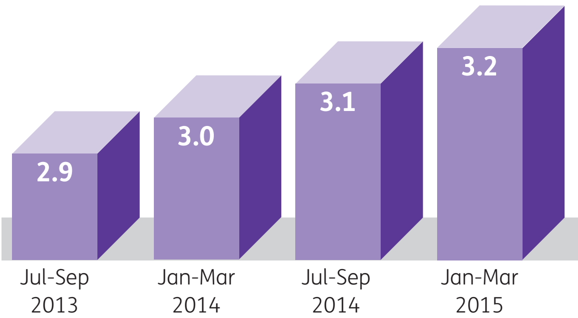
Priority 3: Enabling disabled people to fulfil their potential

We pay and maintain Disability Living Allowance claims for over 1.9 million disabled adults and 385,000 disabled children, handling over 7,100 telephone calls from disabled people. We also manage Personal Independence Payment, which was introduced in April 2013 to replace Disability Living Allowance for disabled people of working age.

The figures: disabled people in work

3.2 million disabled people were in work in the quarter January to March 2015. This is 0.2 million more than in the same period a year earlier. The employment rate of disabled people was 46.3% for the same quarter – up 2.1 percentage points from the same period a year earlier.

Number of disabled people in work in millions

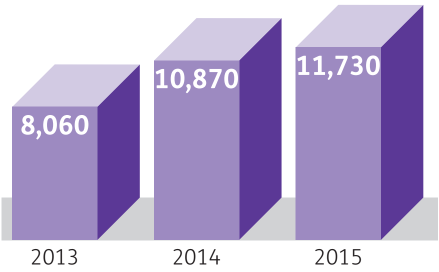


Specialist employment programmes

Our **Work Programme** provides tailored support for some disabled claimants, we've created 2 more specialist programmes for those who face more complex barriers to work.

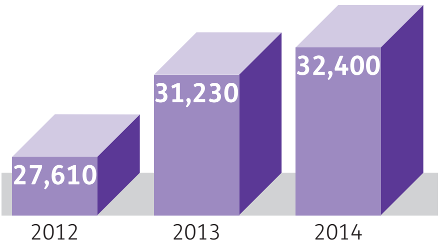
Work Choice

Work Choice helps disabled people find, keep and get on in jobs. Its support is tailored to suit individual needs. This year, Work Choice helped 11,730 claimants find a job – up from 10,870 people a year earlier.



Access to Work

Access to Work provides practical and financial support to people whose health or disability affects their ability to do their job. Between April and December 2014, Access to Work supported 32,400 people – up from 31,230 people for the same period a year earlier.



As well as these programmes, we support wider initiatives that assist disabled people and complement our work. For example, we've joined the Dementia Action Alliance to improve the service we provide by raising awareness among our people – over 2,000 of our staff have become Dementia Friends – volunteers trained by the Alzheimer's Society to support people with dementia and make society more inclusive.

Support for independent living

Personal Independence Payment (PIP) is replacing Disability Living Allowance (DLA) for claimants aged between 16 and 64. It focuses on how a person's disability affects their daily life and provides financial support to help them live independently.

The first independent review of the PIP assessment, carried out by Paul Gray, was published in December 2014. We published our initial response to the review and accepted all of its short-term recommendations, many of which we had already started to implement. We will publish our full response to the longer-term recommendations later this year.

In our mid-year report for 2014-15, we said we were working with our healthcare providers (Atos and Capita) to speed up our service. As a result we are now processing claims by terminally ill people within 7 days. Between January 2014 and January 2015, the number of PIP claims we processed increased from around 14,000 a month to 80,000 a month. We've also reduced the average time a claimant waits for a PIP assessment by over three quarters: it's down from 30 weeks in June 2014 to 7 weeks for a new claim and 4 weeks for a reassessment claim in March 2015.

We've also continued to roll out the DLA-to-PIP reassessment process safely and securely in areas where we have sufficient staff to handle an increase in PIP assessments.

The **Independent Living Fund** provides money to help severely disabled people live independent lives. It's been closed for new applications since 2010 but continued to support existing users until June 2015. Trustees of the fund have ensured a smooth transfer, with local authorities now responsible for, and funding, this group of people with high support needs.

The Disabled People's Employment Corporation (GB) Ltd (formerly known as Remploy Ltd), was a provider of services to help disabled people find sustainable employment. The company has been undergoing a restructure over recent years following the Sayce Review. In April 2015, Remploy Ltd sold its remaining Employment Services business and changed its name to the Disabled People's Employment Corporation (GB) Ltd. The focus for the company now is to deal with legacy issues relating to Remploy such as employment and other commercial matters efficiently and effectively. The Employment Services business is now a private company run by Maximus in partnership with its employees.

Changing attitudes

Helping disabled people fulfil their potential is also about changing attitudes. We're striving to make our communities, workplaces and society fully inclusive for disabled people. In September 2014, we launched the **Accessible Britain Challenge**, which calls on local communities to improve mobility, create safer neighbourhoods and set up inclusive social activities.

But accessibility isn't just about the physical environment – it starts with how society and employers regard disabled people. Through our award-winning, low-cost **Disability Confident** campaign we continued to work with employers to build confidence in employing disabled people.

At an event in January, we brought together major companies to encourage other employers to pledge "to do one thing" this year to promote disability employment. We now have over 360 campaign supporters and more than 60 partners. We also created a toolkit to help MPs hold Disability Confident events in their constituencies by bringing together employers, disabled workers and jobseekers.

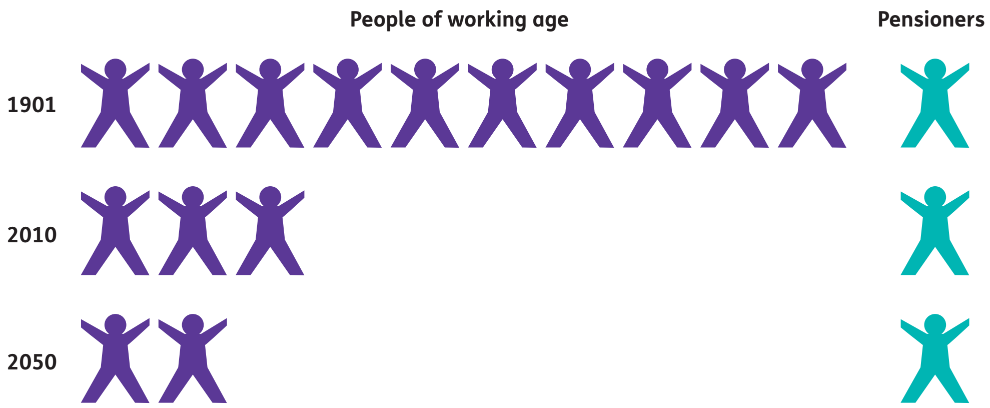
Priority 4: Promoting saving for retirement and ensuring saving pays

We pay and maintain claims for over 15 million pensioners. We handle over 44,000 telephone calls, process around 29,000 changes to pension claims and process around 5,300 claims a day. Each year we issue around 544,000 State Pension statements and trace over 125,000 pensions. Last year we also managed over 940,000 death notifications from the 'Tell us once' service.

Dignity in retirement

We want people to live a secure and dignified retirement based on personal circumstances and choice. But with life expectancy rates increasing, the number of people working in the UK for every pensioner is decreasing.

The figures: number of people working for every pensioner



Our society is getting older. In 1901 there were 10 people working in the UK for every pensioner. By 2050, it is expected that this will change to just 2 workers.

In response to this we promote sound financial planning and personal responsibility for retirement income. We encourage people to invest time and thought in the next phase of their career, making clear what effect leaving work will have on their retirement income. We also want to maintain control of State Pension spending as people live longer and healthier lives.

In the last 12 months, we've made significant progress in simplifying both state and private pensions.

Introducing the new State Pension

The **new State Pension** will radically change the current system, provide clarity about what people can expect, and offer a solid foundation for planning and saving. We're introducing the new State Pension for everyone reaching State Pension age from 6 April 2016. The full rate of the new State Pension (currently £151.25 for illustrative purposes) will be above the means-tested Pension Credit standard minimum guarantee (currently £151.20) to ensure saving pays.

In November 2014 we launched **PensionTube** – one of the first government-run YouTube channels. It features interviews, animations, real-life stories and independent experts, all to help people to understand the changing world of pensions.

We also launched a major new campaign, 'Your Pension, Your Future', to broaden understanding of the new State Pension. At a cost of £1.2 million, the campaign increased public awareness and improved our staff's ability to explain the changes more clearly. The campaign follows the recent introduction of a new State Pension statement service that gives people details of their new State Pension and how they may be able to increase it before they retire. By early March 2015 we had issued around 109,000 new State Pension statements.

Promoting private pensions

We continued to promote the value of **private pension** saving to build on the amount people will receive from the new State Pension.

We launched **automatic enrolment** in October 2012, with the aim of increasing the number of people saving for their retirement. Automatic enrolment makes it easy for workers to begin pension saving, as employers now have a legal duty to enrol their eligible workers in a workplace pension scheme. Eligibility covers everyone aged at least 22 and under State Pension age who earns over £10,000 a year (in 2014-15 terms), as long as they work or usually work in the UK.

Since October 2012 over 5.2 million people have been automatically enrolled. Opting out of the pension requires an active decision by the worker, and only about 1 in 10 people did this – fewer than we expected. These figures have been helped by our award-winning automatic enrolment national advertising campaign. This cost £8.2 million and has been successful in conveying the benefits of saving in to a workplace pension.

All large employers (250+ workers) and all medium employers (50 to 249 workers) have now started to automatically enrol their staff. Small and micro employers (fewer than 50 workers) will start to enrol theirs from June 2015. We know these smaller employers will face different challenges to larger employers so we're working with the Pensions Regulator and the pension industry to identify the most effective ways to help them meet their duties.

Automatic enrolment

Marion

"I've always looked to the future. I feel that once I get to retirement age I don't want to be a burden on my daughter so it's up to me to make sure I've got something in my pension pot.

What gives me peace of mind about having a workplace pension is the fact that not only do we put in money, our employer is also putting in money, so you have a larger pension pot at the end of it.

I have peace of mind knowing my employer pays in to my workplace pension, too. It's always good to have free money – that's how I see it.

I'm really happy to be part of a pension scheme."

Safer and more versatile savings

With millions more people saving through automatic enrolment, it is more important than ever to ensure that as much of people's pension savings as possible is turned into retirement income. We've legislated to protect automatic enrolment savers from excessive and unfair charges. We've also introduced governance standards to make sure those who run workplace pension schemes understand the system and have members' best interests as a priority.

In 2014-15 the government prepared the ground for far-reaching and radical reforms to the tax and pension systems. These give people greater freedom and choice in how they invest and spend their hard-earned pensions. We worked with HM Treasury, HM Revenue and Customs, the Pensions Regulator and a wide range of pension industry stakeholders to prepare for the launch of the new freedoms and the advice service in April 2015.

From April 2015, people aged 55 and over who have defined-contribution pension savings can choose to take their entire pot as a cash lump sum, take a number of lump sums out, purchase a 'flexi' access drawdown product or purchase an annuity.

Work choices in later life

We want people to be able to decide when they want to retire based on personal circumstances and choice. The removal of the default retirement age means people can now decide when they want to stop working.

There are around 3.7 million people aged 50 to 64 out of work, and we want to ensure that there are opportunities for people in this age-group to continue working. In March 2015 we launched an employer's toolkit that offers guidance for managers of older workers. To help us develop future support packages, we carried out research into the attitudes of the over 50s towards working into retirement. We also introduced regional champions into our jobcentres who work with our work coaches and employers to raise the profile and benefits of employing older claimants.

In June 2014 we published 'Fuller Working Lives – A Framework for Action'. This sets out what we're doing to make sure that those who want to work have the opportunity to do so. This includes extending the right to request flexible working to all employees to help people phase in their retirement and to help employers better manage the transition.

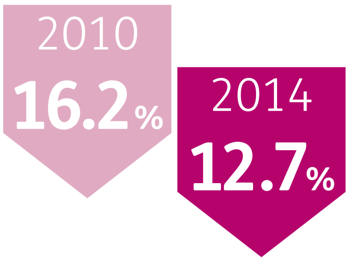
Priority 5: Recognising the importance of the family in children's lives

Families are the foundations of society. Strong and stable families can have a big impact on improving the life chances of our children. Every child deserves to be brought up in a healthy family environment free from poverty, regardless of whether their parents are together or apart.

We supported the cross-government effort to tackle **child poverty** by promoting work. To further support families and the relationships they're built on, we introduced a **Family Test** in October 2014. This test ensures that all government departments fully understand how their policies support strong family relationships.

Children living in workless households:

12.7%



down from **16.2%** in 2010

Supporting family relationships

Over the last four years, we've invested £30 million in a **relationship support policy** to offer marriage preparation services, couple counselling and relationship education. This includes supporting couples at key points in their relationships, like having a baby.

We also extended our **Help and Support for Separated Families** Innovation Fund. This helps parents work together in the best interests of their children.

Reforming child maintenance

We continued to reform the child maintenance system to encourage separated parents to work together. The aim is for them to agree family-based child maintenance arrangements without automatically turning to the new statutory child maintenance scheme, known as the **2012 Scheme**. The new scheme opened in November 2013, and in July 2014 the Public Accounts Committee commended the way we had delivered it.

The first step is for a parent to talk to a Child Maintenance Options' agent before they can access the new scheme. This encourages collaboration from the outset by helping parents explore whether they can make a family-based arrangement. If a family-based arrangement isn't possible or appropriate then they can apply to the 2012 Scheme.

We introduced application fees (with some exceptions) from 30 June 2014 to encourage parents to consider all their options before applying to the 2012 Scheme. In August 2014 we also introduced charges for parents who use our collect and pay service. Parents can avoid these charges if they pay each other through our Direct Pay service (where parents organise payment between themselves). The results are encouraging. Two out of three 2012 Scheme cases now use our direct pay service, which is a promising sign of parents working together.

The figures: child maintenance

2012 Scheme experimental statistics at February 2015 show:

- a total caseload of **109,200**
- **86%** of parents are contributing towards their current liability
- **67%** of cases that were due to pay their liability chose direct pay – up from 58% in August 2014

In January 2015 we began closing existing Child Support Agency cases, a process we expect to take around 3 years. Parents will be able to set up a family-based agreement or apply to the 2012 scheme.

Priority 6: Improving public services and reducing costs

We're committed to controlling the cost of welfare and reducing fraud and error, while improving our services and delivering them at lower cost.

By helping more people into work we're generating economic growth for the UK and reducing demand on the welfare state. In addition, more efficient regulation has helped us save businesses around £800 million over the last Parliament.

The Office for Budget Responsibility carried out its first assessment of the welfare cap at the Autumn Statement 2014. It said that the government is on track to meet its welfare cap commitment from 2015-16.

In 2014-15, we spent £167.6 billion on benefit payments (including Discretionary Housing Payments and other small benefits paid for from our running costs budget). This is a real terms increase of around £1 billion from the previous year, but slightly less than forecast in the 2014 budget. For further information see chart on page 33.

Spending on benefits for working-age people and children, having peaked at £56 billion in 2012-13, has declined in real terms to £54 billion in 2014-15. This was driven partly by the fall in unemployment, but also by:

- reforms to Housing Benefit
- capping yearly increases on working-age benefits to no more than 1% in 2014-15 and 2015-16
- extending the number of waiting days from 3 to 7 for new Jobseeker's Allowance and Employment and Support Allowance claims
- no longer allowing repeat claims to Employment and Support Allowance after 6 months when there has been no change to a person's health condition
- further restricting access to benefits by new European migrant jobseekers

Spending on pensioner and related benefits has continued to rise as a result of policy choices, such as the triple lock uprating on State Pension.

Fraud, error and debt

We've continued our efforts to reduce fraud and error and maximise debt recovery. The preliminary estimates for 2014-15 show that fraud and error was 1.9% of total benefit spending. This compares with 2.1% a year earlier and is the first time fraud and error has been below 2% since 2005-06, when the current way of measuring it was introduced. Further detail on this year's figures can be found at note 27 to the departmental accounts.

Cross-government savings

In 2014-15, we continued to work with HM Revenue and Customs and Cabinet Office to reduce losses. New approaches included:

- improving accuracy by using Real-Time Information data on earnings and pensions when assessing benefit claims. We've matched more than 8 million records and have identified 350,000 cases for investigation
- improving the detection of fraud and error by sharing data across government departments and other agencies
- simplifying the benefit and tax credit systems to minimise areas of fraud and error

We continued to punish those who commit fraud. In 2014-15, we imposed 3,213 administrative penalties and prosecuted 7,646 fraudsters. Our 7-week fraud, error and debt communications campaign, which cost £780,000, targeted 47 locations in Great Britain and indicated a shift in attitudes and behaviour towards fraud, error and debt.

Our debt management service specialises in managing and recovering debt. In 2014-15, we recovered over £1.3 billion of debt including overpaid benefit, Social Fund loans and compensation recovery. This is the fourth year in a row that we have recovered over £1.3 billion.

Our debt stock moved from £3.5 billion as at March 2014 to £3.4 billion as at March 2015. This is a reduction of 2.9%.

Reducing our running costs

Our 2014-15 departmental expenditure limit baseline[1] spend was £5.0 billion, which is £2.4 billion lower than in 2009-10. This reflects reductions in both our staff numbers and our non-staff costs. This second category includes re-contracting and centralising procurement, localising some services and rationalising estates.

We have improved our services whilst reducing the costs of running our department. Since 2010 we have reduced our core staffing by around 38,500 whole-time equivalents and our operating costs by £1.9 billion, which is a cumulative cash saving of £6.3 billion over the last Parliament.

Improving our services

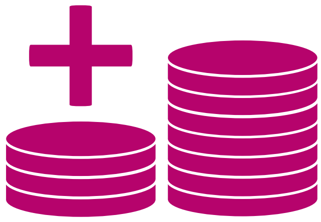
Our focus on improving effectiveness and cutting costs over the last 3 years has helped us achieve significant improvements across our business priorities (based on internal management information used by operational managers). We've reorganised and streamlined our back office and customer-facing services to cut out overlap and focus on doing things only once. We have:

- improved customer service by having our contact centres work more closely with our processing centres – either basing them in the same building or pairing up separate offices. This has reduced the number of people we need to refer to another part of the department by 34% in the last 3 years
- taken a more consistent approach to different sites doing similar work, improving productivity, efficiency and service levels
- processed benefit claims more quickly, with a resulting 35% reduction in call levels and a 53% drop in complaints over the last 3 years

Recovered over

£1.3bn

of debt -
for the 4th year in a row



Reduced running costs by

since 2009-10

1. This uses current spending levels as the baseline for establishing future funding requirements.

Fast work: 2014-15 benefit processing times compared to 2009-10

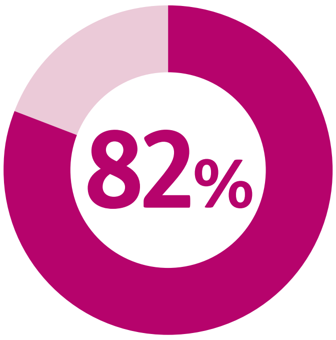
We increased the number of Jobseeker's Allowance claims processed in 16 days from 85.8% in 2009-10 to 96.0% in 2014-15. We're now aiming to clear Jobseeker's Allowance claims within 10 days. In 2009-10 we processed 67.6% in 10 days and this increased to 88.6% in 2014-15.

We also increased the number of Employment and Support Allowance claims processed in 16 days from 72.9% in 2009-10 to 93.6% in 2014-15. We now have a 10 day target for Employment and Support Allowance too. In 2009-10 we processed 54.9% in 10 days and this increased to 87.5% in 2014-15.

This year, we achieved a customer and claimant satisfaction score of 82%, up one percentage point from last year, and a 20% reduction in the number of complaints from last year.

Reduced customer complaints by

Achieved



customer satisfaction with our service

Better services also come from our continuing **digital agenda**. Here we've increased our expertise and launched our first live accredited service for Carer's Allowance. We began testing our Universal Credit enhanced digital system in November 2014. We completed the rollout of our electronic signature capture service to every jobcentre, making it simpler to confirm benefit entitlement and process payments. We also launched our child maintenance client and employer online self-service portals. Clients and employers can now view progress, make payments, report changes and view communications, all at a time convenient to them.

We also focused on making sure we have enough skilled people in the right place at the right time. Activities included:

- training people to increase flexibility in key areas, such as Personal Independence Payment, to help manage workload peaks
- reviewing working patterns to match them with the wider business needs

Improving employee engagement and building capability

Our success is built on our people. It's vital to have an engaged and motivated workforce during a time of financial constraints and significant change. For us, this engagement starts with our leaders at every level of the organisation and in every building. We continue to develop leaders who:

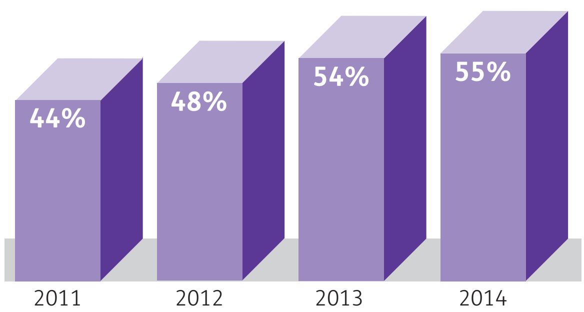
- have a clear vision and value the contribution their people make
- empower rather than control their staff
- demonstrate our values in everything they do, earning trust and showing integrity
- let their people voice their views and concerns

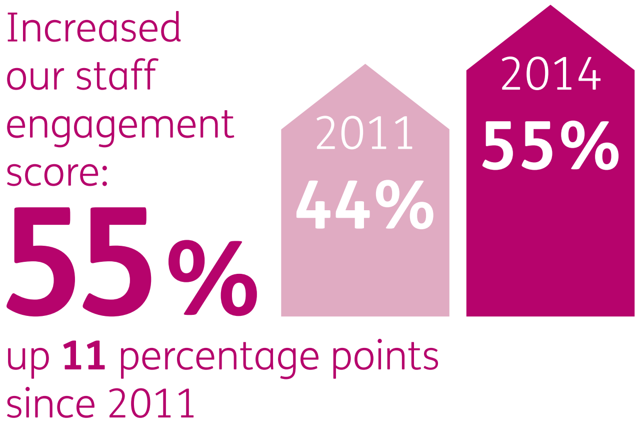
The DWP Story, now in its fourth year, continues to inspire leaders across the organisation. We hold regular internal communications events, led by our most senior staff, to get people sharing ideas and making connections, creating a sense of unity and excitement about DWP's future.

Senior leaders also hold regular 'Question time' and 'Let's talk' events on specific topics. These give staff the opportunity to hear the key messages and ask questions.

Our success so far is reflected in our staff engagement score for 2014, which increased to 55%. That's up 11 percentage points from 2011 and the second highest across the 5 largest government departments. The underlying scores show that more people are proud, inspired and motivated by the department – all up by around 17% since 2010. The departmental board has acknowledged that this is a significant achievement – and it underpins the increase in service and cost reduction reported above.

Our staff engagement score

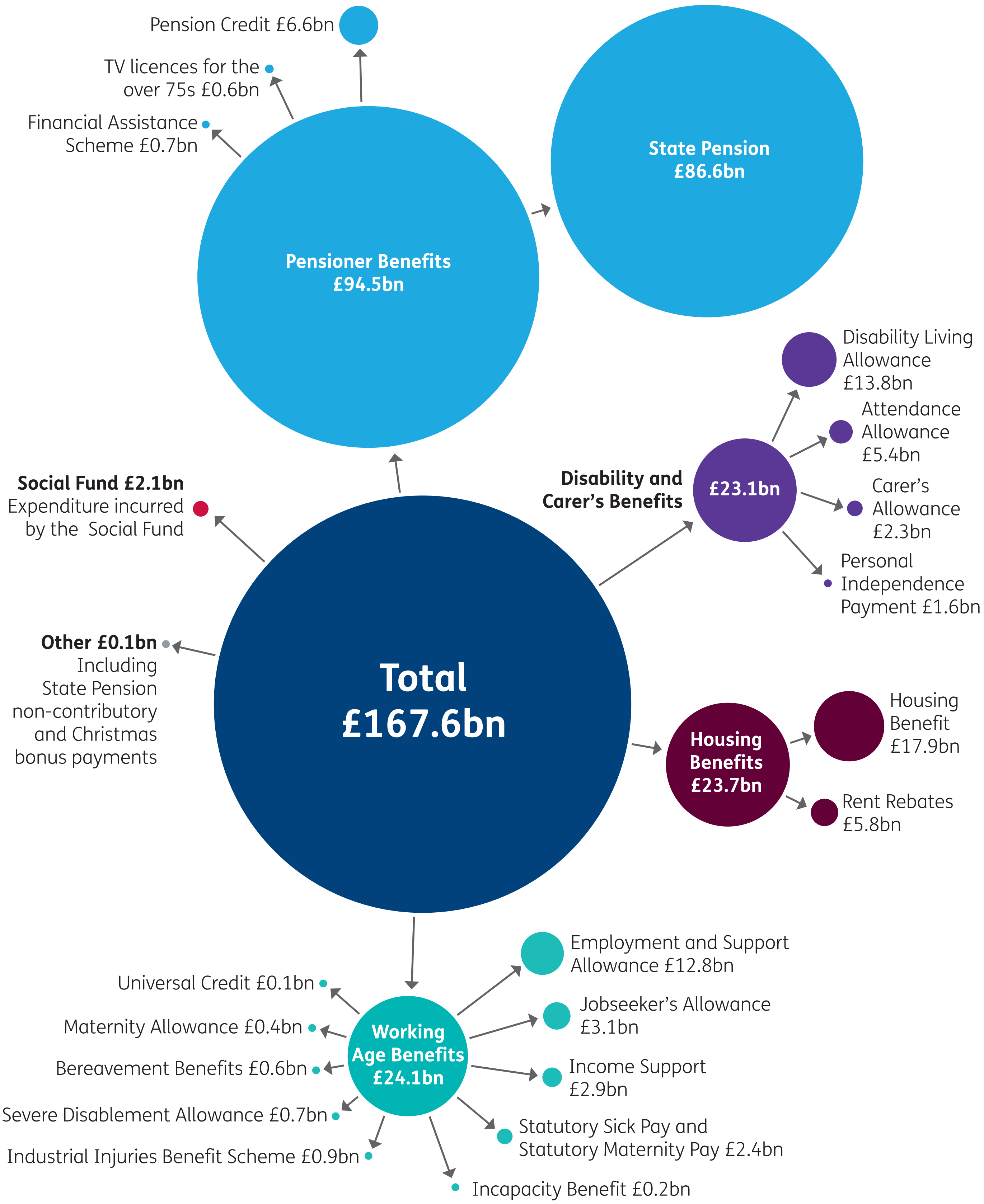




Improving our skills, knowledge and experience is an essential part of preparing for the future. We expect everyone to do more, now and in the future. In 2014-15 we maintained a strong focus on all the civil service priority areas. Early internal management information indicates improvement from our position in 2013 in our five key areas: digital, commercial, leadership and managing change, project and programme delivery and customer service.

Civil Service priority area	**Our key achievements in 2014-15 include:**
Digital	creating a 'Digital Academy' that provides cutting edge digital training
Commercial	creating a new management model to strengthen our skills
Leadership and managing change	setting a leadership objective for all our people and running DWP Story events for over 4,000 of our people
Project and programme delivery	running project delivery master classes for around 40% of our project people and having our senior responsible owners participate in cross-government learning
Customer service	introducing a standards framework for our operational delivery profession

Our spending on State Pension and benefits



All figures are rounded to the nearest £100,000

For further details please see Statement of Parliamentary Supply on page 105

Our performance – analysis

Our performance against our business plan

This section sets out the progress we've made against our business plan and other key areas where we are required to report to Parliament.

Overall our results are strong: we've completed all 53 of our business plan actions this Parliament. Our indicators, too, generally show good progress. You can find more details on our transparency page on www.gov.uk

We publish data on the government performance platform along with budgetary, internal operational and transactional data in the Quarterly Data Summary via the Government Interrogating Spending Tool which can be found on www.gov.uk

www.gov.uk

Our performance is also scrutinised by the National Audit Office, the Public Accounts Committee and the Work and Pensions Select Committee. In 2014-15, they examined Universal Credit, the Work Programme, Housing Benefit fraud and error and Child Maintenance reforms. Their findings and feedback have helped us to improve the services we offer and the way we work.

Priority 1: Tackling the causes of poverty and making social justice a reality

Business plan actions due in 2014-15	Completed ✔	Missed ✖	Actions due in future years
2	2	0	4

Achievements in 2014-15:

- publishing the 'Social Justice: Transforming Lives' progress report
- publishing the evaluation of the national 'Day One' initiative to mandate prison leavers to the Work Programme

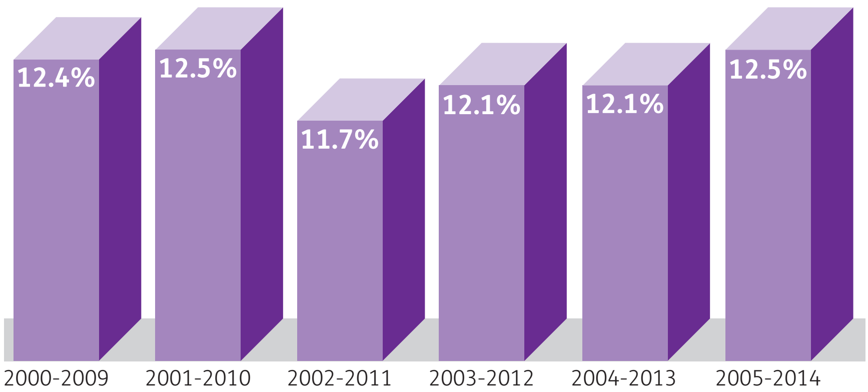
Business plan impact indicator

Percentage of the lowest earning 25-to-30-year-olds who've risen up the earnings distribution 10 years later

This indicator measures the proportion of individuals who are in the bottom fifth of earners when they're aged 25 to 30 who are 20 or more percentiles higher in the earnings distribution 10 years later.

The latest data shows that 12.5% of 25-to-30-year-olds in the bottom fifth of earners in 2005 were 20 or more percentiles higher in 2014.

The figures have a confidence interval of ±1.0 percentage points. There has been no statistically significant change since the first measurement period (2000 to 2009).



Source: Annual Survey of Hours and Earnings.

Priority 2: Encouraging work and ensuring it pays

Business plan actions due in 2014-15	Completed ✔	Missed ✖	Actions due in future years
14	14	0	4

Achievements in 2014-15:

- getting more claimants into work through the Work Programme, New Enterprise Allowance and Youth Contract
- introducing new services such as Help to Work (intensive support for those returning from the Work Programme) and Fit for Work (an occupational health advice service to reduce working days lost to sickness)
- launching pilots to test how to help people into work and how to help them progress if they're already in work
- publishing evaluations and reviews on current services (including: the pilot to support young people from the first day of their claim, the pilot to mandate prison leavers to the Work Programme on the first day of their claim, independent evaluations of the Work Programme, a review of disability employment, the Fulfilling Potential progress report, the social justice progress report and, a review of the benefit cap)
- achieving 23,130 New Enterprise Allowance business start-ups in 2014

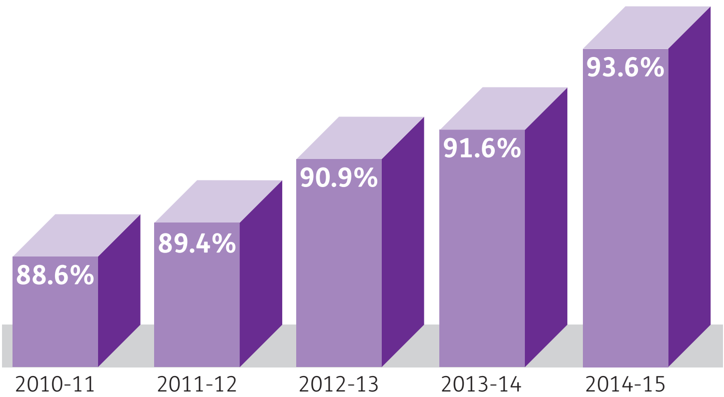
Business plan impact indicators

Percentage of people moving from key out-of-work benefits (Jobseeker's Allowance)

This indicator measures the percentage of people moving off Jobseeker's Allowance (JSA), whether to another benefit or leaving the benefit system entirely. It reports the proportion of claimants who have left JSA by 52 weeks after they joined.

The latest data shows that 93.6% of those who started to receive JSA between October and December 2013 had stopped receiving it 52 weeks later.

There is a reporting lag of up to 14 months due to the elapsed time inherent in the indicator and the time needed to process the data. Data isn't seasonally adjusted.



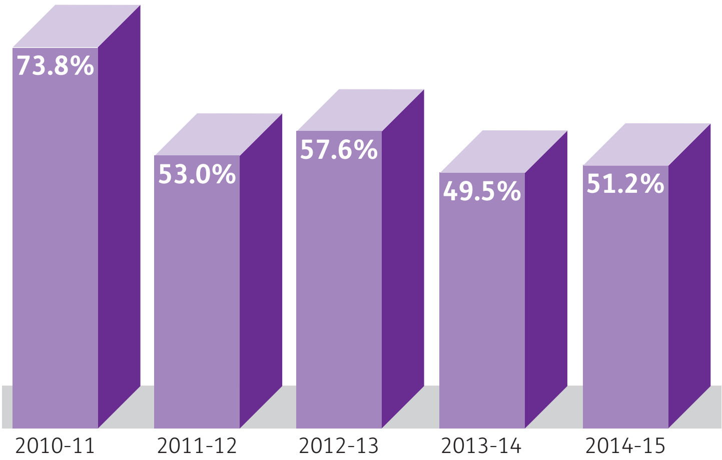
Source: DWP Jobseeker's Allowance payment system.

Percentage of people moving from key out-of-work benefits (Employment and Support Allowance)

This indicator measures the percentage of people moving off Employment and Support Allowance (ESA), whether to another benefit or leaving the benefit system entirely. It reports the proportion of claimants who have left ESA by 65 weeks after they joined.

The latest data shows that 51.2% of those who started to receive ESA between July and September 2013 had stopped receiving it 65 weeks later (October to December 2014).

There is a reporting lag of up to 17 months due to the elapsed time inherent in the indicator and the time needed to process the data. Data isn't seasonally adjusted.



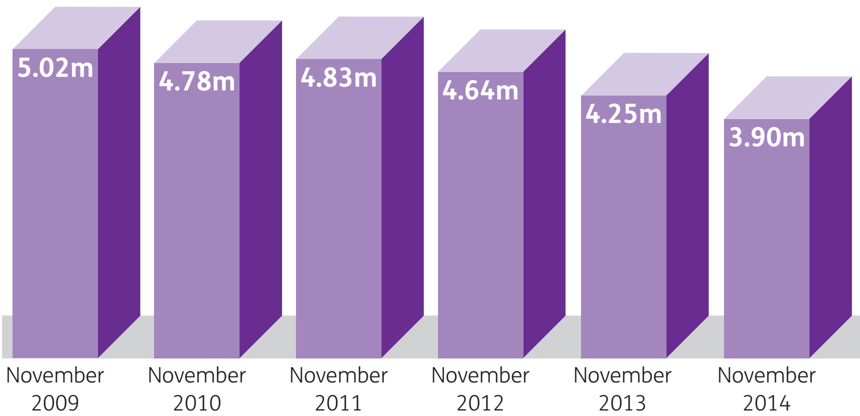
Source: DWP ESA payment system.

Number of people on key out of work benefits

This indicator measures the number of people aged from 16 to State Pension age who claim Jobseeker's Allowance, Employment and Support Allowance, Incapacity Benefit, Severe Disablement Allowance, Income Support (as a lone parent or in the "other" category) or Pension Credit. It includes people claiming in Great Britain and some living overseas. Figures don't currently include Universal Credit.

A total of 3.9 million people aged from 16 to State Pension age claimed a key out-of-work benefit in November 2014. This is around 351,000 less than the 4.25 million in November 2013.

Data isn't seasonally adjusted, so only year-on-year comparisons can be made.



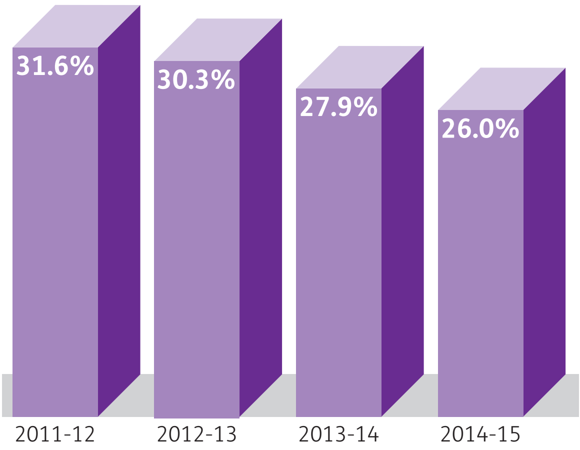
Source: Jobseeker's Allowance data is drawn from the claimant count published by the Office for National Statistics. All other figures are from the Work and Pensions Longitudinal Study published by DWP.

Percentage of young people not in education who aren't in employment

This indicator shows the proportion of people age 18-to-24-years-old who aren't in full-time education and aren't in employment.

The latest data is for January to March 2015, and shows there were 3.9 million 18-to-24-year-olds not in full-time education. Of these, 1.0 million (26%) weren't in work. This is 0.7 percentage points lower than the previous quarter (October to December) and 1.9 percentage points lower than the previous year. Neither of these changes are statistically significant.

Data is published quarterly but is seasonally adjusted, so quarter-on-quarter comparisons can be made. Our confidence interval for a single quarterly estimate is ±1.4%, and our confidence interval for a year-on-year change is approximately ±2%.

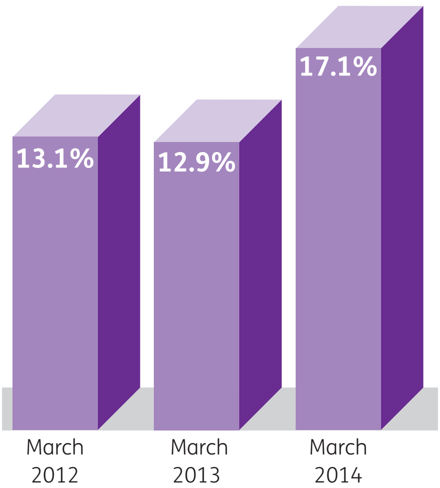


Source: Labour Force Survey.

Other data sets

Percentage of claimants for whom providers have achieved a job outcome payment at 12 months on the Work Programme

This indicator measures the proportion of claimants for whom providers were paid a job outcome payment at 12 months on the Work Programme. We measure it for each monthly intake. The latest data shows the proportion of referrals achieving a job outcome payment at 12 months as 13.1% for the cohort joining in March 2012, 12.9% for the cohort joining in March 2013 and 17.1% for the cohort joining in March 2014. This compares to 8.4% for those joining in June 2011 – the first monthly intake of people to join the Work Programme.



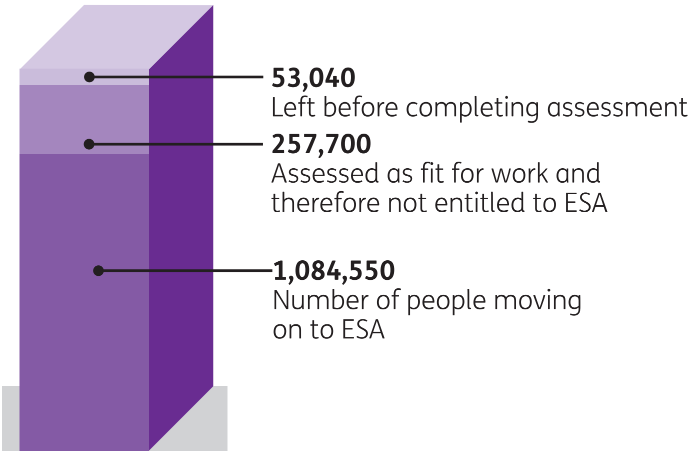
Source: DWP internal management information.

Number of Incapacity Benefit claimants reassessed and number moving to Employment and Support Allowance

This indicator measures progress in reassessing claimants who still claim incapacity benefits that preceded the introduction of Employment and Support Allowance (ESA).

The data, published 11June 2015, shows that a total of 1,395,290 claimants had begun the Incapacity Benefit reassessment before the end of September 2014. Of the 1,395,290 claimants: 1,084,550 were entitled to the benefit and moved onto ESA; 257,700 were assessed as fit for work and so not entitled to ESA; and 53,040 left benefit before the process was complete.

Latest outcome information covers to the end of March 2015. The graph doesn't include 25,760 claimants who began the reassessment before the end of September 2014 but whose Incapacity Benefit claims are still going.



Source: DWP benefit data plus assessment data from Atos Healthcare.

Priority 3: Enabling disabled people to fulfil their potential

Business plan actions due in 2014-15	Completed ✔	Missed ✖	Actions due in future years
5	5	0	3

Achievements in 2014-15

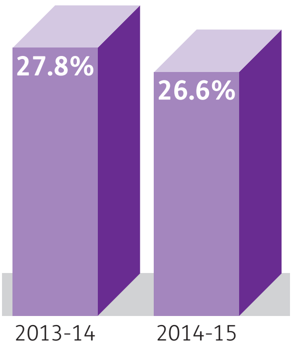
- publishing a third-party review of the way we assess people for Personal Independence Payment
- publishing a cross-government report on initiatives to improve disability employment
- publishing 'Fulfilling Potential – Making it Happen' and reviewing progress and publishing updates against it
- administering the Facilitation Fund, working with representatives from disabled people's user-led organisations and ambassadors to make local organisations more sustainable

Business plan impact indicators

Gap between the employment rates for disabled people and the overall population

This indicator compares the employment rate of disabled people to the employment rate of the total working-age population. The data for January to March 2015 shows a gap of 26.6 percentage points. This is an improvement of 1.2 percentage points from 12 months earlier – though this change isn't statistically significant.

Data is published quarterly and isn't seasonally adjusted, so only year-on-year comparisons are meaningful. The 95% confidence interval is ±1.4 percentage points. Estimates of disability from the Labour Force Survey for 2013 onwards should not be compared directly with earlier years due to a change in definitions.



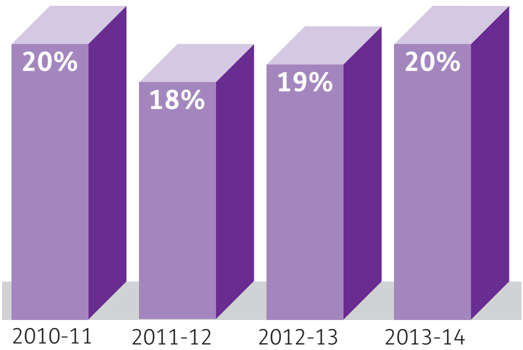
Source: Labour Force Survey (published by the Office for National Statistics).

Rate of disability poverty

This indicator measures the rate of disability poverty by producing a 'Before Housing Costs' equivalised income for all individuals, calculating the median (which in 2013-14 was £453 a week) and then looking at how many people in families containing someone who is disabled fall below a threshold of 60% of the median.

The latest figure for 2013-14 is 20%. The change in the poverty rate is 1 percentage point higher than the previous year once figures are rounded. The actual change is less than 0.5 percentage points (19.29% to 19.63%) and is not statistically significant.

The Family Resources Survey definition of disability changed in 2012-13. As a result, comparisons between 2012-13 and previous years should be made with caution.



Source: Family Resources Survey with analysis by DWP.

Our **Disability Confident** campaign seeks to challenge attitudes and build confidence in employing disabled people. It receives support from several high profile companies and organisations.

Sponsorship over £5,000 (2014-15)

Sponsor	Amount	Purpose
Motability	£5,562	To cover the accommodation costs of the Cardiff Disability Confident event.

Priority 4: Promoting saving for retirement and ensuring saving pays

Business plan actions due to complete in 2014-15	Completed ✔	Missed ✖	Actions due in future years
2	2	0	3

Achievements in 2014-15

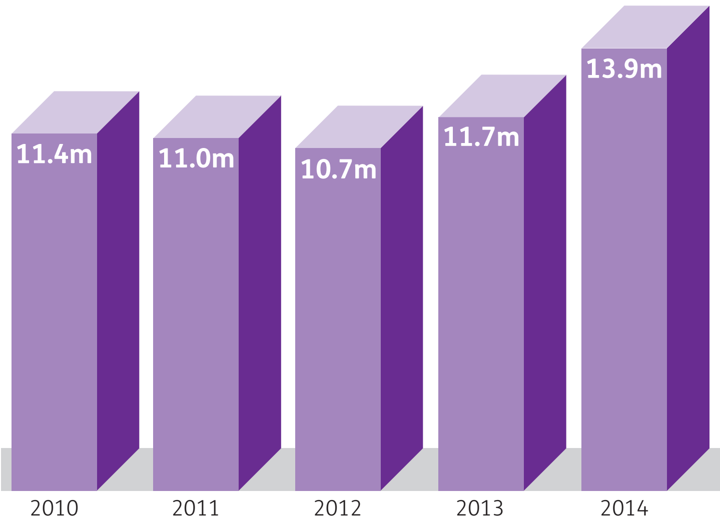
- introducing legislation to change state and private pensions by:
  - creating the new State Pension and Bereavement Support Payment
  - increasing the State Pension age to 67, eight years earlier than originally planned
  - introducing a framework for periodic review of the State Pension age subject to Parliamentary approval
- raising awareness about automatic enrolment

Business plan impact indicators

Number of people in a pension scheme sponsored by their employer

This indicator measures the number of employees (in other words, excluding the self-employed) who are at least 22 years old, under State Pension age, earning above the earnings threshold for automatic enrolment (£9,440 in 2013-14 earnings terms) and participating in a pension scheme sponsored by their employer.

The number of employees in a pension scheme sponsored by their employer increased by 2.2 million between 2013 and 2014, continuing the reversal of the previous downward trend. This change is statistically significant. An increase of at least 100,000 employee jobs, based on unrounded data, would demonstrate an improvement.



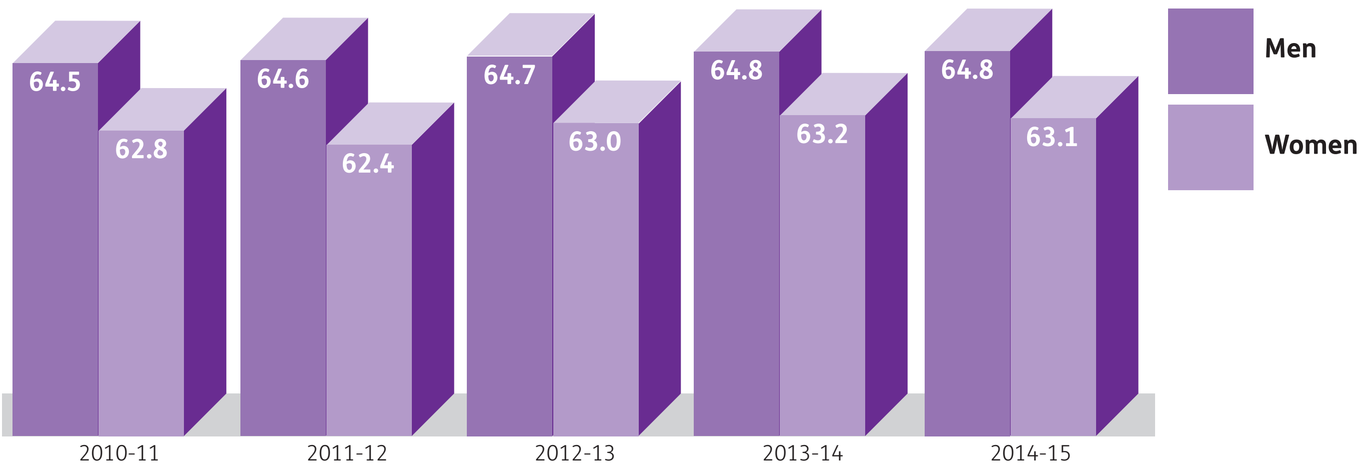
Source: Annual Survey of Hours and Earnings.

Average age people stop working

This indicator measures the ages at which older people withdraw from the labour market.

The latest data for January to March 2015 shows that men, on average, stop working at 64.8, the same as one year ago. Women, on average, stop working at 63.1. This is slightly lower than the same quarter in 2013, but the difference isn't statistically significant. However, there has been a statistically significant change of 0.5 years for women since January to March 2011.

A 0.5-year increase in the average age of withdrawal would demonstrate an improvement. Data isn't seasonally adjusted, so only year-on-year comparisons are meaningful.



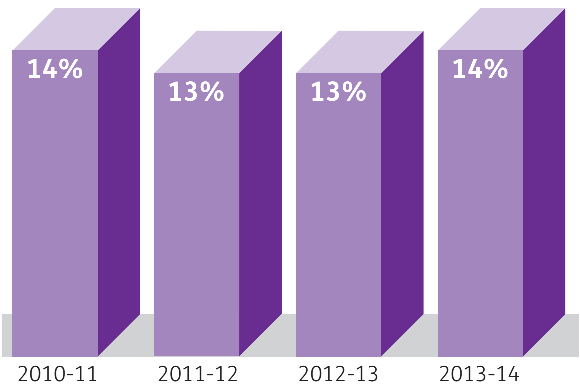
Source: Labour Force Survey.

Rate of pensioner poverty

This indicator measures the rate of pensioner poverty by producing an 'after housing costs' equivalised income for all individuals, calculating the median (which in 2013-14 was £386 a week) and then looking at how many pensioners fall below a threshold of 60% of the median. The figures for each year are adjusted for family size and composition. This adjustment allows us to compare different household types in a robust way.

The rate of pensioner poverty in 2013-14 was 14%. Although this represents an increase of 1 percentage point since 2012-13, this change is not statistically significant.

This slight upward trend is explained by net overall household incomes being supported by several impacts which pensioners would have benefitted from less. These include high employment rates, a fall in the number of workless families, and reductions in job-related taxes from changes in the tax-free Personal Allowance. The combined impact has been to keep the median income steady and the relative low-income rate flat.



Source: Family Resources Survey with analysis by DWP.

Priority 5: Recognising the importance of the family in children's lives

Business plan actions due in 2014-15	Completed ✔	Missed ✖	Actions due in future years
2	2	0	2

Achievements in 2014-15

- implementing the Family Test across Whitehall. When we develop policy this test will ensure that any possible impact on family relationships is clear
- delivering a programme to help separated parents work together in the best interests of their children

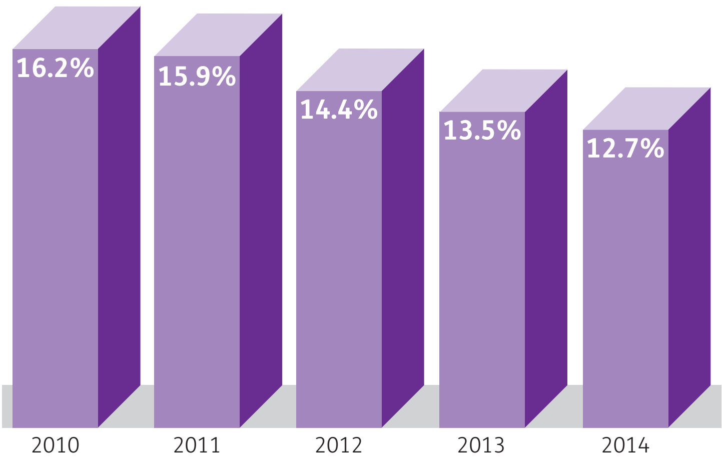
Business plan impact indicators

Percentage of children living in workless households (October to December each year)

This indicator measures the proportion of children (aged under 16) who live in workless households. We define these as households where none of the members aged 16 or over are in employment.

The latest data shows that an estimated 12.7% of children were living in workless households in October to December 2014. Changes over time have a confidence interval of ±0.9 percentage points, so the 0.8 percentage point fall since 2013 isn't statistically significant. However, since 2010 there has been an improvement of 3.5 percentage points, and that is statistically significant.

The Household Labour Force Survey data is published for April to June and October to December each year. Data isn't seasonally adjusted, so only year-on-year comparisons are meaningful.



Revised prior year figures.
Source: Household Labour Force Survey.

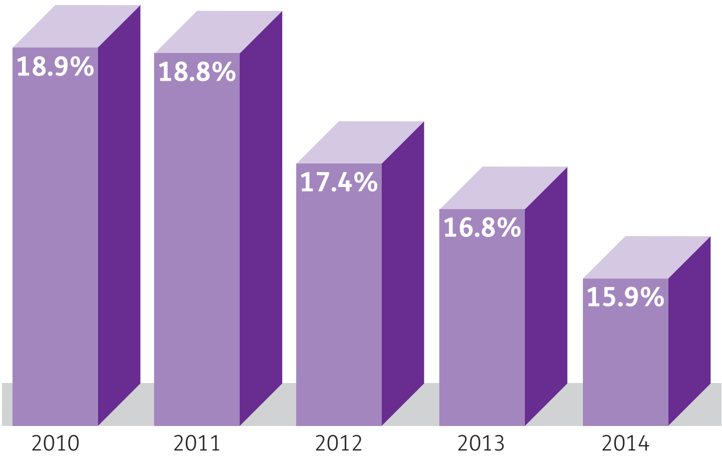
Other data set

Percentage of households that are workless in the UK (October to December each year)

This indicator measures the proportion of households in the UK that are workless. We define these as households where none of the members aged 16 or over are in employment.

The latest data shows that an estimated 15.9% of households were workless in October to December 2014. Changes over time have a confidence interval of ±0.5 percentage points, so the 0.9 percentage point improvement since 2013 is statistically significant. Since 2010 there has been an improvement of 3.0 percentage points, and this is also statistically significant.

The Household Labour Force Survey data is published for April to June and October to December each year. Data isn't seasonally adjusted, so only year-on-year comparisons are meaningful.



Revised prior year figures.
Source: Household Labour Force Survey.

Priority 6: Improving public services and reducing costs

Business plan actions due in 2014-15	Completed ✔	Missed ✖	Actions due in future years
3	3	0	0

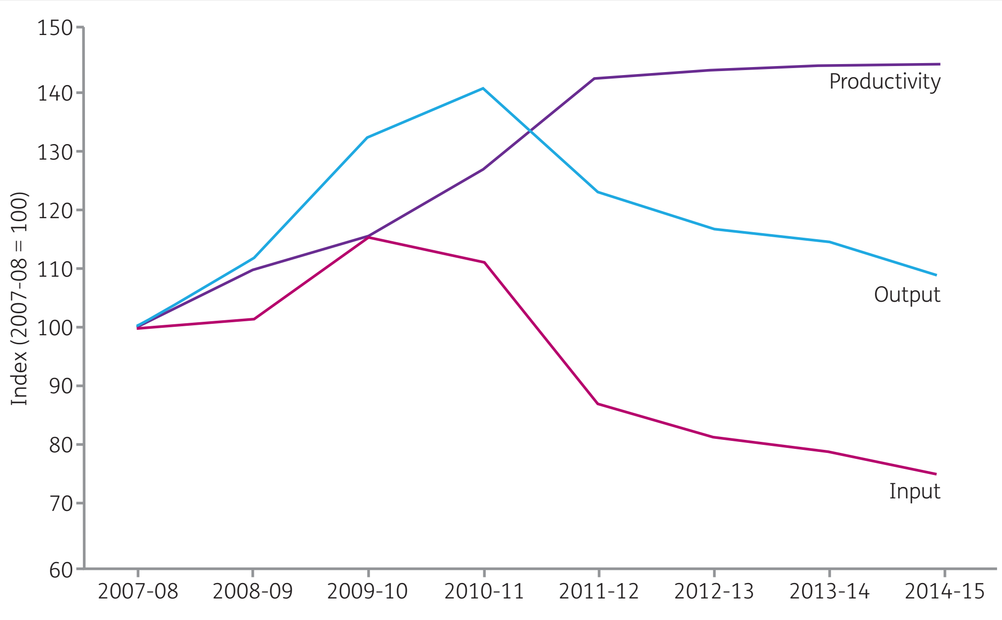
Achievements in 2014-15

- matching data with HM Revenue and Customs to identify where claimants have either failed to declare or under-declared earnings and private pensions. In 2014-15 we issued 368,872 referrals and achieved significant savings. This project won the prevention category in the public sector 2015 Fighting Fraud awards
- recovering an additional £50 million in benefit debt in 2014-15 – for a total of £455 million recovered
- taking forward plans to remove or improve around 84% of health and safety regulations

Business plan input indicator

Productivity

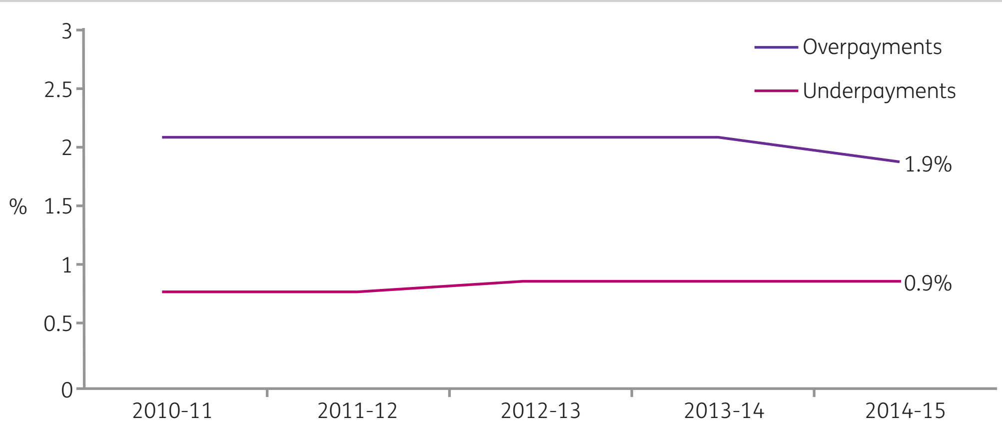
Our productivity measure relates the volume of output in each financial year to the volume of input consumed. An increase in this measure indicates that we've delivered relatively more output for less input. Our provisional figures for 2014-15 show that we've sustained the same level of productivity as in 2013-14. Overall, our productivity has increased by 14% since 2010-11.



Business plan impact indicators

Fraud and error in the benefit system

This indicator estimates the levels of overpayment and underpayment, as a percentage of benefit expenditure, due to fraud and error. It spans the benefit system and includes benefits administered by us and local authorities. Estimates are published twice a year: preliminary estimates in May or June and final estimates in November or December. The preliminary estimate of total benefit expenditure overpaid in 2014-15 is 1.9%. This is a slight (not statistically significant) decrease when compared to the previous final estimates of 2.1%. The preliminary estimate of total benefit expenditure underpaid in 2014-15 is 0.9%, which is unchanged from the 2013-14 and 2012-13 final estimates.



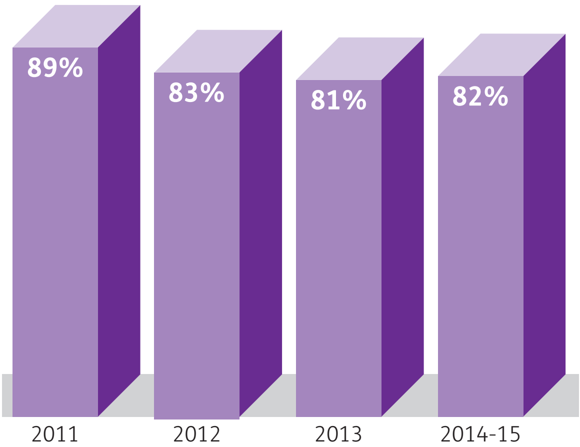
Source: DWP sample survey of approximately 26,000 benefit cases covering Income Support, Jobseeker's Allowance, Employment and Support Allowance, Pension Credit and Housing Benefit, and one-off National Benefit Reviews for various benefits.

Claimant opinion of departmental service

This indicator looks at Jobseeker's Allowance, Employment and Support Allowance, Income Support, Disability Living Allowance, Attendance Allowance, Carer's Allowance, State Pension, Pension Credit, Personal Independence Payment and Universal Credit claimants who had meaningful contact with us in the three months before the fieldwork. It measures the percentage of claimants who are either fairly or very satisfied with the service they received.

Latest data shows we have achieved an overall customer satisfaction rating of 82%, which is an improvement on the 81% achieved in 2013.

In April 2014 the survey changed from annually to quarterly. The survey uses data from 14,918 telephone interviews, conducted on a quarterly basis between July 2014 and May 2015. Therefore the overall annual score is based on all four quarters of data for the financial year 2014-15.



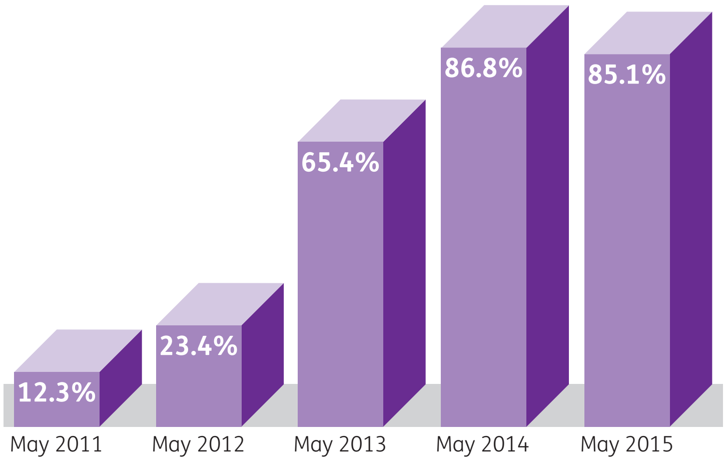
Source: Claimant Service and Experience Survey conducted by a third-party research organisation and analysed by DWP.

Other data set

Percentage of Jobseeker's Allowance claims submitted online

This indicator measures the proportion of all new Jobseeker's Allowance claims that are submitted online.

The latest data for May 2015 shows that 85.1% of Jobseeker's Allowance claims were submitted online. This is slightly lower than the 86.8% achieved in May 2014, and up 72.8 percentage points from the 12.3% achieved in May 2011.



Source: DWP internal management information.

Our performance against other required reporting

Financial overview

For each government department HM Treasury submits an annual financial plan to Parliament. This is called an Estimate, and it's how we get Parliament's authority to spend public money. Our Main Estimate, which starts the process, was agreed in April 2014. During the year we agreed some changes to our administrative budget with HM Treasury. We announced these to Parliament through our Supplementary Estimate in February 2015:

- £167.6 billion for pension and benefit payments (known as Annually Managed Expenditure (AME))
- £7.2 billion for daily operations and our arm's length bodies (known as Departmental Expenditure Limit (DEL))

When Parliament granted its authority, it voted for limits in some areas of our spending. It also put control limits on our spending (both voted and non-voted) in our DEL budget. In 2014-15 we didn't exceed any of our voted limits and control totals.

The table below shows the difference between our total resource outturn and the Supply Estimate. It also shows that our net operating costs were £175 billion. That's 2.4% more than in 2013-14, mainly due to an increase of £3.95 billion in pension and benefit payments. Further information is in the Statement of Comprehensive Net Expenditure and in notes 6 and 7 to the departmental accounts.

Reconciliation of resource expenditure between Estimate, accounts and budget

	2014-15 £m	2013-14 £m
Total resource budget Estimate	178,903	174,480
Adjusted to remove non-budget	(2,557)	(2,490)
Total resource budget Estimates	**176,346**	**171,990**
Total resource outturn	176,850	172,731
Total resource non-budget outturn	(2,059)	(2,051)
Total resource budget outturn	**174,791**	**170,680**
Of which:		
Departmental expenditure limits (DEL)	7,152	7,359
Annually managed expenditure (AME)	167,639	163,321
Adjustments include:		
Capital Grants	(1)	-
Consolidated fund extra receipts	(12)	(10)
Private Finance Initiative adjustment	27	23
Net operating cost (accounts)	**174,805**	**170,693**

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

	Outturn £m	Variance to Estimate %	Reason for variance
Voted DEL			
Operational delivery - resource	1,859	(15%)	Service concession costs now reported here (previously departmental operating costs)
Other programmes - resource	256	(13%)	Additional costs relating to Remploy pensions deficit not forecast at Supplementary Estimate
Departmental operating costs – resource	2,150	14%	Service concession costs now reported against operational delivery
Departmental operating costs - capital	97	29%	£30 million legal costs anticipated at Supplementary Estimate did not materialise
Voted AME			
Universal Credit	56	57%	Expenditure reflects changes to UC rollout
Non-voted AME			
Expenditure incurred by the Social Fund - resource	2,125	20%	Very mild winter resulted in minimal expenditure on Cold Weather Payments, and net Social Fund lending was lower than expected
Expenditure incurred by the Social Fund - capital	(124)	(24%)	Recoveries were higher than the £100 million anticipated in the Estimate
Voted non-budget			
Cash paid into the Social Fund - resource	2,059	20%	Winter 2014-15 was milder than anticipated when the Supplementary Estimate was finalised, resulting in minimal expenditure on Cold Weather Payments, reducing the cash requirement to be paid into the Fund

Our assets and liabilities are shown in the Consolidated Statement of Financial Position (SoFP) and core table 3, with the following exceptions:

- possible future liabilities which cannot be quantified with any certainty (these are disclosed in note 24 to the accounts)
- possible future liabilities which would require the voting of additional funding through a Supply Estimate (these are disclosed in note 25 to the accounts)

Promoting mainstream sustainability

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

We support the UK Strategy for Sustainable Development and the government's commitment to make sustainable development standard in everything we do. The overall goal is to become the 'greenest government ever'.

Our sustainability report, which can be found on www.gov.uk, includes more detail but here's a summary:

Initiative	Activity in 2014-15
Mainstreaming sustainability	• assessing and managing the social and environmental impact when developing new policies • building sustainability training into induction training for all staff • developing a network of over 900 environment champions
Sustainable procurement	• procuring more sustainable and efficient products by improving our understanding of the supplier chain • working towards the government target of 25% of our expenditure with providers going to small and medium sized businesses – current estimates show we are achieving 15.84% which is up slightly from 15.63% in 2013-14
Climate change adaptation	• using evaluation tools which contain questions about climate change • using flood risk assessments as a practical tool in business continuity planning
Rural proofing	• being flexible enough to meet the needs of rural communities, businesses and people **Case Study:** The 'Elevate me' programme in Thames Valley provides a web supported job and training service for young unemployed people. It seeks to reach and support employers and claimants throughout the Thames Valley area, including several rural areas
Biodiversity	Increasing biodiversity activity on our estate through projects such as: • installing bird boxes, feeders and planted areas on our site in Blackpool • sowing wild flowers and grassland with habitat management on our site in Hastings • establishing an environmental garden to support the local wildlife population on our site in Cardiff

Summary of our performance: cross-government greening government commitments

	2009-10 baseline	2013-14 performance	2014-15 performance	2015-16 target	Our performance against target
Reduce greenhouse gas emissions by 25% from a 2009-10 baseline from the whole estate and business-related transport (TCO_2e)					
Total greenhouse gas emissions	202,341[1]	133,483	130,959[2]	151,755	exceeded
Reduce domestic business travel flights by 20% from a 2009-10 baseline					
Number of domestic flights	21,931	8,397	9,042	17,545[3]	exceeded
Reduce the amount of waste we generate by 25% from a 2009-10 baseline (tonnes)					
Total volume of waste produced	16,626	12,548	10,612	12,470	exceeded
Volume of waste recycled	10,522	8,332	6,680	Target is to reduce and not numerical	met
Reduce the amount of paper used					
A4 reams	2,061,685	1,094,590	890,570	Target is to reduce and not numerical	met
A3 reams	8,606	3,655	3,610	Target is to reduce and not numerical	met
Cost of cut paper	Not available	£2,114,372[4]	£1,691,958	Target is to reduce and not numerical	met
Reduce water consumption from a 2009-10 baseline and report on office water use against best practice benchmarks					
Total water consumption	810,701	626,818	595,194	Target is to reduce and not numerical	met

Water use performance against best practice benchmarks (based upon rounded data)

	2009-10 baseline	2013-14 performance	2014-15 performance	
Best practice (<4m³/FTE)	107	110	66	There is currently no target for water use against best practice benchmarks
Best practice (4-6m³/FTE)	500	311	267	
Best practice (>6m³/FTE)	156	296	372	

Our waste management costs are included in our PRIME contract overall facilities management fee and cannot be separated out. Our supplier manages the collection and recycling of all the waste on our sites.

1. The Department for Environment, Food and Rural Affairs changed the way carbon was calculated two years ago and applied this retrospectively to the baseline year. This changed our baseline from 204,621. It calculates carbon by multiplying consumption of gas, electricity and mileage on business travel by a factor that converts kilowatt hours or miles into kilograms of carbon.
2. This figure contains estimated fugitive emissions data as annual data wasn't available.
3. This figure is adjusted due to the new baseline. It was previously 16,448.
4. There was a transposition error in the Annual Report and Accounts 2013-14. The correct figures for the costs of cut paper are: £2,448,188 in 2012-13 and £2,114,372 in 2013-14.

Reducing costs through better regulation

By improving regulation we reduced burdens on businesses across the UK. In 2013 we moved to a one-in, two-out system from a one-in, one-out system. One-in, two-out means that no new primary or secondary UK legislation which imposes direct costs on business or civil society organisations can be brought in without an offsetting reduction of at least twice the cost imposed. We had a deficit of £16 million in 2014-15 under the one-in, two-out system but this needs to be seen in the context of the £800 million saved under the one-in, one-out system over the last Parliament. This was the highest level of net saving of any department and was recognised in the Department for Business, Innovation and Skills (BIS) Ninth Statement of New Regulation published on www.gov.uk in December 2014.

We implemented most of our key Red Tape Challenge measures by prioritising the areas which reduced burdens on businesses. In particular, we saved businesses £10.7 million a year by replacing two sets of regulations with one: the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

Through our programme to reinvigorate occupational pensions, we introduced legislative measures that could have a significant impact on businesses. These included automatic enrolment and fairer pension scheme charges. We tried to minimise burdens on businesses through measures such as delaying the start of the roll-out for small employers by 15 months and delaying the incremental increases in minimum employer contributions by a year.

Over the course of the last Parliament, the Health and Safety Executive reviewed its 200 pieces of legislation and made substantial reforms. These included removing or improving around 84% of its regulations by December 2014. This reduced the overall stock of legislation by 50%. Through its revisions to the Construction Design and Management Regulations alone, the Health and Safety Executive saved businesses £19.6 million a year. And vitally, it achieved all this without compromising health and safety protections for workers.

In March 2015 the Regulatory Policy Committee published ‘Securing the evidence base of regulation’. This report which can be found on www.gov.uk ranked the Health and Safety Executive in first place, as it found 92% of their initial submissions on the impact of its regulations were fit for purpose during 2010-15. This compared to a cross-government average of 78%.

Claimant feedback

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

- setting up dedicated teams to manage all call-back requests for new claims and mandatory reconsiderations to make sure we meet our promised timescales
- improving the process for updating claimants' bank details to make sure we don't send payments to the wrong bank
- making our call-handling more professional through technical improvements and staff training

During 2014-15 we continued to focus on improving the way we interact with the public. This has contributed to a 13,661 drop in the number of complaints we received this year compared to last year - a significant reduction.

Complaints received	2012-13	2013-14	2014-15
	93,688	67,666	54,005

We've restated the figure for 2012-13 since the publication of the Annual Report and Accounts 2013-14. We previously recorded it as 94,609 but assurance testing showed that we'd incorrectly counted some cases as complaints.

We publish our complaints procedure on our website.

People can ask the Independent Case Examiner to investigate their complaint if they aren't happy with our response or a response from one of our providers. In 2014-15, the Independent Case Examiner dealt with 1,046 complaints. Of these:

- 42 were withdrawn by the complainant
- 220 had an agreement brokered by the Independent Case Examiner between the relevant parties
- 487 were upheld, fully or partially, by the Independent Case Examiner
- 297 were not upheld

Complaints considered by the Independent Case Examiner	2012-13	2013-14	2014-15
	1,273	1,117	1,046

If the Independent Case Examiner can't resolve a complaint, people can sometimes ask an MP to raise their issue with the Parliamentary Ombudsman. In April 2013, the Ombudsman's office introduced new operational practices. These mean every complaint which has been properly made will be accepted for investigation. This has led to an increase in investigated complaints. Figures for 2014-15 will be available in late summer 2015, but in 2013-14 the Ombudsman investigated and reported on 76 complaints.

Complaints considered by the Parliamentary Ombudsman	2011-12	2012-13	2013-14
	18	16	76

Complaints to the Parliamentary Ombudsman in 2013-14

Departmental business	Complaints accepted for investigation	Complaints reported on	Complaints fully upheld	Complaints partially upheld	Complaints not upheld	Recommendations complied with (some complaints have more than one recommendation)	Recommendations not complied with
Jobcentre Plus	12	11	3	3	5	8	0
Child Maintenance Group	7	3	1	2	0	4	0
Independent Case Examiner	133	58	2	5	51	5	0
Pension, Disability and Carers Service	2	2	0	0	2	0	0
Debt Management Unit	1	1	0	1	0	2	0
Independent Living Fund	0	0	0	0	0	0	0
Independent Review Service for the Social Fund	1	1	0	0	1	0	0
Total	**156**	**76**	**6**	**11**	**59**	**19**	**0**

We make special payments to people who have incurred additional costs, losses or other effects due to our maladministration. In 2014-15, we authorised 9,197 ex gratia payments totalling £1.6 million.

These payments exclude financial redress paid for loss of statutory entitlement and advance payments of child maintenance. The total cost of these payments in 2014-15 was £864,800. This money is excluded as it is not an extra cost arising from maladministration and it would have been either paid or recovered from another person.

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

Correspondence with our ministers

Our ministers frequently receive correspondence about our services from MPs and members of the public. Between January and December 2014, our ministers received more than 32,000 pieces of correspondence. Of these, 15,280 were from other MPs and the rest were from members of the public. We replied to 89% of these within 20 working days - just short of the 90% target.

Our controls

How we were structured in 2014-15

The Secretary of State for Work and Pensions, appointed by the Prime Minister, has overall responsibility for the departmental group. This group consists of the core department and 12 arm's length bodies. The core department consists of our public services and our corporate centre. Our arm's length bodies (as shown in the table below) consist of non-departmental public bodies and public corporations that vary in purpose and nature. They provide a number of functions including regulation and pensions and nuclear industries, protection and safeguards for the public, as well as the provision of information and guidance. They operate independently but are accountable to the department.

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

Most of these arm's length bodies come within our accounting boundary and are consolidated into the accounts of the departmental group. The exceptions are the Office for Nuclear Regulation, Disabled People's Employment Corporation, Pension Protection Fund and National Employment Savings Trust Corporation.

The Secretary of State is supported by ministers, non-executive directors, the Permanent Secretary and 3 executive directors general, all of whom form the departmental board. The board met 4 times during 2014-15.

Our departmental board

Our ministers

The Right Honourable Iain Duncan Smith MP
Secretary of State for Work and Pensions and chair of the departmental board

Attended all board meetings

Lord Freud
Parliamentary Under-Secretary (Lords) and Minister for Welfare Reform

Attended all board meetings

Steve Webb MP
Minister of State for Pensions

Attended all board meetings

The Right Honourable Esther McVey MP
Minister of State for Employment

Attended 3 board meetings

Mark Harper MP
Minister of State for Disabled People
(The Right Honourable Mike Penning MP also held this role during 2014-15)

Attended 3 board meetings
(The Right Honourable Mike Penning MP attended 1 board meeting)

Our non-executive directors

Dame Clara Furse DBE
Lead non-executive director
(Sir Ian Cheshire also held this role in 2014-15)

Attended all board meetings
(Sir Ian Cheshire attended 2 board meetings)

David Lister
Non-executive director

Attended all board meetings

Willy Roe
Non-executive director

Attended 3 board meetings

Lieutenant General (retired) Andrew Graham CB CBE
Non-executive director

(Lt General (retd) Andrew Graham was appointed a non-executive director on 12 March 2015)
Attended 1 board meeting as a non-executive director and interim chair of the Departmental Audit and Risk Assurance Committee

Our executive directors

Robert Devereux
Permanent Secretary

Attended all board meetings

Mike Driver
Director General, Finance

Attended all board meetings

Noel Shanahan
Director General, Operations

Attended all board meetings

Mayank Prakash
Director General, Technology

Attended 1 board meeting

Before Mayank Prakash's appointment, we had a Director General of IT who was a member of the departmental board. In 2014-15 this role was held by Andy Nelson until 10 July 2014 and by Steve Riley from 7 July 2014 to 31 December 2014. Andy Nelson attended 1 board meeting.

What the board does

The departmental board led the core department both strategically and operationally. It also scrutinised and challenged issues affecting our performance and policies. The board has 5 main areas of responsibility:

- setting standards and values and monitoring performance against our plans
- ensuring all our activities contribute to our strategies
- scrutinising our financial allocations and our change portfolio
- ensuring we can deliver our plans
- setting our risk appetite and ensuring the controls we have in place work

The departmental board had two sub-committees: the Departmental Audit and Risk Assurance Committee and the Nominations Committee. In addition, in March 2015, the board agreed to set up a new sub-committee called the Technology Advisory board to advise on IT and digitisation from April 2015. The board delegates work to the committees so smaller groups of board members can examine issues in more detail. The committees then present their findings to the board for discussion and conclusion.

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

The **Nominations Committee** advised on raising our leadership capability and on talent management. Its goal was to improve our succession planning. It also scrutinised our incentive schemes.

The **Permanent Secretary** was responsible for the executive management of the core department and, as the Principal Accounting Officer, was directly responsible to Parliament for departmental group expenditure and management. The Permanent Secretary was supported by a team of directors general who form the executive team.

Our executive team

As at 31 March 2015, our executive team consisted of the Permanent Secretary and 8 directors general, 3 of whom also sit on the departmental board.

The directors general had responsibility for supporting the Permanent Secretary in managing the department and its business, in line with ministers' aims and the business strategy set by the departmental board.

Robert Devereux	Permanent Secretary, Principal Accounting Officer and departmental board member Responsible for overall departmental expenditure and management
Mike Driver	Director General, Finance Responsible for providing financial and commercial services, information management, security services and governance advice
Noel Shanahan	Director General, Operations Responsible for leading day-to-day delivery of the department's public services

Mayank Prakash	Director General, Technology Responsible for providing technology services
Neil Couling	Director General, Universal Credit (Howard Shiplee CBE also held this role for part of 2014-15) Responsible for the Universal Credit programme
Debbie Alder	Director General, Human Resources Responsible for providing human resources services and business continuity
Jeremy Moore	Director General, Strategy, Policy and Analysis Responsible for giving ministers a joined-up view of their policies, developing proposals for change and managing the department's spending on welfare
Kevin Cunnington	Director General, Digital Transformation Responsible for developing and overseeing the department's business and digital transformation strategies
Claire Johnston	Director General, Legal Services and the department's senior legal adviser (DWP's legal services are provided by the Government Legal Department) Responsible for providing legal services

Staff information

Senior civil servants

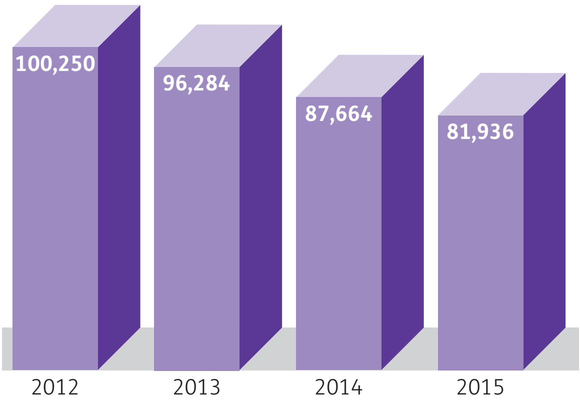
Our executive directors are all senior civil servants. In total there were 213 individual senior civil servants in the core department, totalling 210.05 whole-time equivalents, as at 31 March 2015. This is 7 fewer than a year earlier.

Senior civil servant headcount by payband		31 March 2012	31 March 2013	31 March 2014	31 March 2015
Permanent Secretary	£142,000 to £200,000	1	1	1	1
SCS3	£103,000 to £208,100	6	5	7	7
SCS2	£84,000 to £162,000	47	54	45	47
SCS1	£60,000 to £117,000	162	165	167	158
Total		**216**	**225**	**220**	**213**

Staff numbers

In the departmental group, which includes the core department and our arm's length bodies that fall within our accounting boundary, we had 81,936 whole-time equivalent staff on payroll as at 31 March 2015. That's 5,728 fewer than a year earlier and 18,314 fewer than in 2012.

Departmental Group Staffing (WTE) as at 31 March



Breakdown of departmental group staffing (Core Table 5)[1]

Payroll staff WTE	31 March 2012	31 March 2013	31 March 2014	31 March 2015
Core department	88,626	92,530	83,942	78,743
Arm's length bodies	11,624	3,754	3,722	3,193

My Civil Service Pension transferred to the Cabinet Office on 1 February 2011 but the staff remained on our payroll in 2012. They were removed from the 2013 figures for the core department.

1. The numbers for previous years have been restated to include only those arm's length bodies that are included in our accounting boundary as per Cabinet Office guidance.

The Child Maintenance Group, which was an arm's length body, became part of the core department on 1 August 2012. Its staffing figures are included in the arm's length bodies' figures for 2012 in the table above.

2,366 people left the core department on voluntary exit schemes in 2014-15. Most of these were from schemes in Operations launched in December 2013. We launched a targeted voluntary exit scheme in October 2014. 3,834 people left on this scheme in June 2015.

We recruited 2,222 whole-time equivalent staff this year to fill specific geographical frontline vacancies and skills gaps. Over 1,800 of these were recruited on fixed-term or temporary contracts. They included over 350 apprenticeships.

Diversity and Equality

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

Staff diversity by gender (core department)		**31 March 2013**	**31 March 2014**	**31 March 2015**
Workforce	Women %	68.3	68.9	68.9
Senior civil servants[1]	Women %	37.7	37.7	36.6
Ministers	Women %		20.0	20.0
Non-executive directors	Women %		25.0	28.6
Executive team	Women %		12.5	22.5

We continue to play an active role in developing talent through the Civil Service High Potential Stream (CSHPS). In 2014 we made 63 nominations for the CSHPS of which 31(49%) were female. 13 of our 63 nominations were successful and of these 6 were female.

We also currently have 8 participants on the Future Leaders Scheme. 5 of these are female which is helping us to grow our talent for, and support diversity at, the deputy director level.

Our 2014 cohort on the Senior Leaders Scheme is currently all male. We are working with civil service and departmental support networks, such as the director general champions, to understand the reasons behind this with a view to redressing the imbalance in future years.

We currently have one female accepted on to the High Potential Development Scheme. This indicates that women are being actively considered and accepted on to our most senior talent development programmes.

Loaning staff is another way in which we develop our top talent by broadening their careers through the acquisition of valuable skills and knowledge. During 2014-15 we loaned 4 females to other organisations compared to 1 male.

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

1. The SCS figures for March 2013 and March 2014 have been restated to exclude legal SCS staff who transferred to the Government Legal Department in 2014-15. This is to enable direct comparisons to be made between the years following a machinery of government change to transfer our legal team to the Government Legal Department.

Our equality policy

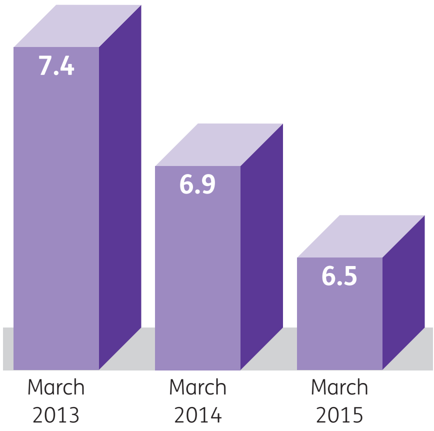
Area of focus	Activity
Improving the day-to-day experience of our disabled employees	We are bound by employment legislation, the Civil Service Commission's Recruitment Principles and the Civil Service Management Code for all selection activity. We make reasonable adjustments for job applicants and we implement the Guaranteed Interview Scheme. Other activities include: • supporting the cross Civil Service pilot to deliver a centralised and consistent service for complex workplace adjustments • working with the national staff equality group to implement an employee 'disability passport' so people can quickly get the right support when they move job roles • demonstrating commitment to the Time to Change and Public Health Responsibility pledges on mental health
Raising aspirations and developing diverse talent in conjunction with the Civil Service Talent action plan	We encouraged our employees to participate in the cross-government Positive Action Pathway development programme for women, ethnic minorities and disabled employees. We have the highest number of participants of any department.
Continuing to embed the Equality Act	We looked critically at our major change programmes to ensure our services are accessible for everyone. We publish our Public Sector Equality Duty information and our Equality Information reports on our website on www.gov.uk.

Employee health and safety and attendance management

We remain committed to protecting the health and wellbeing of our employees, claimants and visitors across our organisation. This year we showed this through a wide range of activities and services. This was recognised for the sixth consecutive year by our achievement of a Royal Society for the Prevention of Accidents Gold Award. We managed our employee health and safety risks through proportionate policies and procedures. In September 2014 we published the 'DWP Health, Safety and Wellbeing Annual Report', which contains details of our health and safety performance.

We recognise the costs associated with high levels of employee absence, including the impact on productivity and customer service. Our attendance management policies are designed to help our people achieve satisfactory attendance and performance. We aim to minimise absences by supporting those who are absent to help them return to work as soon as possible. We also endeavour to treat all staff fairly and consistently.

Average number of days lost due to sickness



Our continued focus on our attendance management policies has reduced the average number of days lost due to sickness. This has fallen from 7.4 days in March 2013 to 6.5 days in March 2015. Our average number of days lost due to sickness is significantly below the civil service average of 7.3 days and we are consistently one of the best performing large departments.

Off-payroll (includes temporary and consultancy) staff

We use off-payroll temporary and consultancy staff where it is necessary and prudent to do so. This year we spent £10.7 million on consultancy compared to £13.2 million last year. We also spent £41.6 million on temporary staff compared to £25.2 million last year. Our spending on consultancy remains closely aligned to the challenges we face with delivering significant welfare reforms. This year's increase in temporary staff spend was to support the delivery of policies such as Personal Independence Payment, pension reforms and child maintenance reforms. We also took on temporary staff to backfill vacancies in our benefit centres and contact centres as permanent staff transferred to support the expansion of the Universal Credit programme.

Consultancy (£ million)			
	2012-13	**2013-14**	**2014-15**
Core department	10.6	11.7	10.5
Arm's length bodies (consolidated)	3.4	1.5	0.2
Departmental group	**14.0**	**13.2**	**10.7**

Temporary Staff (£ million)			
	2012-13	**2013-14**	**2014-15**
Core department	34.9	21.7	38.7
Arm's length bodies (consolidated)	4.1	3.5	2.9
Departmental group	**39.0**	**25.2**	**41.6**

At 31 March 2015, we had 264 whole-time equivalent off-payroll staff working for us. The number of off-payroll staff and their costs fluctuated throughout the year as we took on people to help us with specific activities, including IT, Universal Credit and other digital projects.

Departmental group whole-time equivalent staffing (Core table 5)[1]				
Off-payroll staff WTE	**31 March 2012**	**31 March 2013**	**31 March 2014**	**31 March 2015**
Core department	81	121	85	226
Arm's length bodies	103	49	37	38
Departmental group	**184**	**170**	**122**	**264**

1. The numbers for previous years have been restated to include only those arm's length bodies that are included in our accounting boundary as per Cabinet Office guidance.

Tax arrangements for off-payroll staff

HM Treasury guidance means we have to seek assurance of the tax arrangements of some of our off-payroll staff who receive more than £220 per day. In 2014-15, HM Treasury conducted a review to check that all departments were doing this. The review found we had followed the guidance but had under-reported the position in our Annual Report and Accounts for 2013-14. We issued an amendment in our mid-year report to Parliament in December 2014. Our position for 2014-15 is shown in the following tables and includes the figures for the core department and those arm's length bodies within our accounting boundary.

Table 1: Off-payroll engagements as at 31 March 2015, that were paid more than £220 a day and had lasted longer than 6 months

	Core department	Arm's length bodies	Departmental group
Total number of existing engagements as of 31 March 2015	**236**	**12**	**248**
of which:			
Number that have existed for less than a year at time of reporting	185	11	196
Number that have existed between 1 and 2 years at time of reporting	51	1	52

We did not have any off-payroll engagements over 2 years at time of reporting.

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Table 2: All off-payroll engagements that were new or reached a length of 6 months between 1 April 2014 and 31 March 2015, where they were paid more than £220 a day

	Core department	Arm's length bodies	Departmental group
Total number of engagements that were new or reached a length of 6 months between 1 April 2014 and 31 March 2015	**161**	**27**	**188**
Number which include contractual clauses giving us the right to request assurance about income tax and National Insurance obligations	160[1]	12[2]	172
Number for which we've requested assurance*	161	10[3]	171
of which:			
Number for which we've received assurance	147	9	156
Number for which we've not received assurance	14[4]	1	15
Number whose jobs we've ended as a result of a lack of assurance	1	1[5]	2

*Includes engagements that didn't have the required clause but we sought assurance anyway.

Table 3: Board members and senior officials with significant financial responsibility between 1 April 2014 and 31 March 2015

	Core department	Arm's length bodies	Departmental group
Total	**81**	**17**	**98**
Number of individuals **on-payroll** who have been deemed board members or senior officials with significant financial responsibility	81	17	98
We don't have any individuals **off-payroll** who have been deemed board members or senior officials with significant financial responsibility.			

1. One engagement didn't have the required clause but we assured their tax arrangements. We've reviewed our arrangements with suppliers to ensure this scenario does not happen again.
2. Of the 27 engagements, 14 were secondments and we agreed with their employers that the employer would pay their tax and National Insurance obligations. One engagement did not have a clause but we sought assurance. This was not received so we terminated this engagement on 2 April 2015. Following the 2014-15 HM Treasury review we now seek assurance for every contract from 1 April 2015 at the outset.
3. We didn't request assurance for 3 engagements due to the initial contracts being shorter than 6 months but subsequently extended. The contracts for all 3 have now ended.
4. This includes 2 engagements who have given us assurance of compliance but we are still awaiting their returns in order to clear their cases as at 19 June 2015. We terminated 1 contract and 11 left before we reviewed our processes following the 2014-15 HM Treasury review of tax arrangements.
5. This contract was terminated on 2 April 2015.

External audit

These accounts have been audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000. His report and certificate can be found later in this report.

The total cost of audit work was £2.0 million (£2.4 million in 2013-14). This includes cash fees of £0.2 million (£0.3 million in 2013-14 (see notes 4 and 5)) and notional fees of £1.8 million (£2.1 million in 2013-14 (see note 4)).

In 2014-15, the National Audit Office completed and published 5 value-for-money studies that were relevant to us:

- 'The Disposal of the Remploy Businesses' (April 2014)
- 'Child Maintenance 2012 Scheme: Early Progress' (June 2014)
- 'The Work Programme' (July 2014)
- 'Housing Benefit Fraud and Error' (October 2014)
- 'Universal Credit: Progress Update' (November 2014)

As at 31 March 2015, two more studies were still under way:

- 'Welfare Reform Lessons Learned' (formerly called 'Implementation of Transformation Programmes' and 'Implementing Welfare Reform')
- 'Fraud and Error Stocktake'

Robert Devereux
Permanent Secretary

10 July 2015

Remuneration report

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

Ministers' pay

Minister and date appointed	2014-15 Salary £	2014-15 Full year equivalent £	2014-15 Pension benefits to nearest £1,000[1]	2014-15 Total to nearest £1,000[2]	2013-14 Salary £	2013-14 Full year equivalent £	2013-14 Pension benefits to nearest £1,000	2013-14 Total to nearest £1,000
Rt Hon Iain Duncan Smith MP Appointed 12 May 2010	67,505	67,505	22,000	89,000	68,169	68,169	23,000	92,000
Lord Freud[3] Appointed 14 May 2010	-	-	-	-	-	-	-	-
Steve Webb MP Appointed 13 May 2010	31,680	31,680	8,000	39,000	32,344	32,344	8,000	41,000
Rt Hon Esther McVey MP Appointed 5 September 2012	31,680	31,680	11,000	43,000	27,541	27,541	12,000	40,000
Rt Hon Mike Penning MP[4] Appointed 7 October 2013 Left 14 July 2014	10,560	31,680	4,000	14,000	13,477	32,344	5,000	19,000
Mark Harper MP Appointed 15 July 2014	22,568	31,680	8,000	30,000	-	-	-	-

Our ministers have not received any benefits in kind.

Government departments bear only the cost of the additional ministerial salary. Salaries for services as MPs (£67,060 from April 2014) and other allowances are borne centrally.

Non-executive directors' fees

	Fees 2014-15 to the nearest £1,000	Fees 2013-14 to the nearest £1,000
Sir Ian Cheshire (left 10 November 2014)	Honorarium of 20,000 waived	Honorarium of 20,000 waived
Dame Clara Furse DBE	Honorarium of 20,000 waived	Honorarium of 20,000 waived
David Lister	4,000	Honorarium of 15,000 waived
Lynne Turner[5]	15,000	15,000
Martin Hagen[5]	15,000	-
Willy Roe (left 30 May 2015)	17,000	18,000
Sir Robert Walmsley[6]	15,000	10,000
Lt Gen (retd) Andrew Graham CB CBE	1,000	-
Total	**67,000**	**43,000**

1. To calculate the value of pension benefits accrued during the year, we first take the real increase in pension and multiply it by 20. Then we subtract the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
2. Totals may not sum due to rounding on pension and totals columns.
3. Lord Freud did not receive any salary.
4. The Rt Hon Mike Penning MP left our department on 14 July 2014.
5. Departmental Audit and Risk Assurance Committee member.
6. Chair of the Universal Credit Programme Board.

We now disclose all non-executive directors' fees irrespective of which board they sit on. In previous years we disclosed fees only for departmental board non-executive directors.

Executive directors' pay

Executive Director and date appointed	2014-15 Salary £000	2014-15 Bonus payments £000	2014-15 Pension benefits £000	2014-15 Total £000	2013-14 Salary £000	2013-14 Bonus payment £000	2013-14 Pension benefits £000	2013-14 Total £000
Robert Devereux Appointed 1 January 2011	180-185	-	-	180-185	180-185	-	-	180-185
Mike Driver Appointed 3 September 2012	140-145	15-20	132	285-290	130-135	10-15	185	325-330
Noel Shanahan Appointed 8 October 2012	190-195	15-20	45	250-255	170-175	15-20	35	225-230
Mayank Prakash Appointed 17 November 2014	70-75 (FYE 195-200)	-	27	100-105	-	-	-	-
Andrew Nelson Appointed 25 February 2013 Left 10 July 2014	55-60 (FYE 175-180)	-	20	75-80	180-185	-	66[1]	250-255
Steve Riley Appointed 7 July 2014 Left 31 December 2014	50-55 (FYE 110-115)	-	51	105-110	-	-	-	-
Neil Couling Appointed 1 October 2014	55-60 (FYE 110-115)	-	58	110-115	-	-	-	-
Howard Shiplee Appointed 13 May 2013 Left 30 September 2014	95-100 (FYE 195-200)	-	38	135-140	170-175	-	63[1]	235-240
Debbie Alder Appointed 1 January 2014	125-130	-	47	170-175	30-35 (FYE 125-130)	-	12[1]	40-45
Jeremy Moore Appointed 27 January 2014	115-120	-	130	245-250	55-60 (FYE 110-115)	-	40[1]	95-100
Kevin Cunnington Appointed 14 October 2013 (due to leave 13 October 2015)	150-155	-	56	205-210	65-70 (FYE 150-155)	-	26[1]	95-100

Claire Johnston (appointed 12 January 2015) is director general of legal services and our senior legal adviser. Our legal services are provided by the Government Legal Department and as a result her remuneration is disclosed in the annual report and accounts of the Government Legal Department.

A benefit in kind of £400 (rounded to nearest £100) was paid to Steve Riley. No other executives received a benefit in kind.

Appointment of directors

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

Unless stated otherwise in the tables above, all appointments are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

1. We've restated this as several factors weren't included in the original calculation.

Executive directors' pay

The pay of most senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body. Further information about the work of the review body can be found at www.gov.uk. This body also advises the Prime Minister on peers' allowances; the pay, pensions and allowances of MPs and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

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

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument. Elements of the remuneration package which are not cash are classified as benefits in kind.

Bonuses

Bonuses are non-consolidated variable performance related payments awarded to the highest performing senior civil servants at the end of the year.

Conflict of interest

None of our ministers or executive directors held directorships which conflicted with their management responsibilities during 2014-15.

Executive director pay compared to staff median

The pay band of our highest-paid executive director during 2014-15 was £195,000 to £200,000. This was 8.9 times the median pay of the workforce, which was £22,194. The ratio shows a small decrease from 2013-14, and this can be attributed to a slight increase in the lowest pay scale.

	Pay band of highest paid executive director	**Median total pay**	**Ratio**
2014-15	£195,000-£200,000	£22,194	1:8.90
2013-14	£195,000-£200,000	£21,974	1:8.99

In 2013-14 and 2014-15 no employee was paid more than the highest-paid director. Pay ranged from £15,000-£15,500 (2013-14: £14,500-£15,000) to £195,000-£200,000 (2013-14: £195,000-£200,000). Total pay includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Ministers' and executive directors' pensions

Ministers	Total accrued pension at age 65 as at 31 March 2015 £000	Real increase in pension at age 65 £000	Cash equivalent transfer value at 31 March 2015 £000	Cash equivalent transfer value at 31 March 2014 £000	Real increase in cash equivalent transfer value £000
Rt Hon Iain Duncan Smith MP	10-15	0-2.5	215	180	17
Lord Freud	-	-	-	-	-
Steve Webb MP	0-5	0-2.5	37	29	4
Rt Hon Esther McVey MP	0-5	0-2.5	23	13	4
Rt Hon Mike Penning MP[1]	0-5	0-2.5	48	44	2
Mark Harper MP	0-5	0-2.5	38	31	3

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

Executive directors	Accrued pension at pension age as at 31 March 2015 £000	Real increase in pension and related lump sum at pension age £000	Cash equivalent transfer value at 31 March 2015 £000	Cash equivalent transfer value at 31 March 2014 £000	Real increase in cash equivalent transfer value £000
Robert Devereux[2]	75-80 plus 235-240 lump sum	0-2.5 plus 2.5-5 lump sum	1,727	1,633	25
Mike Driver	60-65 plus 185-190 lump sum	5-7.5 plus 17.5-20 lump sum	1,185	1,026	106
Noel Shanahan	25-30	2.5-5	419	356	35
Mayank Prakash	0-5	0-2.5	16	-	9
Andrew Nelson (left 10 July 2014)	5-10	0-2.5	76	59[3]	13
Steve Riley (left 31 December 2014)	50-55 plus 155-160 lump sum	0-2.5 plus 5-7.5 lump sum	1,142	1,086	49
Neil Couling	35-40 plus 110-115 lump sum	2.5-5 plus 7.5-10 lump sum	681	612	44
Howard Shiplee CBE (left 30 September 2014)	5-10	0-2.5	107	67[3]	30
Debbie Alder	10-15	2.5-5	155	116	22
Jeremy Moore	50-55 plus 155-160 lump sum	5-7.5 plus 17.5-20 lump sum	1,137	965	123
Kevin Cunnington	5-10	2.5-5	79	20[3]	32

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

None of the above opted to open a Partnership pension account.

Ministerial pensions

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

Ministers who are MPs may also accrue an MP's pension under the PCPF (we haven't included details in this report). The accrual rate has been 1/40 since 15 July 2002 (or 5 July 2001 for those who chose to backdate the change), but ministers, like all other

1. The Rt Hon Mike Penning MP left our department on 14 July 2014.
2. Robert Devereux opted out of PCSPS from 31 March 2012. He has voluntarily agreed to the disclosure of his preserved pension figures, for which the latest estimates are shown above. The real increase columns reflect the cost of living increases (adjusted for inflation) applied each year until his pension comes into payment.
3. We've restated this as several factors weren't included in the original calculation.

members of the PCPF, can opt for a 1/50 accrual rate and a lower rate of member contribution. An additional 1/60 accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for ministers are payable at the same time that MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are revalued each year in line with Pensions Increase legislation. From 1 April 2014 members paid contributions between 8.4% and 17.9% 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 as soon as they cease to be an active member of the scheme if they are already 65.

In line with reforms to other public service pensions, there are plans to reform the Ministerial Pension Scheme in 2015. The new scheme will be a career average pension scheme, have an accrual rate of 1.775%, revaluation based on change in prices, a normal pension age equal to State Pension age and a member contribution of 11.1%.

Executive directors' pensions

Pension benefits are provided through the Civil Service Pensions[1] arrangements. From 30 July 2007, civil servants may be in 1 of 4 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 money 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 (called a partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for **classic** and 3.55% and 8.25% for **premium**, **classic plus** and **nuvos**.

Benefits in **classic** accrue at the rate of 1/80 of final pensionable earnings for each year of service. In addition, a lump sum equivalent to 3 years' initial pension is payable on retirement.

For **premium**, benefits accrue at the rate of 1/60 of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum.

Classic plus is 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 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. The accrued pension is uprated in line with Pensions Increase legislation.

Members of all 4 schemes may opt to give up (commute) their pension in exchange for a lump sum up to the limits set by the Finance Act 2004.

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

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 3 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 as soon as they stop being 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 value (CETV) – ministers and executive directors

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement. It can be made when a member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme.

The pension figures shown relate to the benefits the individual has accrued from their total service. For ministers that's all their time as a minister, not just their current employment. For executive directors, that's all the time they've been a member of that pension scheme, not just the time they were in a senior role.

CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. They don't take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in the value of the CETV

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

Robert Devereux
Accounting Officer

10 July 2015

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), I have been directed by HM Treasury to prepare consolidated resource accounts for the Department for Work and Pensions, for each financial year. These detail the resources acquired, held, used or disposed of during the year by the departmental group. This group consists of the department itself and our sponsored arm's length bodies, as listed in 'Our controls' on page 57. The arm's length bodies are designated by order made under the GRAA by Statutory Instrument 2013 number 488.

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

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

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- ensure that we have in place appropriate and reliable systems and procedures to carry out the consolidation process
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by our arm's length bodies
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going-concern basis

HM Treasury has appointed me as the Accounting Officer of the Department for Work and Pensions. I have also appointed the chief executives of our sponsored and other arm's length bodies as accounting officers of those bodies. I am responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that we make to our sponsored bodies are applied for the purposes intended. I must also make sure such expenditure, and the other income and expenditure of the sponsored bodies, is properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the accounting officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an accounting officer are set out in 'Managing Public Money', published by HM Treasury. These include responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, and responsibility for keeping proper records and for safeguarding the assets of the department or arm's length body for which the accounting officer is responsible.

Governance statement

My overview shows the breadth and complexity of what we do, and how we use our control frameworks to ensure we work effectively.

This governance statement describes the system of control, reviews the assurances the system has provided, and explains our critical control issues. It has been endorsed by the departmental board in July.

Governance framework

We are governed by a system of three complementary responsibilities:

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

Our governance framework is described in 'How we were structured in 2014-15'.

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

There were no ministerial directions in 2014-15.

Departmental board

The Secretary of State chairs the board which comprises his ministerial team, our non-executive directors, me and three members of my executive team (the directors general for operations, finance and technology). The board met 4 times in 2014-15.

The board has 2 sub-committees: the Departmental Audit and Risk Assurance Committee and the Nominations Committee. It delegates work to these committees so that smaller groups of board members can examine issues in closer detail alongside other executives and non-executive directors. The committees then present their findings to the board for discussion and conclusion (as described in 'Corporate Governance in Central Government Departments: Code of Good Practice').

The responsibilities and attendance of the board are described in 'How we were structured in 2014-15'.

In 2014-15 the board focused on:

- reviewing our key change programmes
- reviewing the challenges for financial planning arising from the welfare cap
- reviewing the implications of elements of Scottish devolution for the department

- considering our commercial and IT capability and staff engagement as key factors underpinning the success of our reform programme

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

- Sir Ian Cheshire has supported the building of our financial capability and developing talent management
- Dame Clara Furse DBE tested and supported the commercial procurement process for a major new contract
- David Lister helped us develop our digital and technology capability, in particular with the recruitment and induction of senior posts

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

As required under the 'comply or explain' approach, the board is satisfied that we have complied with the provisions in 'Corporate Governance in Central Government Departments: Code of Good Practice'.

Departmental Audit and Risk Assurance Committee

The Departmental Audit and Risk Assurance Committee gives me an independent view of the adequacy, effectiveness and value for money of our governance, risk, control and associated assurance processes. The committee met 4 times during 2014-15, and focused on reviewing regular updates on our significant control issues.

In November 2014 the committee closed its sub-committee. This sub-committee had provided updates on the Social Fund White Paper Account and the Child Maintenance Client Funds Account. The controls around these accounts will now be considered by the committee as a whole, which has increased its number of meetings to cover the work.

This year's effectiveness review of the committee focused on its role, scope and support. It once again found the committee to be effective and well supported.

Nominations Committee

Nominations Committee members advise on identifying and developing leadership and high potential. They also scrutinise our incentive structure and succession planning. The committee met once this year and considered senior appointments, workforce planning, talent management and succession planning. A further planned meeting of the committee was postponed to July 2015.

Financial and business interests of our non-executive directors and ministers

Senior management remuneration is disclosed in the remuneration report. We also keep a register of our non-executive and ministerial board members' interests. This contains details of company directorships and other significant interests held by those members. None of our ministers or senior managers held directorships which conflicted with their management responsibilities in 2014-15.

Copies of the register are available on request. We also lay them in the House of Commons library and you can view them online.[1]

1. www.publications.parliament.uk
www.parliament.uk

Our executive team

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

I am supported by a team of directors general and, together with a legal representative (employed and paid by the Government Legal Service) we collectively form the executive team. Our individual accountabilities for 2014-15 are described in 'How we were structured in 2014-15'.

The executive team collectively agrees the framework of responsibilities, plans and resources that will deliver our agenda. We also make sure our culture supports that agenda, and are responsible for challenging and approving investment plans.

A major part of our work is managing risk. To do this we have agreed a risk management framework (compatible with the international risk management standard ISO31000) and we hold a weekly discussion of individual members' highest priority risks and concerns. The discussion looks at where additional controls are needed and agrees actions to take, such as on our capability and capacity. It also assesses the risks in our major change programmes. Another way we monitor and manage our risk profile is through monthly in-depth discussions of our most significant risks, as well as reviewing our risk management processes to ensure they remain proportionate and useful.

Members of the executive team have delegated financial authority appropriate to their responsibilities, business and personal objectives. I have delegated authority to them to manage risks in their business areas. They also escalate risks where they affect other businesses, or where a collective decision is needed on a risk that affects the responsibilities or objectives of others.

Meeting support

Individual departmental board or sub-committee members will sponsor discussion papers for each item brought to the meeting. This helps to ensure they are of a similar quality and support focused discussion on key issues. Financial and performance data is extracted from corporate accounting and operational systems. This means it is subject to regular, planned internal quality assurance checks, independent audits and proportionate external assurance (such as from the National Audit Office). No concerns have been raised about the quality of information received by the board or its sub-committees in 2014-15.

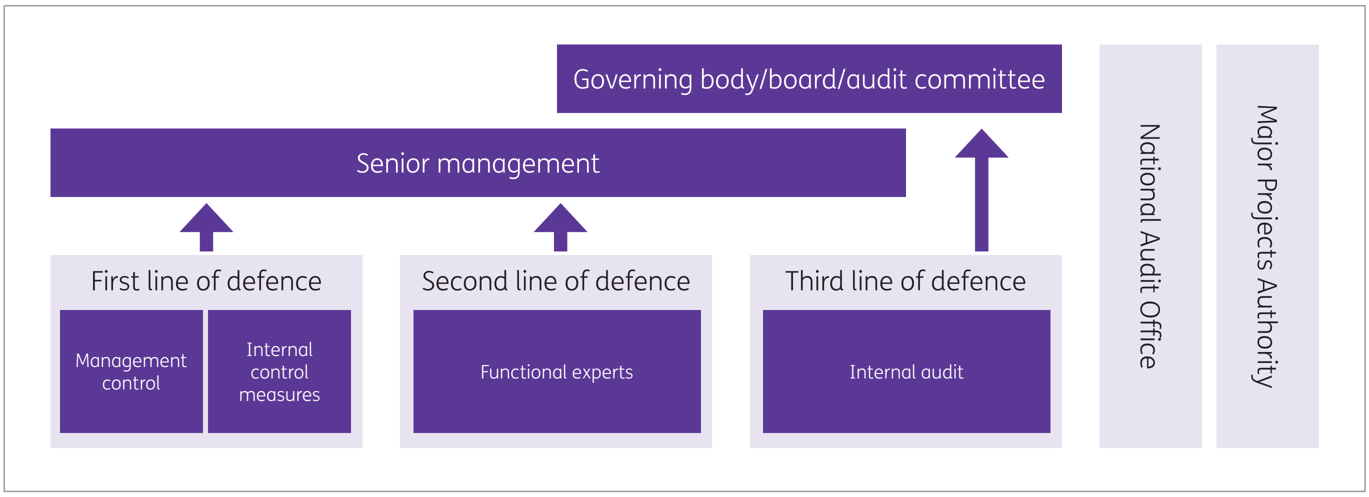
Accountability System Statement

My Accountability System Statement (available from www.gov.uk) explains how we meet our responsibilities for funding streams provided to local authorities and other local bodies outside our direct control, where they aren't governed directly by contractual arrangements. It records that there is a generally robust framework for each of the funding streams.

Risk management, control and assurance

This year, especially within our major change programmes, we clarified and strengthened the way we manage risks, ensure compliance and enable assurance in line with the 'three lines of defence' approach.

Three lines of defence



The first line includes our operational and change managers, who identify, assess, manage and take responsibility for risks. In the second line, functional experts operate across the department to set the boundaries for delivery by defining policies, procedures and guidance. They also support management in identifying and controlling risks. The third line is our internal auditors. They provide an independent, objective assurance on the adequacy and effectiveness of governance, risk management and control.

After consulting programme senior responsible owners and second line functional experts, we have agreed and communicated revised responsibilities to support the management of risks and the success of change programme delivery. This included revising each programme board's terms of reference, including their membership. Senior responsible owners' accountabilities have also been updated to take account of changes to the Osmotherly rules (which govern our interactions with parliamentary select committees). New official appointment letters have been issued jointly by me and the chief executive of the Major Projects Authority. These were published in March 2015 and are available through www.gov.uk.

We continue to review both our risk management framework and the management of risks across the department. We also continue to improve alignment of risk controls through performance discussions with directors general and within our major programmes. Our risk management team is enabling our staff to better understand and manage risks, for example through training sessions on having the right risk conversations (attended by more than 1,400 staff). Our improved collaboration and use of best practice risk management guidance and tools supports better decision-making across all business areas.

Change Portfolio management

The executive team manages the Change Portfolio and advises ministers on the department's vision and strategy for delivering ministerial objectives. A sub-committee tracks progress, enables financial drawdowns, and reviews programme and project delivery.

In November, I established a series of stocktakes for those of our programmes on the government's Major Projects Portfolio. This involves me, my finance and business transformation directors general and the senior responsible owner of each programme. These stocktakes provide further assurance that each programme is supported by realistic and achievable plans, and that these plans use resources affordably and sustainably within agreed limits. They also ensure that each senior responsible owner understands the issues, risks and dependencies associated with delivering their programme.

External bodies, including the National Audit Office and the Major Projects Authority, continue to give us independent external assurance on major projects and programmes. The Major Projects Authority conducted 21 reviews of 11 of our projects in 2014-15. These complement internal and other external assurance activity. Their delivery confidence ratings reflect our continuing delivery of significant and complex business transformation projects, often enabled by digital technology, and delivered in phases frequently spanning several years. In addition to the Major Project Authority reviews, we carried out internal gateway reviews of high and medium-risk rated projects.

The Major Projects Authority conducted final reviews on three projects which were successfully removed from the Government Major Projects Portfolio. These reviews, coupled with lessons learned from internal and external assurance providers and parliamentary select committee hearings, have given us a better understanding of the relationship between assurance interventions, risk management, and the projects and associated benefits we deliver.

In agreement with the Major Projects Authority we have improved our post-project reviews. By doing this and ensuring we achieve more of our programmes' benefits, we have reduced the need for the Major Projects Authority to conduct final gateway reviews on our projects.

Security

Departmental security is overseen by the senior information risk owner (SIRO), who chairs the Departmental Security Oversight Board. Three teams manage security planning and capabilities for our information, people, and premises. This includes:

- providing protective security policy, strategy, guidance and assurance
- assessing and monitoring threats and vulnerabilities
- developing IT security architecture and protective monitoring
- fixing IT security issues
- assessing the risks of new or changed systems, applications and services
- giving operational support and advice to all parts of our business – including managing the response to data or other security breaches

The SIRO is accountable for our information risk management. He is supported by the departmental security officer (who is also the deputy SIRO), and a network of business SIROs and support teams. Each business SIRO is accountable in their part of the business. They escalate decisions on assessments of information and other security risks to the SIRO, and disseminate our response as required.

The 2013-14 Information Assurance Maturity Model assessment identified that we should focus on information risk management and compliance, while maintaining effort on other areas such as leadership, security governance and through-year reporting.

We have made good progress in strengthening governance and leadership, and in improving assured information sharing and training, education and awareness. The review of programme boards and strengthened senior responsible owner accountabilities has also begun to remove barriers to consistent information risk management. This improvement has been championed by the SIRO and supported by the network of business SIROs, as well as by new strategic products introduced this year. We have established a separate compliance team that has started working on a new compliance framework and regime.

Information security vulnerability is a problem for every organisation that uses technology, but it's another area where we are making progress. A mid-year assessment helped us target areas that needed additional attention in the second half of the year. These included assessing vulnerabilities, protective monitoring, and privileged user access controls. At the same time we are improving our approach to user education to make sure everyone is clear about their personal responsibility for using and protecting information, and to support a change in our culture.

Personal data incidents

In 2014-15 two personal data incidents were formally reported to the Information Commissioner's Office. One involved the unauthorised disclosure of paper documents containing the name, address, National Insurance number and contact details of 1,100 people. Everyone affected was notified in writing. The second incident involved the loss of paper documents from outside secure government premises. There was no need to notify those affected as the documents were recovered soon after the loss occurred.

In each case, we put in place further controls to reduce the risk of future incidents of this type. In both instances the Information Commissioner was satisfied with our response and took no action.

There were no personal data incidents that were recorded centrally that we didn't tell the Information Commissioner's Office about.

We continuously monitor and assess our information risks to address weaknesses and create new capabilities. We are upgrading our technology infrastructure, and this will further reduce the risks from electronic storage, though it will require prudent management.

Service providers

As a department we have long taken a lead in the wider government shared services agenda by providing shared financial and HR services for other government departments. We also took a lead role in setting up government joint ventures (Shared Services Connected Ltd and MyCSP) to deliver accounting and employee services, staff pension administration, and invoice processing. We continue to monitor these arrangements through contractual relationships managed by the Cabinet Office.

We supported Pension Wise before its launch in April 2015. This support came from one of our arm's length bodies - The Pensions Advisory Service – which has a contract with HM Treasury to provide guidance on defined contribution pensions.

Analytical models

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

We have updated our list of business-critical analytical models and we are conducting an in-depth audit to ensure appropriate quality assurance for each model's level of risk and impact. This has already been completed for the Finance

Group's models. The cross-departmental working group on quality assurance has developed the Analytical Quality Assurance (Aqua) Book. This was published in March 2015 to provide guidance on producing quality analysis for government.

Letters of assurance

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

Assurances in the department

Directors general have identified a number of issues this year which they are currently managing within their teams. These include:

- annually managed expenditure – as this can be affected by economic changes we maintain robust forecasts to ensure that it remains within the agreed welfare cap – Strategy, Policy and Analysis Group
- management and oversight of the contracts supporting the European Social Fund 2014-2020 programme – Finance Group
- planning for effective management of the parts of the Smith Report for Scottish devolution that are relevant to the department. We have introduced a Scotland Bill, and there is significant work underway to deliver the powers to Scotland that the bill sets out. This work will be led by the new Devolution Programme working closely with the Scotland Office

The finance director general also highlighted the actions taken to improve our financial controls. These include creating a new Financial Assurance and Control Team. The team has developed a roles and responsibilities matrix for financial controls, strengthened the letters of budget delegation to directors general, and ensured (through a finance budget licence) that our senior civil servants fully understand our financial framework and their financial control responsibilities. A new contract management framework has established clearer accountability for contracts, with senior responsible owners and senior contract owners for all our highest priority contracts. Over time we will extend this to all contracts.

Assurances covering arm's length bodies

The strategy, policy and analysis director general provides similar assurances over governance and control arrangements in our 12 arm's length bodies which deliver outcomes on our behalf.

The Office for Nuclear Regulation was established as a statutory public corporation on 1 April 2014 under the Energy Act 2013. Its aim is to provide efficient and effective regulation of the nuclear industry, holding it to account on behalf of the public. This year it reported a control weakness around a lack of transparency over some types of expenditure and a failure to seek appropriate authorisations. I have accepted assurance that these limitations have now largely been mitigated and that it will continue to improve its internal controls.

In a change to our arm's length bodies from April 2015, Remploy Employment Services has been established as a new company, free from government control. It is now in partnership with Maximus following a successful commercial process. Current Remploy employees and contracts are now being transferred to the new company. Once this is complete, we will work with the current Remploy board to manage the activities we have retained. From April 2015 these have been managed by a new arm's length body called the Disabled People's Employment Corporation (GB) Ltd. This operates as a non-trading company.

Internal audit

The head of internal audit provides independent assurance to me and the departmental board (via the Departmental Audit and Risk Assurance Committee). A recent external quality assessment of the internal audit service by KPMG reflected that it achieved the desired impact on governance, risk and control, and compared favourably with benchmarks from their recent reviews in central government. We make sure that as far as possible our internal and external assurance providers work closely and minimise duplication of work.

In the opinion of the head of internal audit, the governance, risk management and control arrangements throughout the year have provided a 'moderate assurance'. This is based on the consolidated findings and recommendations from reviews in 2014-15, and the cumulative audit knowledge and experience of the department and its operations.

Reviews during the year have reflected continuing improvement in risk management and controls – in particular:

- defining clearer programme management roles, responsibilities and accountabilities
- enhancing and creating robust programme assurance frameworks

Improvements are being made to address identified control issues and to provide an effective control framework to manage the continuing challenges and risks faced.

Control issues

Having reviewed our system of internal control, and the assurances it has given me, I have identified the following as significant control issues for the department:

Finance

Monetary value of fraud and error (MVFE)

This continuing control issue is to protect the annual spend on benefits and pensions (around £167.6 billion in 2014-15) against fraud and error. Preliminary estimates show that the level of overpayment due to fraud and error in 2014-15 is 1.9% (down from 2.1% last year). Within the overall total, the rate of fraud and error has worsened with respect to some benefits, such as Housing Benefit (due mainly to claimant error), but improved in other areas, such as Jobseeker's Allowance. The government is fully committed to reducing fraud and error within the benefit system. We are addressing the rising levels of loss associated with Housing Benefit fraud and error and are working across central and local government to ensure plans are robust and in line with other changes currently facing local authorities.

What we're doing

Level of concern decreased over the last six months

We are developing a new long-term Fraud, Error and Debt Strategy for 2015 to 2020. The strategy focuses on making savings from welfare reform and targeting the known major areas of loss (such as Housing Benefit and Pension Credit) as set out in note 27 to the accounts.

The National Audit Office has submitted its provisional audit findings on the Fraud and Error Stocktake. These are now subject to discussion as part of the formal clearance process, with the final report and associated recommendations expected to be published on 21 July 2015.

We are working closely with HM Revenue and Customs to support more coordinated action to prosecute those who commit fraud. We and HM Revenue and Customs will also increase our combined ability to recover overpayments and penalties. This should reduce the further build-up of debt as people will only receive what they are entitled to.

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Child Maintenance Client Funds Account

There are longstanding issues with the accuracy of child maintenance assessments, and hence also recorded arrears, under both the 1993 and 2003 Child Maintenance Schemes. These are reflected in NAO qualifications to the Child Maintenance Client Funds Account.

What we're doing

The fundamental action to manage this issue is the structure of the 2012 Child Maintenance Scheme. The 2012 regime, supported by new technology, ensures that the client funds can be fully reconciled every evening. The indicative assessment accuracy of the 2012 accounts is already at 98% (compared with 97% on the 1993 and 2003 schemes).

Level of concern decreased over the last six months

While this may not quite avoid a qualification this year, as levels of automation continue to increase, we intend to achieve unqualified Client Funds Account for the 2012 Scheme. We have agreed with HM Treasury to produce simpler separate accounts for both the 2012 scheme, and 1993 and 2003 schemes. This will clarify that this issue only relates to the 1993 and 2003 schemes.

At the same time, we are closing cases on the 1993 and the 2003 schemes, which will mean that other historical issues will be resolved.

Reliance on contractors that deliver key welfare reform services

We spent more than £3 billion on contracted services supporting our day to day operations. The main control challenges are:

- managing provider performance when we are often the only buyer in the market
- recovering backlogs of Personal Independence Payment and Employment and Support Allowance work capability assessments that built up in 2013
- improving the performance regime for managing Work Programme contractors

What we're doing

We have been improving our in-house capability this year. As part of this we have:

Level of concern has stayed the same over the last six months

- implemented a new contract management framework that re-defines the role and accountabilities of the senior contract owner for each provider contract. It also establishes new governance processes that provide greater commercial assurance
- created a new workforce planning process to improve our commercial capability. We are also recruiting for senior commercial professionals
- appointed a new capability transformation director to improve supplier management capability in IT

For Personal Independence Payment, our work is already paying off. We are speeding up processes and getting closer to eliminating the backlog of claims.

We are also making progress on the 1.5 million work capability assessments required for Employment and Support Allowance claimants and are implementing all the recommendations from the independent reviews undertaken on these assessments.

We have also agreed a package of contract changes with each Work Programme primary provider, which has strengthened our performance management regime and improved our financial controls.

Information

Keeping our systems and data safe

Since we hold a huge amount of sensitive personal data, we face – like similar organisations – a challenge to secure this data, and our IT systems, from ever changing threats, including cyber attacks.

What we're doing

We have enhanced our security, and the governance of information risk management. We have also developed a new security model for online digital services, and further enhanced our Cyber Intelligence and Response Centre, and our threat assessment capability.

Level of concern has stayed the same over the last six months

A mid-year Information Assurance Maturity Model assessment helped us target further areas needing attention. These included assessments of our IT security vulnerabilities, and risk assessments of our critical national infrastructure.

Our subsequent assessment at the end of 2014-15 confirmed our progress in these and other areas. It found we had made progress from last year's assessment, and essentially achieved level 3 in three of the six assessment areas, compared with a level 3 in only one assessment area last year.

We are now focusing on other key areas including compliance, and controls for privileged users.

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

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

What we're doing

We continue to solve problems as they arise with a clear focus on delivering effective stable services to underpin operational performance. This action included:

- prioritising activity to improve live running of a number of systems that affect how staff deliver services to customers
- identifying and implementing solutions for various staff access issues
- enhancing the level of automation for financial and performance reporting

Level of concern has stayed the same over the last six months

We are also managing the critical interface between old and new IT until our older systems are phased out or replaced, and providing a commercial and organisational framework to support the swift movement to new digital services (Carer's Allowance, Universal Credit, and the new State Pension).

Change

Delivering large, complex welfare reform programmes

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

What we're doing

We have improved the scrutiny and effectiveness of our programme boards by enhancing their delegated controls.

We have closely monitored, and revised when necessary, the implementation plans of all our major programmes. Specific actions taken include:

- minimising the risks to the delivery of Universal Credit by using a "test and learn" approach
- revising the timetable for natural reassessment of Disability Living Allowance claims to ensure we have sufficient capacity and capability available
- developing a digital pension statement service as a parallel project with HM Revenue and Customs to support the delivery of State Pension reform from April 2016

We also continued to improve our delivery capability by sharing best practice from the successful early implementation of child maintenance reforms, and through feedback from the Major Projects Authority, parliamentary select committees and the National Audit Office.

Level of concern decreased over the last six months

People

Professional capability and skills

We need to develop our professional skills and experience in a number of key areas to reflect our changing business needs.

What we're doing

Overall, our capability has improved since last year, but this remains a key issue reported by most directors general. We have delivered our first capability plan (and reviewed it in 2015), with activities to build the skills and experience of staff in the civil service priority areas:

- leading and managing change
- digital
- commercial
- project and programme delivery

To these we have added a fifth priority: customer service.

Activities include:

- ensuring our leaders are equipped to carry out our business
- embedding our new approach to commercial category management, and building specific market capability through recruitment
- developing our digital capability through recruitment (9 new digital head roles) and through our DWP Digital Academy – now recognised as an exemplar across government (by the end of 2014-15 it had 150 graduates, with a further 1,000 people attending an insight day)
- developing a framework to embed the operational delivery profession across our operations

A capability board, chaired by the HR director general, steers this work. It provides challenge and assurance of plans and outcomes in these priority areas.

Level of concern has stayed the same over the last six months

Robert Devereux
Accounting Officer

10 July 2015

Lead non-executive director's report for 2014-15

In the final year of this parliament, the department has continued to drive forward its programme of welfare reforms, including expanding Universal Credit and achieving record levels of employment while driving the department's costs down.

The departmental board continues to operate well and our non-executive members have used their expertise to support and challenge the team in the delivery of the department's extensive agenda. In 2014-15, Sir Ian Cheshire stepped down as lead non-executive in November and Lieutenant General (retired) Andrew Graham was appointed to the departmental board and to chair of the Departmental Audit and Risk Assurance Committee, having previously been its deputy chairman. This year also saw the extension of the appointments of David Lister and Willy Roe as non-executive board members. Willy Roe's appointment was extended to the end of this parliament and he now steps down, having worked with the department in different roles for 22 years, latterly serving 5 years on the departmental board. Mark Harper MP joined the board, following his appointment as Minister for Disabled People in June 2014 and Mayank Prakash, the new director general for technology, was appointed to the board in November 2014, following Andy Nelson's departure.

In addition to their roles on the departmental board, several of the non-executive members have undertaken wider activities. Sir Ian Cheshire supported the department in building its financial capability and developing talent management. David Lister helped the department to develop its digital and technology capability, in particular with the recruitment and induction of key senior posts. Willy Roe continued his oversight of the department's arm's length bodies, notably through the triennial reviews of the Social Security Advisory Committee and the Industrial Injuries Advisory Committee. In his Audit Committee role, Andrew Graham gave particular attention and support to the team responsible for the rollout of Universal Credit. I tested and supported the commercial procurement process for a major new departmental contract.

At its quarterly meetings, the board reviewed the performance of key departmental programmes including the delivery of Universal Credit, the Work Programme, Disability Benefits and the new State Pension. The board also reviewed the challenges for financial planning arising from the welfare cap and the implications of elements of Scottish devolution for the department. In addition the board considered the department's commercial and IT capability and staff engagement as key factors underpinning the successful delivery of an ambitious reform programme.

I would like to thank my fellow non-executives for their commitment and work over the last year and particularly Sir Ian Cheshire and Willy Roe as they take on new roles. Looking to the year ahead, we will endeavour to continue to help the department and its ministers to deliver their agenda efficiently and effectively.

Dame Clara Furse DBE
Lead non-executive

The Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Department for Work and Pensions and of its Departmental Group for the year ended 31 March 2015 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 2015. 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 'Our performance overview', 'Our performance story', 'Our performance analysis' and 'Our controls' sections of the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Basis for Qualified Opinion on Regularity

Note 27 to the Accounts records benefit expenditure of £168.1 billion in 2014-15. Some £86.5 billion (51.5 per cent) of this expenditure relates to State Pension. The Department estimates that in 2014-15, fraud and error within State Pension expenditure resulted in overpayments of £130 million (0.2 per cent of related expenditure) and underpayments of £150 million (0.2 per cent of related expenditure). For all other benefit expenditure, the Department estimates that fraud and error resulted in overpayments of £3.02 billion (3.7 per cent of related expenditure) and underpayments of £1.28 billion (1.6 per cent of related expenditure). Where fraud and error result in over or underpayment of benefits, the transactions are not in conformity with the 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 overpayments in such benefit expenditure which are not in conformity with the relevant authorities.

Opinion on regularity

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

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2015 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 'Our performance overview', 'Our performance story', 'Our performance analysis' and 'Our controls' 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 to report in respect of the following matters which I report to you if, in my opinion:

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

Sir Amyas C E Morse **13 July 2015**
Comptroller and Auditor General

National Audit Office
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Report by the Comptroller and Auditor General

Fraud and error in benefit expenditure

Introduction

1. The Department's total estimated expenditure on benefits in 2014-15 was some £168.1[1] billion, of which £143.8 billion was in respect of benefits paid directly by the Department and £24.3 billion in respect of benefits paid on the Department's behalf by local authorities (Housing Benefit). Benefit expenditure represents 96% of the Department's 2014-15 total net operating costs of £174.8 billion, as recorded in the Department's Annual Report and Accounts.

2. Fraud and error is a significant problem in benefit expenditure. Overpayments arising from fraud and error increase costs to taxpayers and reduce public resources available for other purposes. Underpayments mean households are not getting the support they are entitled to.

3. Benefit payments are inherently susceptible to fraud and error, because:

- Entitlement is based on a range of eligibility criteria;
- They are dependent on claimants notifying the Department of changes of circumstance; and
- The complexity of benefits can cause confusion and genuine error.

4. Note 27 to the Department's accounts sets out forecast expenditure by benefit type, and the Department's estimate of the extent of fraud and error in each type. We consider the estimate of fraud and error disclosed in the Annual Report and Accounts is the best measure currently available.

5. We acknowledge 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. These tend to be the ones exhibiting the highest estimated rates of fraud and error, such as Housing Benefit and Pension Credit.

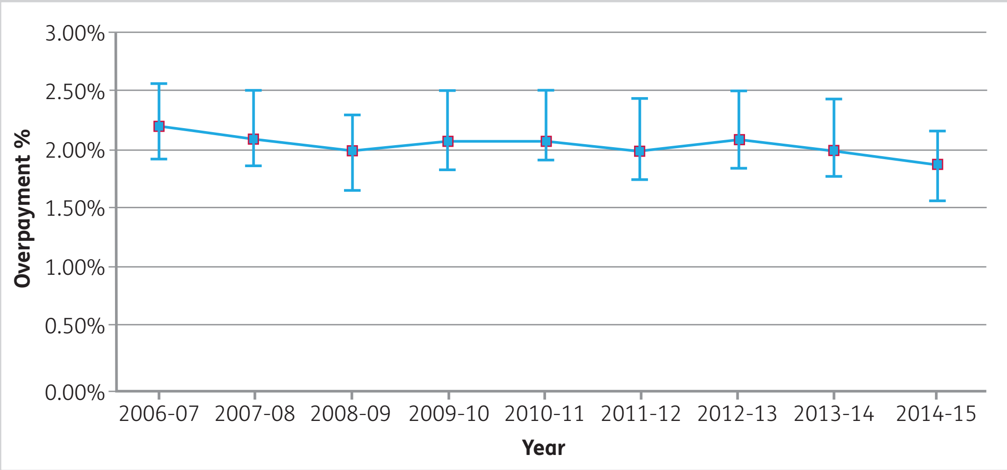
Estimated level of fraud and error in benefit expenditure

6. In Note 27 to the accounts, the Department estimates total gross overpayments due to fraud and error in 2014-15 are £3.2 billion (2013-14 – £3.3 billion). This equates to 1.9 per cent of total forecast benefit expenditure of £168.1 billion (2013-14 – 2.0 per cent on expenditure of £163.9 billion). While the reduction in the percentage overpayment is welcome, the Department acknowledges that this is not a statistically significant change from the levels of fraud and error reported in 2013-14.

7. Figure 1 below shows the estimated overpayments of benefit expenditure due to fraud and error as a percentage of benefit expenditure since 2006-07.

1 As per Note 27 to the accounts, the total expenditure figures quoted are the latest estimated expenditure figures available for 2014-15 at the time the Department produced the fraud and error estimates.

Figure 1: Estimated overpayments of benefit expenditure due to fraud and error



NOTES: 1. Vertical bars equal confidence levels around the most likely estimate.

Figure Source: Department for Work and Pensions Annual Report and Accounts 2006-07 to 2014-15

8. The Department estimates total gross underpayments in 2014-15 are £1.4 billion (2013-14 – £1.4 billion), which equates to 0.9 per cent of total benefit expenditure (2013-14 – 0.9 per cent).

The Comptroller and Auditor General's audit opinion

9. 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 for Work and Pensions' affairs as at 31 March 2015 and of its net operating costs 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.

10. 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).

11. 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 Parliament's intention and is irregular. In determining whether this should lead to a qualification of my audit opinion, I have chosen to apply a materiality judgement.

12. In respect of the 2014-15 financial statements of the Department for Work and Pensions, I have therefore 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 significantly lower. For State Pension, the Department estimates that fraud and error in 2014-15 resulted in gross overpayments of £0.13 billion (2013-14 – £0.11 billion), which is 0.2 per cent of related expenditure (2013-14 – 0.1 per cent), and gross underpayments of £0.15 billion (2013-14 – £0.12 billion), which is 0.2 per cent of related expenditure (2013-14 – 0.1 per cent).

13. 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.

14. 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.

Fraud and error measurement

15. The Department analyses overpayments and underpayments into three categories, which it defines as follows:

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

16. The Department has reported the estimated overpayments and underpayments against each category in Note 27 to the accounts. The Annex to this report summarises that categorisation, and further analyses overpayments and underpayments into those benefits administered directly by the Department and those administered by local authorities.

17. Caution should be exercised when examining the estimates for trends, due to the measurement uncertainties explained in Note 27. In particular, estimated levels of fraud and error in some benefits are a number of years old. For example, Disability Living Allowance, which accounted for £13.8 billion of expenditure in 2014-15, 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. We believe that the absence of up-to-date information on error rates in such a large benefit stream creates a risk that the Department is making decisions based on out-of-date measurements. Furthermore, some smaller value benefits have never undergone a measurement exercise. The levels of fraud and error in these benefits are calculated through proxy rates from other measured benefits, either continuously measured or historically measured.

18. For the 2014-15 estimates, the Department has aligned the Housing Benefit fraud and error measurement methodology with the measurement methodology for the other continuously measured benefits (Jobseeker's Allowance, Employment and Support Allowance, State Pension Credit and Income Support). If the measurement methodology had remained the same as in previous years, Housing Benefit fraud and error would have increased from 5.8 per cent in 2013-14 to 6.1 per cent in 2014-15. The Housing Benefit measurement methodology change has not impacted the total estimated level of overpayments due to fraud and error of 1.9 per cent.

19. The overpayment and underpayment figures quoted in this report all relate to the gross level of fraud and error in benefit expenditure. The Department does recover some overpayments as and when it becomes aware of them. As reported in Note 27, in 2014-15 the Department expects to recover around £900 million from overpaid claimants.

The Department's work to reduce fraud and error

20. The Department recognises that the level of fraud and error in benefit expenditure is too high and has, over the years, made many efforts to reduce it. The 2014-15 preliminary estimates suggest that these efforts have had some success, as the level of fraud and error in benefits directly administered by the Department has reduced since 2013-14. However, fraud and error within Housing Benefit, which is administered by local authorities, has increased over the last two years.

21. 2014-15 was the last year of a five year Departmental fraud and error strategy. The strategy, set in October 2010, proposed to deliver a reduction in overpayments of some £600 million per year from existing benefits, with a further £200 million per year to be saved through the introduction of Universal Credit. The Department aimed to reduce the estimated level of overpayments to 1.7 per cent by April 2015. The Department did not set a target for reducing underpayments.

22. During 2014-15, the Department has undertaken work in a number of areas to reduce fraud and error. These include:

- Launching advertising campaigns to:
  - encourage the public to report known perpetrators of fraud, and
  - make claimants aware of the need to keep the Department informed of any changes in circumstances which would affect their benefit payments;
- Using real-time information (RTI) income and earnings data held by HM Revenue and Customs to identify inconsistencies in earnings data provided by claimants;
- Addressing abroad fraud by greater use of data-sharing to verify the continued entitlement of UK state pensioners living overseas;
- Additional case cleanse activity, using risk rules and data matching to identify potential error and fraud;
- Implementing a Quality Framework for new telephone claims, which is designed to improve both benefit claim accuracy and claimant experience;
- Enforcing stronger penalties. Since 2012, the Department and local authorities have imposed nearly 70,000 penalties for fraud and more than 150,000 penalties for identified claimant error;
- Developing specific initiatives to work with local authorities to reduce fraud and error in Housing Benefit (further details at paragraph 39); and
- Implementing the Single Fraud Investigation Service, which is designed to co-ordinate the investigations previously managed individually by the Department, HM Revenue and Customs and local authorities. The Department intends that by pooling expertise and information, it will be able to address fraud more efficiently.

23. Over the last five years, the Department has developed new insight and analysis on fraud and error. This includes work we undertook with the Department in 2012 and 2013 to identify the root causes of fraud and error in benefit expenditure and the characteristics required for a robust fraud and error response.

24. One of the principal findings of this work was that the largest proportion of error enters the benefits system due to changes in claimants' circumstances after a correct initial award. As a result, during 2014-15, the Department increasingly focussed on identifying and correcting errors in existing claims arising from previously unidentified changes in claimants' circumstances. This work was concentrated on Pension Credit, Disability Living Allowance and a range of working age benefits. This work uses data scans and matching rules to identify cases with potential fraud and error for further investigation. Building on this, the Department is developing an analysis and intelligence hub to improve its analytical capability by using a wider range of data sources. The Department is building the hub for Universal Credit, but it will also be helpful for legacy benefits.

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25. Going forward, the challenge for the Department will be to move such analysis and investigation into its business as usual processing of benefits. As part of this, we consider the Department should consider applying its recently introduced Quality Framework to processing teams dealing with claimants' changes in circumstances, as well as just new claims.

26. Our previous work with the Department also identified the major causes of overpayments. A breakdown of these for the continuously measured benefits in the 2014-15 preliminary estimates is set out in Figure 2. This clearly shows that misreporting of income is the largest cause of overpayments. In response, the Department has increasingly used data matching. In 2014-15, it carried out a bulk exercise to match RTI data against legacy benefits. The Department states that this work has generated savings of some £114 million, and is now integrating such data matching into business as usual activity for Pension Credit. The Department continues to use RTI data to provide information on earnings as part of the calculation of claimants' Universal Credit entitlement.

Figure 2: Where overpayments arise

Error Type	**£m**
Income and earnings - misreporting and incorrect processing	£1,120m
Living arrangements - undisclosed and incorrect processing	£340m
Living abroad and untraceable - undisclosed and incorrect processing	£230m
Capital held - misreporting and incorrect processing	£220m
Departmental errors - in application of controls and processing of premiums	£130m
Other conditions of entitlement - misreporting and incorrect decisions	£80m
Tax Credit income - misreporting	£50m
Other	£190m
Total	**£2,360m**

NOTES: 1. DWP is able to assess the causes of overpayments on its continuously measured benefits: Jobseeker's Allowance, Pension Credit, Housing Benefit, Income Support and Employment and Support Allowance. It can not undertake this analysis on the benefits which are not continuously measured.

Figure Source: Department for Work and Pensions Accounts, Fraud and Error in the Benefit System: Preliminary 2014-15 Estimates

27. In March 2015, the Department published a report *'Tackling Fraud, Error and Debt in the benefits and tax credits system'*. This recorded the progress made over the last five years against the 2010 strategy and the measures that it has put in place to secure further improvements. It also reiterated that the 'levels of fraud, error and debt in the benefits and tax credits system are unacceptably high'.

28. The Department's preliminary estimate for 2014-15 shows that it has slightly reduced overpayments due to fraud and error from 2.0 per cent of benefit expenditure (2013-14 final estimate) to 1.9 per cent. The Department notes that this is a non- statistically significant change. As noted above, in 2010 the Department agreed a target to reduce the estimated level of overpayments due to fraud and error to 1.7 per cent of benefit expenditure by April 2015. Whilst the final estimates of fraud and error for 2014-15 will not be published until November 2015, in my view the Department is not on track to achieve this target. The Department also set its own target to reduce the levels of overpayments and underpayments caused by its own mistakes (Official Error) by £200 million between October 2010 and March 2015. The 2014-15 preliminary estimates indicate that it has not met this target.

29. Furthermore, the Department has reduced the pace of the roll out of Universal Credit, on which I commented in my report *'Universal Credit: Progress Update'* (HC786 2014-15). As a result, Universal Credit has not yet realised the £200m annual fraud and error savings originally expected by March 2015. However, the Department expects that once fully rolled out, the implementation of Universal Credit will reduce annual fraud and error overpayments by around £0.5 billion. Before that happens, the Department should not neglect the existing levels of fraud and error on those legacy benefits which will continue to be in operation until fully replaced by Universal Credit.

30. In April 2015, the Department issued a new fraud, error and debt strategy for the period 2015 to 2020. The strategy details a range of interventions planned by the Department to address overpayments. This new strategy is designed to be supported by benefit level fraud, error and debt reduction strategies. In March 2015 the Department produced such strategies for Housing Benefit and Pension Credit; two of the benefits with the largest levels of fraud and error. These two strategies set out specific success criteria and envisage the development of detailed activity plans setting out exactly what work will be done in support of the strategies, including new initiatives and process reviews.

31. We welcome the Department's move towards preparing strategic approaches on an individual benefit basis. This should provide greater focus on the specific risks and challenges in each benefit, allow the development of benefit specific interventions and provide greater prioritisation of activity. However, these strategic approaches need to be supported by:

- Clear operational plans, which set out expectations, activity, and accountability for various teams within the Department, including those responsible for front-line operations;
- Clear baselines and success criteria, against which the Department can regularly and robustly measure and monitor progress; and
- As planned interventions are rolled out, the Department must collate information and undertake rigorous measurement so that each intervention can be assessed to determine if it works and is actually delivering the planned savings and outcomes.

Housing Benefit

32. Estimated overpayments in Housing Benefit due to fraud and error have continued to rise in 2014-15. This contrasts to most other continuously measured benefits where levels are reducing or remaining similar. As referenced in paragraph 18 above, in 2014-15 the Department has amended the measurement methodology for Housing Benefit to align it with the methodology used for other continuously measured benefits. The estimated overpayments in Housing Benefit due to fraud and error for 2014-15 based on the old methodology is 6.1%, however based on the new methodology the estimated level is 5.7%.

33. Housing Benefit is administered by local authorities on behalf of the Department. Nevertheless, the Department has a key role in setting the framework within which local authorities manage Housing Benefit. The funding arrangement between the Department and local authorities contains a formula intended to encourage local authorities to make accurate payments by affecting the amounts paid to them based on accuracy targets.

34. Many of the reasons for overpayments in Housing Benefit are similar to those of other benefits. In particular, Housing Benefit is means-tested, which means entitlement can be based on complex, interlinked or subjective evidence, which is sometimes difficult to obtain or verify. This is more challenging for Housing Benefit, which because of its high caseload of in-work claimants, is particularly susceptible to fraud and error arising from misreporting of earnings and income.

35. Errors also arise from poor or non-timely exchange of information between the Department and the local authority regarding 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.

36. In response to the high error rate, my staff undertook and published a detailed study, '*Housing Benefit fraud and error*' (HC720 2014-15), which focused on the Department's ownership and oversight of the administration of Housing Benefit and its associated fraud and error.

37. In my report, I recommended the Department set clearer responsibilities for reducing fraud and error, improve incentives for local authorities to prevent and identify fraud and error and improve the quality of information about fraud and error in oversight and assurance processes. As noted earlier in this report, in March 2015 the Department designed a Housing Benefit fraud and error strategy, by which it aims to address the key findings identified in my report.

38. The key elements of the Department's revised strategy are:

- To utilise data and analytics to ensure a quality exchange of claimant data;
- Review the end to end claimant journey to understand where processes, guidance, learning and claimant engagement could be improved;
- Consider further incentives for local authorities to support them to reduce the monetary value of fraud and error; and
- Better understand local authority performance.

39. This will build on previous initiatives by the Department to enhance the sharing of data. These include:

- In February 2012, the Department started supplying daily updates of changes in benefit entitlements to local authorities through Automated Transfers to Local Authority Systems (ATLAS). Whilst ATLAS provides a welcome opportunity for data sharing, the Work and Pensions Select Committee has recommended that the Department and local authorities jointly review ATLAS so that local authorities can access the information they need to verify Housing Benefit claims more easily;[2]
- In November 2014, the Department launched the Fraud and Error Reduction Incentive Scheme (FERIS). The scheme aims to encourage local authorities to identify changes of circumstances which will lead to a reduction in the Housing Benefit fraud and error. Financial rewards are offered to local authorities that identify reductions above a set threshold. FERIS is intended to run through 2014-15 and 2015-16 with 98% of local authorities, covering 99% of the Housing Benefit caseload, having enrolled to participate in the scheme.

40. In due course we intend to review the success of the Department's revised strategy for fraud and error in Housing Benefit.

Conclusion

41. The estimated value of fraud and error overpayments in benefit expenditure in 2014-15 is £3.2 billion, or 1.9 per cent of expenditure. This is a non-statistically significant reduction in the level of fraud and error from 2013-14 (2013-14 – £3.3 billion and 2.0 per cent respectively).

42. Over the period in which the Department has measured them, fraud and error rates have consistently remained high. As a result, both I and my predecessors have

2. Work and Pensions Committee Report *Fraud and error in the benefits system* HC 1082 2013-14 para 37

qualified our audit opinion on the Department's accounts on the grounds of material amounts of fraud and error in benefit expenditure since 1988-89. I consider that this view remains consistent with the views expressed by the Government in the March 2015 Cabinet Office Fraud, Error and Debt Taskforce document '*Tackling Fraud, Error and Debt in the benefits and tax credits system*', that the level of fraud and error in the benefit system is unacceptably high.

43. In order to develop effective ways of reducing fraud and error in benefits expenditure, the Department needs to further enhance its understanding of how and why overpayments arise in individual benefits. This requires the collection and analysis of quantitative and qualitative data on fraud and error to identify key risk areas and an understanding of how it will exploit this data to direct operational activity. The Department needs to use this data to develop fraud and error strategies for individual benefits, as it has started to do with Pension Credit and Housing Benefit. The strategies then need to be put into effect, which will need to include designing controls to tackle the inflow of fraud and error into the benefits system, as well as removing the fraud and error already in the system. To make this work will require commitment and focus on behalf of the whole Department, including operational teams.

44. The 2010 Spending Review ended in March 2015. We have taken this as an opportunity to take stock of the work that has been done by both the Department and HM Revenue and Customs to reduce the levels of fraud and error in benefits during the Spending Review period. I will shortly issue my report, 'Fraud and Error Stocktake' in which we look at the Department's progress in reducing fraud and error in the 2010 Spending Review period, and their emerging plans to tackle fraud and error.

Sir Amyas C E Morse
Comptroller and Auditor General

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13 July 2015

Annex: Overview of fraud and error estimates

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

Figure 3: Estimated overpayments and underpayments by category

Category	2014-15 Total expenditure £ million*	2014-15 Overpayments £ million* (% of related expenditure)	2014-15 Underpayments £ million* (% of related expenditure)	2013-14 Overpayments £ million* (% of related expenditure)	2013-14 Underpayments £ million* (% of related expenditure)
Official error		700 (0.4)	500 (0.3)	700 (0.4)	500 (0.3)
Claimant error		1,300 (0.8)	900 (0.6)	1,500 (0.9)	900 (0.6)
Fraud		1,100 (0.7)	- -	1,100 (0.7)	- -
Total	**168,100**	**3,200 (1.9)**	**1,400 (0.9)**	**3,300 (2.0)**	**1,400 (0.9)**

NOTES

Figure Source: Unrounded estimates provided by the Department for Work and Pensions for the purposes of our financial audit work. The same estimates were used by the Department to produce the report Fraud and Error in the Benefit System: Preliminary 2014-15 Estimates (for the 2014-15 estimates) and Fraud and Error in the Benefit System: Preliminary 2013-14 Estimates (for the 2013-14 estimates).

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

2. Overall, the level of fraud and error within benefits directly administered by the Department has fallen in 2014-15. However, fraud and error within Housing Benefit (which is administered on the Department's behalf by local authorities) has increased. As stated in paragraph 18, if the measurement methodology had remained the same as in previous years, Housing Benefit fraud and error would have increased from 5.8 per cent in 2013-14 to 6.1 per cent in 2014-15. I comment specifically on Housing Benefit in paragraphs 32 to 40.

3. We set out in figure 4 below the split of overpayments and underpayments between those benefits administered directly by the Department, and those administered by local authorities.

Figure 4: Breakdown of estimated overpayments and underpayments by category

	2014-15			2013-14		
	Benefits administered directly by the Department	Housing related benefits administered by Local Authorities**	All DWP benefits	Benefits administered directly by the Department	Housing related benefits administered by Local Authorities**	All DWP benefits
Total expenditure £ million*	143,800	24,300	168,100	140,000	23,900	163,900
Official error overpayments £ million* (% of related expenditure)	600 (0.4)	100 (0.6)	700 (0.4)	600 (0.4)	100 (0.6)	700 (0.4)
Official error underpayments £ million* (% of related expenditure)	400 (0.3)	100 (0.3)	500 (0.3)	400 (0.3)	100 (0.3)	500 (0.3)
Claimant error overpayments £ million* (% of related expenditure)	500 (0.4)	800 (3.2)	1,300 (0.8)	600 (0.4)	900 (3.8)	1,500 (0.9)
Claimant error underpayments £ million* (% of related expenditure)	700 (0.5)	200 (0.9)	900 (0.6)	600 (0.4)	300 (1.2)	900 (0.6)
Claimant fraud overpayments £ million* (% of related expenditure)	700 (0.5)	500 (1.9)	1,100 (0.7)	800 (0.5)	300 (1.4)	1,100 (0.7)
Claimant fraud underpayments £ million* (% of related expenditure)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)

NOTES

Figure Source: Unrounded estimates provided by the Department for Work and Pensions for the purposes of our financial audit work. The same estimates were used by the Department to produce the report Fraud and Error in the Benefit System: Preliminary 2014-15 Estimates (for the 2014-15 estimates) and Fraud and Error in the Benefit System: Preliminary 2013-14 Estimates (for the 2013-14 estimates).

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

**In 2014-15 DWP introduced changes to the way it measured Housing Benefit fraud and error.

4. **Official error** arises where the Department or the local authority makes a mistake in administering a benefit. In the benefits administered directly by the Department, 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.

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

6. 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

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amount of benefit to which they are entitled. This relies on claimants being pro-active in notifying changes. In the past the Department has adopted this approach because it did 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. This is now changing with the increased use of income and earnings information from HM Revenue and Customs.

7. Overpayments due to **fraud** again arise primarily in the means-tested benefits that require claimants 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.

8. 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 fraud[3]. 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. The introduction of RTI is seeking to tackle the disparity between information provided to the Department and HM Revenue and Customs.

3. 'Tackling fraud and error in the benefit and tax credits system', October 2010.

Our expenditure

Statement of Parliamentary Supply

Summary of resource and capital outturn 2014-15

	SOPS Note	Estimate Voted £000	Estimate Non-Voted £000	Estimate Total £000	Outturn Voted £000	Outturn Non-Voted £000	Outturn Total £000	2014-15 Voted outturn compared with Estimate: saving/ (excess) £000	2013-14 Outturn Total £000
Departmental Expenditure Limit									
- Resource	2.1	6,637,258	579,570	7,216,828	6,571,145	580,823	7,151,968	66,113	7,358,612
- Capital	2.2	235,311	45,500	280,811	205,053	44,165	249,218	30,258	185,683
Annually Managed Expenditure									
- Resource	2.1	73,995,765	95,133,357	169,129,122	73,259,533	94,379,240	167,638,773	736,232	163,321,323
- Capital	2.2	-	(100,000)	(100,000)	-	(124,364)	(124,364)	-	(87,020)
Total budget		**80,868,334**	**95,658,427**	**176,526,761**	**80,035,731**	**94,879,864**	**174,915,595**	**832,603**	**170,778,598**
Non-budget									
- Resource	2.1	2,556,662	-	2,556,662	2,059,428	-	2,059,428	497,234	2,051,250
Total		**83,424,996**	**95,658,427**	**179,083,423**	**82,095,159**	**94,879,864**	**176,975,023**	**1,329,837**	**172,829,848**
Total resource budget		80,633,023	95,712,927	176,345,950	79,830,678	94,960,063	174,790,741	802,345	170,679,935
Total resource non-budget		2,556,662	-	2,556,662	2,059,428	-	2,059,428	497,234	2,051,250
Total Resource		**83,189,685**	**95,712,927**	**178,902,612**	**81,890,106**	**94,960,063**	**176,850,169**	**1,299,579**	**172,731,185**
Total capital		235,311	(54,500)	180,811	205,053	(80,199)	124,854	30,258	98,663
Total		**83,424,996**	**95,658,427**	**179,083,423**	**82,095,159**	**94,879,864**	**176,975,023**	**1,329,837**	**172,829,848**

	SOPS note	2014-15 Estimate £000	2014-15 Outturn £000	2014-15 Outturn compared with Estimate: saving/ (excess) £000	2013-14 Outturn £000
Net cash requirement 2014-15 core department	4	83,416,714	82,149,880	1,266,834	80,405,233

		2014-15 Estimate £000	2014-15 Outturn £000	2013-14 Outturn £000
Administration costs 2014-15 departmental group	3.2	**1,207,663**	**893,684**	**1,091,334**

Explanations of variances between estimate and outturn are given on page 49.

The notes on pages 106 to 113 form part of this statement.

Notes to the Statement of Parliamentary Supply

SOPS 1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements of the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

Accounting convention

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

The budgeting system and the consequential presentation of Supply Estimates, the Statement of Parliamentary Supply and related notes, have different objectives to accounts based on the International Financial Reporting Standards (IFRS). The budgeting system supports macro-economic stability by making sure public spending has parliamentary authority and is controlled in a way that supports the government's fiscal framework. It gives departments incentives to manage spending well, and so provide high quality public services that offer value for money.

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

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

Differences in accounting treatment

Many transactions are treated in the same way in the System of National Accounts and IFRS-based accounts. However, there are differences, as described below. In SOPS note 3.1 we compare our outturn as recorded in the Statement of Parliamentary Supply with the IFRS-based Statement of Comprehensive Net Expenditure.

- **Private Finance Initiatives and other service concession arrangements**
  The System of National Accounts basis for recognising service concession arrangements is similar to the UK's Generally Accepted Accounting Principles (UK GAAP), as it applies a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can lead to differences in whether it's included in the Statement of Financial Position.

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- **Capital grants**
  Grant expenditure used for capital purposes is treated as capital in the Statement of Parliamentary Supply. In accordance with the FReM, there is no distinction between capital grants and other grants. This is because they count as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure.
- **Provisions - administration and programme expenditure**
  Under IFRS, provisions aren't recognised as expenditure for National Account purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and National Accounts additional data entries are made in the Statement of Parliamentary Supply across Annually Managed Expenditure (AME) and Departmental Expenditure Limit (DEL) control totals, which do not affect the Statement of Comprehensive Net Expenditure. Administration and programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts.
- **Social Fund**
  The expenditure of the Social Fund is recorded in the Statement of Comprehensive Net Expenditure and is recorded in the Supply Estimate to make sure Parliament can see our total AME budget provision.

  However, legislation requires Parliament to vote the cash paid into the Social Fund rather than the Social Fund expenditure. As a result, the cash paid into the Social Fund also has to be recorded in the Supply Estimate, as a non-budget item. The Statement of Parliamentary Supply reflects these legislative requirements.

Analysis of net resource outturn by section

The 2013-14 outturn is the original outturn against the 2013-14 Supply Estimate. We haven't restated this to show changes that happened during 2014-15. The main change was that we moved Financial Assistance Scheme expenditure from DEL to AME. We've restated the core tables on pages 181 to 193. These show trends and comparisons in expenditure over the last 6 years.

SOPS 2. Analysis of net outturn

SOPS 2.1 Analysis of net resource outturn by section

										2014-15	2013-14
							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	112,340	(328)	112,012	1,753,562	(6,564)	1,746,998	1,859,010	1,615,839	(243,171)	2,630	2,403,562
B Child Maintenance Group	80,479	(254)	80,225	254,831	(3,188)	251,643	331,868	330,682	(1,186)	-	462,776
C Health and Safety Executive (Net)	83,030	-	83,030	56,317	-	56,317	139,347	139,474	127	-	155,345
D European Social Fund	-	-	-	281,781	(281,650)	131	131	191	60	-	(3,228)
E Executive Non-Departmental Public Bodies (Net)	18,728	-	18,728	329,538	-	329,538	348,266	355,175	6,909	-	354,103
F Employment Programmes	-	-	-	967,638	(17,443)	950,195	950,195	953,006	2,811	-	1,037,286
G Support for Local Authorities	-	-	-	536,376	-	536,376	536,376	523,052	(13,324)	-	643,929
H Other Programmes	-	-	-	317,510	(61,963)	255,547	255,547	225,202	(30,345)	-	62,225
I Departmental operating costs	637,688	(37,999)	599,689	1,641,460	(90,744)	1,550,716	2,150,405	2,494,637	344,232	63,483	1,477,765
Financial Assistance Scheme	-	-	-	-	-	-	-	-	-	-	153,470
	932,265	**(38,581)**	**893,684**	**6,139,013**	**(461,552)**	**5,677,461**	**6,571,145**	**6,637,258**	**66,113**	**66,113**	**6,747,233**
Non-voted:											
J National Insurance Fund	-	-	-	547,403	-	547,403	547,403	547,403	-	-	611,379
K Expenditure incurred by the Social Fund	-	-	-	33,420	-	33,420	33,420	34,162	742	742	-
L Consolidated Fund Extra Receipts	-	-	-	-	-	-	-	(1,995)	(1,995)	(1,995)	-
	-	**-**	**-**	**580,823**	**-**	**580,823**	**580,823**	**579,570**	**(1,253)**	**(1,253)**	**611,379**

	Administration			Programme				2014-15 Estimate			2013-14 Outturn
	Outturn										
	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
Annually Managed Expenditure											
Voted:											
M Severe Disablement Allowance	-	-	-	735,167	-	735,167	735,167	750,562	15,395	15,395	859,728
N Industrial Injuries Benefit Scheme	-	-	-	907,808	-	907,808	907,808	911,868	4,060	4,060	900,692
O Universal Credit	-	-	-	56,151	-	56,151	56,151	129,729	73,578	73,578	5,861
P Jobseeker's Allowance	-	-	-	2,698,206	(2,376)	2,695,830	2,695,830	2,693,412	(2,418)	-	3,811,521
Q Employment and Support Allowance	-	-	-	8,726,473	(8)	8,726,465	8,726,465	8,635,221	(91,244)	-	6,897,958
R Income Support	-	-	-	2,908,343	(14,865)	2,893,478	2,893,478	2,996,220	102,742	102,742	3,582,670
S Pension Credit	-	-	-	6,576,079	-	6,576,079	6,576,079	6,657,080	81,001	81,001	7,041,522
T Financial Assistance Scheme	-	-	-	688,416	-	688,416	688,416	675,228	(13,188)	-	284,336
U TV Licences for the over 75s	-	-	-	611,939	-	611,939	611,939	636,861	24,922	24,922	606,395
V Attendance Allowance	-	-	-	5,421,774	-	5,421,774	5,421,774	5,447,843	26,069	26,069	5,360,075
W Personal Independence Payment	-	-	-	1,570,631	-	1,570,631	1,570,631	1,649,900	79,269	79,269	165,304
X Disability Living Allowance	-	-	-	13,798,262	-	13,798,262	13,798,262	13,777,756	(20,506)	-	13,762,514
Y Carer's Allowance	-	-	-	2,319,211	-	2,319,211	2,319,211	2,292,275	(26,936)	-	2,088,265
Z Housing Benefit	-	-	-	17,897,961	-	17,897,961	17,897,961	18,318,643	420,682	265,775	17,883,096
AA Rent Rebates	-	-	-	5,843,842	-	5,843,842	5,843,842	5,904,204	60,362	60,362	5,817,409
AB Statutory Sick Pay and Statutory Maternity Pay	-	-	-	2,390,969	-	2,390,969	2,390,969	2,393,000	2,031	2,031	2,258,201
AC Other benefits	-	-	-	139,811	-	139,811	139,811	140,148	337	337	471,356
AD Other expenditure	-	-	-	(13,359)	-	(13,359)	(13,359)	(13,974)	(615)	-	11,406
AE Other expenditure ENDPBs (Net)	-	-	-	(902)	-	(902)	(902)	(211)	691	691	(1,623)
	-	**-**	**-**	**73,276,782**	**(17,249)**	**73,259,533**	**73,259,533**	**73,995,765**	**736,232**	**736,232**	**71,806,686**

										2014-15	2013-14
							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**
Annually Managed Expenditure											
Non-voted:											
AF Incapacity Benefit	-	-	-	244,529	-	244,529	244,529	247,422	2,893	2,893	1,186,804
AG Jobseeker's Allowance	-	-	-	369,222	(12)	369,210	369,210	382,934	13,724	13,724	526,695
AH Employment and Support Allowance	-	-	-	4,100,919	-	4,100,919	4,100,919	4,134,117	33,198	33,198	3,538,882
AI Maternity Allowance	-	-	-	416,557	-	416,557	416,557	416,052	(505)	(505)	399,993
AJ State Pension	-	-	-	86,552,310	-	86,552,310	86,552,310	86,721,357	169,047	169,047	83,137,207
AK Bereavement benefits	-	-	-	570,666	-	570,666	570,666	562,682	(7,984)	(7,984)	582,231
AL Expenditure incurred by the Social Fund	-	-	-	2,125,049	-	2,125,049	2,125,049	2,668,793	543,744	543,744	2,142,825
	-	**-**	**-**	**94,379,252**	**(12)**	**94,379,240**	**94,379,240**	**95,133,357**	**754,117**	**754,117**	**91,514,637**
Non-budget resource Voted:											
AM Cash paid into the Social Fund	-	-	-	2,059,428	-	2,059,428	2,059,428	2,556,662	497,234	497,234	2,051,250
	-	**-**	**-**	**2,059,428**	**-**	**2,059,428**	**2,059,428**	**2,556,662**	**497,234**	**497,234**	**2,051,250**
Total resource	**932,265**	**(38,581)**	**893,684**	**176,435,298**	**(478,813)**	**175,956,485**	**176,850,169**	**178,902,612**	**2,052,443**	**2,052,443**	**172,731,185**

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SOPS 2.2 Analysis of net capital outturn by section

						2014-15	2013-14
			Outturn			Estimate	Outturn
	Gross	Income	Net	Net	Net total compared to Estimate	Net total compared to Estimate, adjusted for Virements	Net
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Spending in Departmental Expenditure Limit							
Voted:							
A Operational Delivery	1,560	-	1,560	1,050	(510)	-	233
B Child Maintenance Group	9,946	-	9,946	10,365	419	419	14,987
C Health and Safety Executive (Net)	4,194	-	4,194	5,281	1,087	1,087	5,108
E Executive Non-Departmental Public Bodies (Net)	2,697	-	2,697	2,759	62	62	2,592
F Employment Programmes	(121)	(3,970)	(4,091)	(3,158)	933	933	5,515
H Other programmes	95,830	(2,000)	93,830	82,270	(11,560)	-	60,000
I Departmental operating costs	98,202	(1,285)	96,917	136,744	39,827	27,757	97,248
Total	**212,308**	**(7,255)**	**205,053**	**235,311**	**30,258**	**30,258**	**185,683**
Non-Voted:							
K Expenditure incurred by the Social Fund	44,165	-	44,165	45,500	1,335	1,335	-
Total	**44,165**	**-**	**44,165**	**45,500**	**1,335**	**1,335**	**-**
Spending in Annually Managed Expenditure							
Voted:							
N Industrial Injuries Benefit Scheme	-	-	-	-	-	-	4
O Universal Credit	-	-	-	-	-	-	669
P Jobseeker's Allowance	-	-	-	-	-	-	997
Q Employment and Support Allowance	-	-	-	-	-	-	84
R Income Support	-	-	-	-	-	-	58
S Pension Credit	-	-	-	-	-	-	3
	-	**-**	**-**	**-**	**-**	**-**	**1,815**
Non-Voted:							
AG Jobseeker's Allowance	-	-	-	-	-	-	2
AL Expenditure incurred by the Social Fund	(124,364)	-	(124,364)	(100,000)	24,364	24,364	(88,837)
	(124,364)	**-**	**(124,364)**	**(100,000)**	**24,364**	**24,364**	**(88,835)**
Total	**132,109**	**(7,255)**	**124,854**	**180,811**	**55,957**	**55,957**	**98,663**

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SOPS 3. Reconciliation of outturn to net operating cost and against administration budget

SOPS 3.1 Reconciliation of net resource outturn to net operating cost

		SOPS	2014-15 Outturn £000	2013-14 Outturn £000
	Budget		174,790,741	170,679,935
	Non-budget		2,059,428	2,051,250
	Total resource	2.1	**176,850,169**	**172,731,185**
Add:	Capital grants		(1,453)	3
	PFI Adjustment		27,424	22,908
	Other		-	698
			176,876,140	**172,754,794**
Less:	Income payable to the consolidated fund	5	(12,083)	(10,118)
	Cash paid to the Social Fund - Voted Non-Budget		(2,059,428)	(2,051,250)
Net operating costs in Consolidated Statement of Comprehensive Net Expenditure			**174,804,629**	**170,693,426**

SOPS 3.2 Reconciliation of administration outturn against final administration budget and administration net operating costs

		SOPS	2014-15 £000	2013-14 £000
Administration budget - estimate			1,207,663	1,275,939
			1,207,663	**1,275,939**
Gross administration costs		2.1	932,265	1,167,380
Gross income relating to administration costs		2.1	(38,581)	(76,046)
Administration - net outturn		2.1	**893,684**	**1,091,334**
Reconciliation to operating costs:	Add: PFI adjustment		2,623	108,042
	Less: other		(5,973)	(3,661)
Administration net operating costs			**890,334**	**1,195,715**

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

	SOPS	Estimate £000	Outturn £000	2014-15 Net total outturn compared with Estimate: saving/(excess) £000
Net resource outturn	2.1	178,902,612	176,850,169	2,052,443
Capital:				
Adjustment for capital items	2.2	180,811	124,854	55,957
Accruals adjustments				
Non-cash items		(1,225,910)	(1,184,176)	(41,734)
Changes in working capital other than cash		1,000,000	1,057,514	(57,514)
Utilisation of provisions		200,021	183,699	16,322
Adjustments for Arm's length bodies				
Voted resource and capital		(502,478)	(493,602)	(8,876)
Cash grant in aid		520,085	491,286	28,799
Adjustment for non-voted budget		(95,658,427)	(94,879,864)	(778,563)
Net cash requirement of core department		**83,416,714**	**82,149,880**	**1,266,834**

SOPS 5. Income and excess funds payable to the consolidated fund

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

	Outturn 2014-15		Outturn 2013-14	
	Income	*Receipts*	Income	*Receipts*
	£000	*£000*	£000	*£000*
Income outside the ambit of the estimate	12,083	*4,155*	10,118	*7,915*
Repayment to the consolidated fund	150,000	*150,000*	114,000	*114,000*
Total income payable to the consolidated fund	**162,083**	***154,155***	**124,118**	***121,915***

Consolidated fund income shown above does not include any amounts we collect from the Financial Assistance Scheme while acting as agent for the consolidated fund rather than as principal. Full details of income collected as agent for the consolidated fund are in our Trust Statement, page 166.

Financial Statements

for the year ended 31 March 2015

These financial statements present the operating costs and financial position of the Department for Work and Pensions for the year ended 31 March 2015.

In addition to our functions of paying benefits for welfare and pensions, our accounts include the following areas of spending:

Social Fund

We are responsible for the Social Fund which is used to make grants and repayable loans to individuals. It makes regulated payments of Funeral Expenses Payments, Sure Start Maternity Grants, Winter Fuel Payments and Cold Weather Payments plus discretionary payments for Budgeting Loans.

National Insurance Fund

HM Revenue and Customs is responsible for the National Insurance Fund (NIF). However, we administer the contributory benefits funded from the NIF on HM Revenue and Customs' behalf. We include these in our Statement of Comprehensive Net Expenditure. We recover these contributory benefit payments, together with the associated costs of administration, from the NIF.

European Social Fund

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

Other programme expenditure

This includes all non-contributory benefit plus miscellaneous grants and compensation payments. It also includes subsidies paid by grants to local authorities that administer and pay Housing Benefit.

Our arm's length bodies are shown in 'Our controls' on page 56. They are all administered separately from the department and they produce their own annual reports and accounts.

Financial Assistance Scheme Trust Statement

Further regulations came into force on 2 April 2010 for the Financial Assistance Scheme (FAS). This allows assets that remain in qualifying schemes to transfer to the government. We have prepared a Trust Statement for the revenue associated with asset transfers from FAS qualifying schemes. We've published the Trust Statement alongside this Annual Report and Accounts at page 166.

The Accounting Officer authorised these financial statements for issue on 10 July 2015.

Consolidated Statement of Comprehensive Net Expenditure

for the year to 31 March 2015

The notes on pages 120 to 165 form part of these accounts.

		2014-15		2013-14	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Administration costs					
Staff costs	3	401,167	455,320	422,163	473,548
Other costs	4	430,783	508,638	728,459	818,837
Income	10	(45,755)	(73,624)	(76,297)	(96,670)
Programme expenditure					
Staff costs	3	2,189,929	2,316,241	2,351,722	2,513,319
Other costs	5	171,890,818	172,200,091	167,092,510	167,421,548
Income	10	(548,383)	(602,037)	(332,908)	(437,156)
Grant in aid to arm's length bodies	8	491,286	-	510,926	-
Net operating costs		**174,809,845**	**174,804,629**	**170,696,575**	**170,693,426**
Total expenditure		175,403,983	175,480,290	171,105,780	171,227,252
Total income	10	(594,138)	(675,661)	(409,205)	(533,826)
Transfer of ALB's net assets	30	-	11,281	-	-
Net costs for the year		**174,809,845**	**174,815,910**	**170,696,575**	**170,693,426**
Other comprehensive net expenditure:					
Items that will not be reclassified to net operating costs Net (gain)/loss on:					
revaluation of property, plant and equipment		(25,909)	(22,587)	(27,662)	(29,761)
revaluation of intangibles		(45,662)	(45,662)	(10,271)	(10,267)
actuarial loss on pensions		-	-	-	107
Items that may be reclassified subsequently to net operating costs Net loss/(gain) on:					
revaluation of available-for-sale financial assets		(638)	(638)	1,956	1,956
Total comprehensive net expenditure		**174,737,636**	**174,747,023**	**170,660,598**	**170,655,461**

All income and expenditure is derived from continuing operations.

Consolidated Statement of Financial Position

as at 31 March 2015

The notes on pages 120 to 165 form part of these accounts.

		31 March 2015		31 March 2014	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	11	524,588	613,921	608,007	703,418
Intangible assets	12	559,305	563,516	605,592	608,572
Financial assets	14	401,304	401,304	312,432	312,432
Trade and other receivables	20	1,484,302	1,485,560	1,399,957	1,400,935
Total non-current assets		**2,969,499**	**3,064,301**	**2,925,988**	**3,025,357**
Current assets:					
Inventories		-	717	-	876
Assets classified as held for sale	22	11,919	11,919	-	-
Trade and other receivables	20	3,816,995	3,851,158	2,136,360	2,181,369
Cash and cash equivalents	19	136,689	147,791	256,064	262,337
Total current assets		**3,965,603**	**4,011,585**	**2,392,424**	**2,444,582**
Total assets		**6,935,102**	**7,075,886**	**5,318,412**	**5,469,939**
Current liabilities:					
Trade and other payables	21	(5,458,193)	(5,512,171)	(4,198,201)	(4,251,406)
Provisions	23	(247,170)	(247,325)	(122,712)	(122,856)
Total current liabilities		**(5,705,363)**	**(5,759,496)**	**(4,320,913)**	**(4,374,262)**
Total assets less current liabilities		**1,229,739**	**1,316,390**	**997,499**	**1,095,677**
Non-current liabilities:					
Provisions	23	(4,608,503)	(4,610,464)	(4,124,814)	(4,126,757)
Other payables	21	(484,593)	(584,725)	(593,181)	(695,471)
Total non-current liabilities		**(5,093,096)**	**(5,195,189)**	**(4,717,995)**	**(4,822,228)**
Assets less liabilities		**(3,863,357)**	**(3,878,799)**	**(3,720,496)**	**(3,726,551)**
Taxpayers' equity and other reserves:					
General fund		(4,089,724)	(4,112,365)	(3,940,874)	(3,957,720)
Revaluation reserve		226,367	233,566	220,378	231,169
Total equity		**(3,863,357)**	**(3,878,799)**	**(3,720,496)**	**(3,726,551)**

Robert Devereux
Accounting Officer

10 July 2015

Consolidated Statement of Cash Flows

for the year ended 31 March 2015

The notes on pages 120 to 165 form part of these accounts.

		31 March 2015		31 March 2014	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Cash flows from operating activities					
Net cost for the year		(174,809,845)	(174,815,910)	(170,696,575)	(170,693,426)
Adjustments for non-cash transactions		904,642	913,760	659,227	669,118
(Increase)/decrease in trade and other receivables		(1,764,980)	(1,754,414)	565,730	561,882
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		750,172	748,868	(395,444)	(396,907)
Decrease in inventories		-	159	-	225
(Decrease)/increase in trade and other payables	21	(968,469)	(969,492)	289,396	294,601
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		275,414	278,472	(34,588)	(33,409)
Utilisation of provisions	23	(183,797)	(184,774)	(154,895)	(155,214)
Net cash outflow from operating activities		**(175,796,863)**	**(175,783,331)**	**(169,767,149)**	**(169,753,130)**
Cash flows from investing activities					
Purchase of property, plant and equipment	11b	(15,781)	(19,973)	(5,332)	(12,246)
Purchase of intangible assets	12d	(67,967)	(70,643)	(114,569)	(115,745)
Proceeds of disposal of property, plant and equipment		-	277	1,845	2,173
Loans to other bodies		(95,709)	(95,709)	(65,512)	(65,512)
Repayment of loans		6,070	6,070	293	293
Net cash outflow from investing activities		**(173,387)**	**(179,978)**	**(183,275)**	**(191,037)**
Cash flows from financing activities					
From the consolidated fund (supply) current year		81,409,754	81,409,754	80,564,082	80,564,082
From the consolidated fund (supply) prior year		-	-	512,955	512,955
Net financing from the National Insurance Fund		92,602,203	92,602,203	89,662,379	89,662,379
Advances from the contingencies fund		549	549	1,534	1,534
Repayments to the contingencies fund		(1,533)	(1,533)	(550)	(550)
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(121,172)	(122,922)	(124,527)	(126,075)
Net financing		**173,889,801**	**173,888,051**	**170,615,873**	**170,614,325**
Net (decrease)/increase in cash and cash equivalents in the period before adjustment for receipts and payments to the consolidated fund		**(2,080,449)**	**(2,075,258)**	**665,449**	**670,158**
Payments of amounts due to the consolidated fund		(158,799)	(158,799)	(116,851)	(116,851)
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the consolidated fund	19	**(2,239,248)**	**(2,234,057)**	**548,598**	**553,307**
Cash and cash equivalents at the beginning of the period	19	**208,879**	**214,790**	**(339,719)**	**(338,517)**
Cash and cash equivalents at the end of the period	19	**(2,030,369)**	**(2,019,267)**	**208,879**	**214,790**

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Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

The notes on pages 120 to 165 form part of these accounts.

		General Fund		Revaluation Reserve		Total Reserves	
		Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013		**(3,249,671)**	**(3,269,673)**	**243,267**	**252,064**	**(3,006,404)**	**(3,017,609)**
Net parliamentary funding drawn down (current year)		80,564,082	80,564,082	-	-	80,564,082	80,564,082
Repayments to the consolidated fund		(114,000)	(114,000)	-	-	(114,000)	(114,000)
Net parliamentary funding drawn down (prior year)		512,955	512,955	-	-	512,955	512,955
Funding from National Insurance Fund		89,662,379	89,662,379	-	-	89,662,379	89,662,379
Supply payable adjustment	21(i)	(158,849)	(158,849)	-	-	(158,849)	(158,849)
Supply receivable previous year clearance		(512,955)	(512,955)	-	-	(512,955)	(512,955)
CFERs payable to the consolidated fund	SOPS5	(10,118)	(10,118)	-	-	(10,118)	(10,118)
Advances from the contingencies fund		1,534	1,534	-	-	1,534	1,534
Repayments to the contingencies fund		(550)	(550)	-	-	(550)	(550)
Contingencies fund payable – current year		(984)	(984)	-	-	(984)	(984)
Net costs for the year		(170,696,575)	(170,693,426)	-	-	(170,696,575)	(170,693,426)
Non-cash adjustments							
Non-cash charges – Auditor's remuneration	4	2,138	2,138	-	-	2,138	2,138
Actuarial loss on pension		-	(107)	-	-	-	(107)
Movements in reserves							
Recognised in Statement of Comprehensive Net Expenditure		-	-	35,977	38,072	35,977	38,072
Transfers between reserves		58,866	58,967	(58,866)	(58,967)	-	-
Other		874	887	-	-	874	887
Balance at 31 March 2014		**(3,940,874)**	**(3,957,720)**	**220,378**	**231,169**	**(3,720,496)**	**(3,726,551)**
Net parliamentary funding drawn down (current year)		81,409,754	81,409,754	-	-	81,409,754	81,409,754
Repayments to the consolidated fund		(150,000)	(150,000)	-	-	(150,000)	(150,000)
Net parliamentary funding - deemed		158,849	158,849	-	-	158,849	158,849
Funding from National Insurance Fund		92,602,203	92,602,203	-	-	92,602,203	92,602,203
Supply receivable adjustment	20(i)	581,277	581,277	-	-	581,277	581,277
CFERs payable to the consolidated fund	SOPS5	(12,083)	(12,083)	-	-	(12,083)	(12,083)
Advances from the contingencies fund (prior year)		984	984	-	-	984	984
Advances from the contingencies fund		549	549	-	-	549	549
Repayments to the contingencies fund		(1,533)	(1,533)	-	-	(1,533)	(1,533)
Comprehensive net cost for the year		(174,809,845)	(174,815,910)	-	-	(174,809,845)	(174,815,910)

	Note	General Fund		Revaluation Reserve		Total Reserves	
		Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
		£000	£000	£000	£000	£000	£000
Non-cash adjustments							
Non-cash charges – Auditor's remuneration	4	1,797	1,797	-	-	1,797	1,797
Movement in reserves							
Recognised in Statement of Comprehensive Expenditure		-	-	72,209	68,887	72,209	68,887
Transfers between reserves		66,220	66,490	(66,220)	(66,490)	-	-
Other		2,978	2,978	-	-	2,978	2,978
Balance at 31 March 2015		**(4,089,724)**	**(4,112,365)**	**226,367**	**233,566**	**(3,863,357)**	**(3,878,799)**

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

b. The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

c. The amount of the revaluation reserve relating to intangible assets is:

	2014-15 Total	Restated 2013-14 Total
	£000	£000
Balance at 1 April	(16,113)	(13,055)
Net change in revaluation reserve	(33,138)	(3,058)
Balance at 31 March	**(49,251)**	**(16,113)**

d. We make two kinds of transfer between reserves:

- each year, the realised element of the revaluation reserve (in other words, an amount equal to the excess of the actual depreciation over depreciation based on the historical cost of revalued assets) is transferred from the reserve to the general fund
- when we dispose of a revalued asset, the balance on the revaluation reserve for that asset becomes fully realised and is transferred to the general fund

Notes to the 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 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Where the FReM lets us choose an accounting policy, we've picked the one that we think is the most appropriate to our circumstances and for the purpose of giving a true and fair view. The policies we've adopted are set out below. We've applied them consistently in dealing with items that we consider are material to the accounts.

As well as preparing the primary statements under IFRS, we are required under the FReM to prepare the Statement of Parliamentary Supply. This statement and supporting notes are detailed on pages 105 to 113 and show outturn against Estimate in terms of our net resource requirement and net cash requirement.

1.2 Accounting standards, interpretations and amendments

We have adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2015. We've also taken into account the specific interpretations and adaptations included in the FReM. This includes the following adoptions effective from 1 April 2014:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates

We haven't adopted IFRS 13 Fair Value Measurement. That's because it's only effective from 1 April 2015 and we haven't decided to adopt it early. We plan to assess its impact on our financial statements and those of our arm's length bodies.

1.3 Accounting convention

We have prepared these financial statements under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and some financial assets and liabilities.

1.4 Basis of consolidation

These statements cover the whole departmental group. By this, we mean the core department, which is supply financed, plus all of our arm's length bodies that fall within the departmental boundary (as shown on page 56 in 'Our controls'). We've eliminated all transactions between entities included in this consolidation.

1.5 Areas of judgement and estimation techniques

In preparing the financial statements we have to make judgements, estimates and assumptions that affect the application of policies and reported amounts of our assets and liabilities, income and expenditure. These are based on historical and other factors we think are reasonable, and we review our estimates and underlying assumptions regularly. Areas of judgement include non-current asset revaluations, depreciation and amortisation periods, provisions, early departure costs and impairment.

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

Impairment of benefit receivables

We review benefit receivables annually for impairment. The impairment calculation looks at prior-year recoveries and write-offs arising in the current year. It uses these to project the amounts that will be recovered in the next 15 years. Recoveries and write-offs are analysed by the age of the debt they relate to. We use this analysis to estimate the value of recoveries in future periods, before discounting it to its present value.

Financial Assistance Scheme

For the Financial Assistance Scheme, we estimate the net present value of the likely assistance payments. Our estimate is based on an actuarial model of likely caseload. This estimate is uncertain and may need adjustment in a later year of account once actual caseloads are known.

European Social Fund

We make payments from the European Social Fund to applicants. Until a declaration is received from an applicant, we cannot accurately quantify our liabilities and related accrued income. We calculate an estimate at the end of the year based on a comparison of the agreed spend profiles provided by the applicants and payments made to date. However, the calculation is uncertain and may need adjustment in a subsequent year of account.

Departmental estimation of Statutory Sick Pay and Statutory Maternity Pay

Figures disclosed for these benefits are amounts paid to the National Insurance Fund for expected recoveries of these benefits. The estimate is produced using information on past recoveries. The 2014-15 and comparative year estimate calculations have been sourced from the Government Actuary's Department. The most recent year for which full data is available for Statutory Sick Pay and Statutory Maternity Pay is 2012-13. We generate our estimates by projecting the total from that year forward to arrive at a value for the current year. In doing this, we allow for the changes that have occurred since 2012-13.

1.6 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition set out in the FReM.

Administration costs reflect our running costs by covering the costs of all administration except for direct frontline service provision.

Programme costs include costs directly associated with frontline service delivery, including contributory benefit expenditure funded from the National Insurance Fund, expenditure that is within the Supply Process and payment of grants.

1.7 Foreign currency translation

These financial statements are prepared in pounds sterling, which is our functional currency. Foreign currency transactions are accounted for in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates). European Social Fund claims made to the European Union (EU) are calculated using the monthly exchange rate published by the EU. Balances relating to the European Social Fund and which are denominated in a foreign currency are translated into pounds sterling using the month end exchange rate. We recognise foreign exchange gains and losses resulting from such transactions in the Statement of Comprehensive Net Expenditure.

1.8 Operating income

Operating income comprises mainly fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work and other income such as that from investments. It includes both income that we retain and income that we surrender to the consolidated fund. All income is treated as operating income in accordance with the FReM and is stated net of VAT.

1.9 Revenue recognition

We comply with IAS 18 (Revenue) for income streams and recognise revenue when earned. For the European Social Fund, where we act as an agent, we recognise income in the accounting periods in which the EU-sponsored projects are funded.

1.10 Property, plant and equipment

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

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

leasehold improvements	£100,000
other tangible assets	£5,000
information technology	£1,000

All expenditure on repairs and maintenance is charged to the Statement of Comprehensive Net Expenditure during the financial period it's incurred in.

1.11 Land and buildings

We measure land and buildings initially at cost, restated to current value using external professional valuations. This is in accordance with IAS 16 (Property, Plant and Equipment), as interpreted by the FReM. We do this at least every 5 years. In the intervening years we use published indices appropriate to the type of land or building.

We value most land and buildings on an existing-use basis. The exception is the specialist laboratory site owned by the Health and Safety Executive, which we've included at depreciated replacement cost.

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

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 March 2015
HSE Redgrave Court	DTZ	31 December 2014
HSE Buxton	DTZ	31 March 2015
HSE Carlisle	DTZ	31 December 2013

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

Leasehold land is depreciated in order to write-off the value of land held under the PRIME finance lease arrangement over the remaining period of the PRIME contract.

1.12 Intangible assets

Whether we acquire intangible assets externally or generate them internally we measure them initially at cost, with subsequent measurement at fair value. Where an active market exists for the asset, it is carried at a revalued amount based on market value at the end of the reporting period. Where no active market exists we revalue assets using appropriate indices to indicate depreciated replacement cost as an alternative for fair value.

We revalue internally developed software and software licences using the most recent Office for National Statistics published indices.

Purchased software licences

We capitalise software licences and applications at cost as intangible assets if they are in use for more than one year and cost more than £1,000. We later revalue these using appropriate indices as a proxy for fair value. As we own so many software licences, we account for them on a pooled basis.

Spending on annual software licences is charged to the Statement of Comprehensive Net Expenditure.

Internally developed software

We capitalise internally developed software if it meets the criteria in IAS 38 (Intangible Assets). We classify development costs as assets under the course of construction until the asset is available for use. At that point we transfer it to the relevant asset class.

Website development costs

We capitalise website development costs in line with the requirements of SIC 32 (Intangible assets - Web Site Costs).

1.13 Depreciation and amortisation

We charge depreciation on property, plant and equipment and calculate amortisation on intangible assets with a finite life using the straight-line method to reflect the consumption of economic benefits. A recent change to HM Treasury's Consolidated Budgeting Guidance means that depreciation/amortisation is now charged to either administration or programme costs in accordance with how the associated assets are being used.

Depreciation

No depreciation is charged on freehold land. Estimated useful asset lives are within these ranges:

Freehold buildings	The shorter of 50 years or remaining life as assessed by valuers
Leasehold land and buildings	Period remaining on lease or to next rent review
Health and Safety Executive/ Health and Safety Laboratory Private Finance Initiative leasehold buildings	60 years designated life
Leasehold improvements	Period remaining on lease (up to 20 years)
Information technology	2 to 9 years
Plant and machinery	5 to 10 years
Furniture and fittings	2 to 15 years
Motor vehicles	3 to 10 years

Amortisation

Purchased software licences	Shorter of licence period or 5 years
Internally developed software	2 to 15 years
Websites	5 years

1.14 Impairment of non-current assets

In accordance with the FReM, we take impairment losses that result from a clear consumption of economic benefit directly to the Statement of Comprehensive Net Expenditure. We debit other impairment losses to the revaluation reserve up to the level of depreciated historic cost, and take any excess to the Statement of Comprehensive Net Expenditure. Where the impairment relates to a previously revalued asset, the balance on the revaluation reserve that the impairment would have been charged to is transferred to the general fund to ensure consistency with IAS 36 (Impairment of Assets).

We review all non-current assets and assets under the course of construction annually for impairment.

1.15 Financial assets and liabilities

In line with IAS 39 (Financial Instruments), we recognise financial assets and liabilities when we become party to the contracts that give rise to them. Our policy is not to trade in financial instruments.

Loans and receivables

The fair value of trade receivables is usually the original invoiced amount. We recognise any changes in value in the Statement of Comprehensive Net Expenditure.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, short term deposits with an initial maturity of 3 months or less and current balances with banks and similar institutions. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents are as previously defined net of outstanding bank overdrafts and encashment control balances. We include bank overdrafts in current liabilities in the Statement of Financial Position.

Available-for-sale financial assets

We recognise available for sale financial assets at fair value. We recognise unrealised gains and losses arising from changes in fair value initially in the Consolidated Statement of Changes in Taxpayers' Equity. Upon sale, the cumulative gain or loss is transferred to the Statement of Comprehensive Net Expenditure.

Impairment of financial assets

At the end of the reporting period we assess whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and before the end of the reporting period. For the purposes of a collective evaluation of impairment, we group financial assets where they are not individually significant. We do this on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors.

1.16 Overpayment receivables

We seek to recover all overpayments unless it would cause financial hardship or wouldn't be cost-effective. Where recovery isn't cost-effective we write off overpayments – with the exception of fraud cases and direct payments after death.

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

We do not recognise certain categories of identified benefit overpayment as receivables, including:

- those due to official error where there is no statutory right of recovery
- cases satisfying Secretary of State waiver policies
- where the customer has died and the estate isn't large enough to recover the overpayment

We periodically review the quality and consistency of write-off decision-making. Our write-off policy has been agreed with HM Treasury.

The Social Fund scheme administers awards that can be either recoverable or non-recoverable. Recoverable loans are automatically recorded as receivables.

Non-recoverable Social Fund grants are only available to claimants with appropriate qualifying benefits. However, if an individual's qualifying benefit is withdrawn (for example, because of claimant misrepresentation), our policy is to classify these Social Fund grants as overpayments and recover accordingly. However, HM Treasury has agreed that where the overpayment was not later identified, we wouldn't get value for money by mounting specific exercises to identify and pursue historical grant overpayments from before 1 April 2014.

Housing Benefit, Council Tax Benefit and Discretionary Housing Payment receivables arise when we overpay subsidy to a local authority. Following the certification of final subsidy claims submitted by local authorities, the Secretary of State will decide whether to recover the overpayment, and if so how much. Although Council Tax Benefit ceased to exist on 1 April 2013, it will still be included in Secretary of State recovery decisions until all its overpayments are cleared.

1.17 Provisions

We recognise provisions in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). They are valued using the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant we discount the estimated risk-adjusted cash flows using the real rate set by HM Treasury.

1.18 Early departure costs

For past early departure schemes for employees who retired early, we meet the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. We provide for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments. The provision is discounted by the HM Treasury discount rate of 1.3% (2013-14: 1.8%) in real terms.

From 22 December 2010, all exit costs paid under the civil service compensation terms consist of lump sum payments only.

1.19 Pensions

Past and present employees are covered by the provisions of the PCSPS (see note 3 for details). The defined benefit schemes are unfunded and are non-contributory except for dependants' benefits. We recognise the expected cost of these elements, on a systematic and rational basis, over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. For defined contribution schemes, we recognise the contributions payable for the year.

There is a separate scheme statement for the PCSPS as a whole. Details can be found in the Cabinet Office accounts: Civil Superannuation (www.civilservicepensionscheme.org.uk).

1.20 Leases

To determine whether an arrangement is or contains a lease, we look at the substance of the arrangement. Then we assess whether fulfilling that arrangement will depend on the use of a specific asset and whether the arrangement gives the right to use the asset.

Leases of assets where we bear substantially all risks and rewards of ownership are classified as finance leases. We've assessed significant lease arrangements under IFRIC 4 (Determining Whether an Arrangement Contains a Lease) and IAS 17 (Leases) and accounted for them in accordance with the FReM. We recognise related assets as non-current assets in the Statement of Financial Position and account for the liability to pay for these assets as a finance lease. Contract payments can be attributed to either the service charge element or the capital repayment and interest element of the contract.

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

1.21 Private Finance Initiative (PFI) transactions

We've accounted for PFI transactions in accordance with IFRIC 12 (Service Concession Arrangements) and IAS 17 (Leases), as interpreted for the public sector.

Where we have control over the PFI asset, or where we don't have control but we bear the balance of risks and rewards of control, we recognise the asset as a non-current asset and account for the liability to pay for it as a finance lease obligation. Contract payments are apportioned between a reduction in the capital obligation, an imputed finance lease interest charge and a service charge.

Where we don't have control over the PFI asset and the balance of risks and rewards of control are borne by the PFI operator, we record PFI payments as an expense. Where we have contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract.

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

1.22 Contingent liabilities

We disclose contingent liabilities in accordance with IAS 37(Provisions, Contingent Liabilities and Contingent Assets) .

For some statutory and non-statutory contingent liabilities the likelihood of transfer of economic benefit is remote. However, we still disclose some of these for parliamentary reporting and accountability, where this is needed under the requirements of Managing Public Money.

Where the time value of money is material we state contingent liabilities that we have to disclose under IAS 37 at discounted amounts and separately note the amount reported to Parliament. Where we don't have to disclose contingent liabilities under IAS 37, we state them in the amounts reported to Parliament.

1.23 Third-party assets

Child Maintenance Group

The Child Maintenance Group temporarily holds, as a custodian, money belonging to third parties. This money comes from maintenance collected under the existing statutory child maintenance schemes. The transactions are included in a client funds account, published separately, and excluded from this account.

Financial Assistance Scheme

Regulations came into force on 2 April 2010, in relation to the Financial Assistance Scheme, which enable the transfer of assets remaining in qualifying schemes to the government. Full details of the income collected as an agent rather than as principal for the consolidated fund are in the Trust Statement. We've published this separately from, but alongside, these financial statements [page 166].

1.24 Grant in aid

Grants in aid to our arm's length bodies (see note 8) are treated as expenditure in our Statement of Comprehensive Net Expenditure. In the accounts of the arm's length bodies these grants are treated as financing, and are credited to their reserves. Grants in aid are accounted for on a cash basis.

2. Statement of operating costs by operating segment

	2014-15			2013-14		
	Core Department	Arm's length bodies	Departmental Group	Core Department	Arm's length bodies	Departmental Group
	£000	£000	£000	£000	£000	£000
AME:						
Expenditure	167,661,348	-	167,661,348	163,316,409	-	163,316,409
DEL Administration:						
Expenditure	831,950	132,008	963,958	1,150,622	141,763	1,292,385
Income	(45,755)	(27,869)	(73,624)	(76,297)	(20,373)	(96,670)
DEL Programme:						
Expenditure	6,419,399	435,585	6,854,984	6,127,823	490,635	6,618,458
Income	(548,383)	(53,654)	(602,037)	(332,908)	(104,248)	(437,156)
Total	**174,318,559**	**486,070**	**174,804,629**	**170,185,649**	**507,777**	**170,693,426**

Operating segments are reported in a way that's consistent with the internal reports that are sent to the chief operating decision-maker and used to make strategic decisions. Our chief operating decision-maker is the departmental board.

We have two types of expenditure:

- departmental expenditure limit (DEL): spending which is generally within our control and which can be managed in fixed multi-year limits. Some elements may be demand led. DEL is further analysed into DEL programme and DEL administration expenditure to reflect the distinction between front line and back-office services
- annually managed expenditure (AME): spending which is generally less predictable and controllable than spending in DEL

We've disclosed these segments:

- Net cost of the core department which includes:
  - frontline costs of delivering benefits for people of working age and pension age
  - Housing Benefit subsidies paid by a grant to local authorities
  - corporate functions that support the business
  - contracts for accommodation and IT services
  - payments of Statutory Sick Pay and Statutory Maternity Pay to HM Revenue and Customs
  - employment programmes
  - TV licences for the over-75s
  - grants to Motability
- Net cost of our arm's length bodies

Grants in aid to our arm's length bodies are not part of the operating costs of the core department for segmental reporting. Therefore the total for core department does not balance to the Statement of Comprehensive Net Expenditure by this amount.

3. Staff numbers and related costs

	2014-15		2013-14	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Administration staff costs	401,167	455,320	422,163	473,548
Programme staff costs	2,189,929	2,316,241	2,351,722	2,513,319
Total staff costs	**2,591,096**	**2,771,561**	**2,773,885**	**2,986,867**

Staff costs comprise:

					2014-15	2013-14
	Permanently employed staff	Others	Ministers	Special Advisers	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,225,180	40,763	164	235	2,266,342	2,428,756
Employers' National Insurance	136,400	268	14	26	136,708	151,190
Superannuation and pension costs	367,906	605	-	-	368,511	406,921
	2,729,486	**41,636**	**178**	**261**	**2,771,561**	**2,986,867**
Less recoveries in respect of outward secondments	(2,448)	-	-	-	(2,448)	(2,757)
Less other recoveries of staff costs	(3,191)	-	-	-	(3,191)	(3,146)
Total net costs	**2,723,847**	**41,636**	**178**	**261**	**2,765,922**	**2,980,964**

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

For 2014-15, we paid employer contributions of £367.2 million to the PCSPS (2013-14: £405.5 million). These were at one of four rates in the range 16.7% to 24.3% of pensionable pay. The contribution rates are set to meet the cost of the benefits accruing in 2014-15 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Outstanding contributions of £38.8 million (2013-14: £41.1 million) were payable to the Civil Superannuation Vote at 31 March 2015 and are included in trade payables and other current liabilities (see note 21).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In total we paid employers contributions of £1.3 million (2013-14: £1.4 million) to three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. We also match employee contributions up to 3% of pensionable pay.

We also paid £0.1 million (2013-14: £0.1 million), which is 0.8% of pensionable pay, to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of employees. Contributions due to the partnership pension providers at the reporting period date were £0.2 million. There were no prepaid contributions at that date.

In 2014-15, 128 people (2013-14: 131 people) retired early on ill-health grounds. The total additional accrued pension liabilities in the year were £0.229 million (2013-14: £0.227 million).

(i) Average number of people employed

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

					2014-15 Number	2013-14 Number
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Numbers of Staff	83,038	924	5	4	83,971	92,644
Staff engaged on capital projects	-	-	-	-	-	64
Total	**83,038**	**924**	**5**	**4**	**83,971**	**92,708**

Of which:						
Core department	**79,808**	**882**	**5**	**4**	**80,699**	**88,920**
Arm's length bodies	**3,230**	**42**	**-**	**-**	**3,272**	**3,788**

(ii) Reporting of civil service and other compensation schemes - exit packages 2014-15

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

Reporting of civil service and other compensation schemes – exit packages 2013-14

			Core Department			Departmental Group
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
< £10,000	221	330	**551**	221	331	**552**
£10,001 - £25,000	1	1,453	**1,454**	1	1,457	**1,458**
£25,001 - £50,000	1	1,625	**1,626**	1	1,628	**1,629**
£50,001 - £100,000	-	694	**694**	-	694	**694**
£100,001 - £150,000	2	65	**67**	2	65	**67**
£150,001 - £200,000	-	5	**5**	-	5	**5**
Total number of exit packages	**225**	**4,172**	**4,397**	**225**	**4,180**	**4,405**
Total cost £000	**1,313**	**139,942**	**141,255**	**1,313**	**140,104**	**141,417**

We've paid redundancy and other departure costs in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. We account for exit costs in full when the early retirement programme becomes binding but actual dates of departure may fall in the following reporting period. Where we've agreed early retirements we, not the Civil Service

Pension Scheme, meet the additional costs. Ill-health retirement costs met by the pension scheme aren't included in the table.

From 22 December 2010, new civil service compensation terms were introduced for early release schemes. We make all voluntary exit costs in lump-sum payments. Payments for schemes before this date were made as both lump sum and annual compensation payments. The liability for these annual payments is included in "other provisions" in note 23.

4. Administration costs

		2014-15		2013-14	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Goods and services		160,713	183,759	164,694	189,652
IT services		156,425	166,101	204,850	223,503
Accommodation costs		18,475	29,532	8,312	18,455
Finance lease charges		6,355	6,355	9,275	9,275
Research and development expenditure		-	2,094	-	2,248
PFI and other service concession arrangements service charges		8,821	18,168	8,492	19,578
Rentals under operating leases		488	5,115	1,573	7,012
Compensation payments to customers		140	140	770	770
Audit fee		-	153	-	186
Interest charges		-	-	68	68
Other administration costs		5,231	13,736	4,338	12,974
Administration costs		**356,648**	**425,153**	**402,372**	**483,721**
Non-cash:					
Auditor's remuneration		1,797	1,797	2,138	2,138
Depreciation of non-current assets		26,647	33,340	154,870	161,969
Amortisation of non-current assets		38,983	40,301	140,906	141,925
Loss on disposal of non-current assets		426	458	4,322	4,518
Impairment of non-current assets	13	5,192	5,192	22,739	22,751
Amortisation of prepayments		5,000	5,000	5,000	5,000
Movement in impairment of receivables		(4,008)	(4,014)	(4,017)	(4,017)
Provisions movement in year		98	1,411	129	832
Administration costs – non-cash		**74,135**	**83,485**	**326,087**	**335,116**
Total administration costs		**430,783**	**508,638**	**728,459**	**818,837**

The decrease in depreciation and amortisation is as a result of the recent change to HM Treasury's Consolidated Budgeting Guidance, as explained in accounting policies note 1.13 – Depreciation and Amortisation.

5. Programme costs

		2014-15		2013-14	
		Core Department	**Departmental Group**	**Core Department**	**Departmental Group**
	Note	**£000**	**£000**	**£000**	**£000**
Goods and services		691,198	719,862	494,894	524,542
IT services		448,042	450,189	458,704	460,093
Accommodation costs		395,127	396,820	387,410	389,265
Finance lease charges		20,793	20,793	23,283	23,283
Research and development expenditure		-	1,545	-	5,652
PFI and other service concession arrangements service charges		49,987	49,987	48,120	48,120
Rentals under operating leases		11,448	12,083	3,465	4,042
Compensation payments to customers		1,542	1,542	2,144	2,144
Audit fee		-	63	-	60
Social Fund expenditure		2,159,890	2,159,890	2,186,298	2,186,298
Voted expenditure	6	74,277,996	74,552,754	73,179,867	73,468,862
Non-voted expenditure: contributory benefits	7	92,182,343	92,182,343	89,313,001	89,313,001
Agency payments on behalf of EU to third parties		285,871	285,871	158,257	158,257
Programme balances written off	9	470,881	470,881	461,733	461,733
Other programme expenditure		43,045	43,045	40,578	40,578
Programme costs		**171,038,163**	**171,347,668**	**166,757,754**	**167,085,930**
Non-cash:					
Depreciation of non-current assets		128,488	128,577	-	73
Amortisation of non-current assets		102,021	102,142	-	103
Loss on disposal of non-current assets		116	116	1,560	1,560
Impairment of non-current assets	13	-	-	3,320	3,320
Movement in impairment of receivables:					
Contributory benefits		(11,893)	(11,893)	(7,036)	(7,036)
Non-contributory benefits		(87,933)	(87,933)	(32,498)	(32,498)
Social Fund payments		(67,787)	(67,787)	(76,520)	(76,520)
Other		(868)	442	1,056	2,530
Provisions:					
Movement in year		555,238	554,138	212,201	211,589
Unwinding of discount		236,606	236,606	230,787	230,787
Revaluation (gain)/loss		(1,964)	(2,616)	1,507	1,331
Other non-cash costs		631	631	379	379
Programme costs – non-cash		**852,655**	**852,423**	**334,756**	**335,618**
Total programme costs		**171,890,818**	**172,200,091**	**167,092,510**	**167,421,548**

The increase in depreciation and amortisation is as a result of the recent change to HM Treasury's Consolidated Budgeting Guidance, as explained in accounting policies note 1.13 - Depreciation and Amortisation.

6. Voted expenditure

	2014-15 Core Department	2014-15 Departmental Group	Restated Core Department	2013-14 Restated Departmental Group
	£000	£000	£000	£000
Disability Living Allowance	13,786,187	13,786,187	13,740,606	13,740,606
Income Support	2,914,408	2,914,408	3,563,239	3,563,239
Universal Credit	56,148	56,148	5,862	5,862
Personal Independence Payment	1,567,172	1,567,172	164,817	164,817
Pension Credit	6,452,017	6,452,017	6,928,599	6,928,599
Attendance Allowance	5,387,863	5,387,863	5,324,191	5,324,191
Jobseeker's Allowance	2,668,337	2,668,337	3,767,985	3,767,985
Carer's Allowance	2,316,366	2,316,366	2,079,746	2,079,746
Severe Disablement Allowance	734,508	734,508	858,923	858,923
Industrial Injuries Benefit Scheme	907,187	907,187	900,542	900,542
Employment and Support Allowance	8,598,442	8,598,442	6,830,099	6,830,099
Amounts paid to local authorities	24,434,973	24,434,973	24,507,237	24,507,237
Employment Programmes	1,004,686	1,004,686	1,058,120	1,058,120
Statutory Sick Pay and Statutory Maternity Pay	2,390,969	2,390,969	2,258,201	2,258,201
Other Expenditure	1,058,733	1,333,491	1,191,700	1,480,695
	74,277,996	**74,552,754**	**73,179,867**	**73,468,862**

The 2013-14 figures have been restated as Social Fund expenditure is not Voted expenditure.

7. Non-voted expenditure

	2014-15 Core Department	2014-15 Departmental Group	2013-14 Core Department	2013-14 Departmental Group
	£000	£000	£000	£000
State Pension	86,395,934	86,395,934	82,988,556	82,988,556
Christmas Bonus	124,497	124,497	122,523	122,523
Bereavement benefits	572,557	572,557	581,769	581,769
Jobseeker's Allowance	366,315	366,315	522,215	522,215
Employment and Support Allowance	4,059,517	4,059,517	3,522,059	3,522,059
Incapacity Benefit	247,128	247,128	1,176,044	1,176,044
Maternity Allowance	416,395	416,395	399,835	399,835
Total contributory benefits	**92,182,343**	**92,182,343**	**89,313,001**	**89,313,001**

8. Grant in aid to arm's length bodies

	2014-15	2013-14
	£000	£000
Independent Living Fund	283,976	293,456
Health and Safety Executive	141,055	154,267
The Pensions Regulator	59,588	56,883
The Pensions Advisory Service	3,600	3,141
The Pensions Ombudsman	3,067	3,179
	491,286	**510,926**

Grant in aid to the arm's length bodies above is shown as grant in aid expenditure in the Statement of Comprehensive Net Expenditure. These balances are eliminated on consolidation into the departmental group.

9. Programme balances written off

	2014-15		2013-14	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Contributory benefits	52,868	52,868	65,854	65,854
Non-contributory benefits	351,650	351,650	362,832	362,832
Social Fund payments	66,363	66,363	33,047	33,047
	470,881	**470,881**	**461,733**	**461,733**

10. Income

(i) Analysis of income

	2014-15		2013-14	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Administration				
Income from other government departments	31,633	31,607	67,059	67,015
ESF income	2,866	2,866	2,733	2,733
HSE administrative income	-	28,215	-	20,532
CFER income	7,176	7,176	251	251
Other administration income	4,080	3,760	6,254	6,139
	45,755	**73,624**	**76,297**	**96,670**
Programme				
Benefit income	18,244	18,244	22,836	22,836
Pension levy receipts	60,971	60,971	59,815	59,815
Income from other government departments	40,909	40,909	39,469	39,446
ESF income	37,655	37,655	19,590	19,590
EU income where DWP acts as agent for payments to third parties	281,650	281,650	139,116	139,116
Exchange rate gain - non cash	22,148	22,148	1,616	1,616
HSE programme income	-	52,492	-	104,000
NIF income	12	12	7	7
CFER income	4,907	4,907	9,867	9,867
Mesothelioma recoveries	31,135	31,135	26,013	26,013
2014 Diffuse Mesothelioma Scheme	24,956	24,956	-	-
Other programme income	25,796	26,958	14,579	14,850
	548,383	**602,037**	**332,908**	**437,156**
Total income	**594,138**	**675,661**	**409,205**	**533,826**

(ii) Analysis of fees and charges

This analysis of income from services provided to external and public-sector customers is provided for fees and charges purposes. We've complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

		2014-15			2013-14		
		Departmental Group			Departmental Group		
		Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
		£000	£000	£000	£000	£000	£000
2014 Diffuse Mesothelioma Scheme levy		32,000	24,956	7,044	-	-	-
HSE fees		50,807	55,238	(4,431)	101,954	105,697	(3,743)
Application and collection fees from 2012 Child Maintenance statutory scheme	10a	2,802	49,432	(46,630)	-	-	-
Pension levy receipts		60,971	60,971	-	59,815	59,815	-
New Generation Human Resources		8,502	8,441	61	8,392	8,362	30
Legal services		-	-	-	6,601	6,601	-
Recovery of healthcare costs		6,600	6,325	275	6,463	6,392	71
		161,682	**205,363**	**(43,681)**	**183,225**	**186,867**	**(3,642)**

a. The department introduced a £20 application fee for the 2012 Child Maintenance statutory scheme from 30 June 2014. This covers most applications, though some are exempt. We also introduced collection charging for the scheme from 11 August 2014. For the parent who will pay the maintenance this charge is 20% of the amount payable. For the parent receiving the maintenance the charge is 4%. The level of charging was set following a full government consultation exercise. The aim of the charge is to encourage parents to make their own collaborative arrangements.

11. Property, plant and equipment

Consolidated property, plant and equipment

	Note	Land and Buildings £000	Leasehold Improvements £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings £000	Motor Vehicles £000	Payments on Account and Assets Under Construction £000	Total £000
Cost or valuation									
At 1 April 2014		1,779,854	29,596	345,479	43,137	10,223	4,194	2,811	2,215,294
Additions		494	238	51,590	1,161	218	887	1,942	56,530
Disposals		(8,464)	(6,600)	(89,031)	(629)	(135)	(730)	-	(105,589)
Impairments		-	-	-	-	-	-	-	-
Transfers out		-	(444)	(17)	(8)	(145)	(676)	-	(1,290)
Reclassifications		586	707	-	-	-	-	(1,293)	-
Revaluations		18,405	30	13	-	10	-	-	18,458
At 31 March 2015		**1,790,875**	**23,527**	**308,034**	**43,661**	**10,171**	**3,675**	**3,460**	**2,183,403**
Depreciation									
At 1 April 2014		1,162,787	15,035	296,420	31,650	4,367	1,617	-	1,511,876
Charged in year	11a	131,642	3,507	21,897	3,720	745	406	-	161,917
Disposals		(966)	(6,575)	(88,181)	(562)	(133)	(459)	-	(96,876)
Impairments		-	-	-	-	-	-	-	-
Transfers out		-	(178)	(15)	(7)	(42)	(204)	-	(446)
Reclassifications		-	-	-	-	-	-	-	-
Revaluations		(7,020)	23	7	-	1	-	-	(6,989)
At 31 March 2015		**1,286,443**	**11,812**	**230,128**	**34,801**	**4,938**	**1,360**	**-**	**1,569,482**
Carrying amount at 31 March 2015		**504,432**	**11,715**	**77,906**	**8,860**	**5,233**	**2,315**	**3,460**	**613,921**
Carrying amount at 31 March 2014		**617,067**	**14,561**	**49,059**	**11,487**	**5,856**	**2,577**	**2,811**	**703,418**
Asset financing:									
Owned		10,968	11,715	23,170	4,307	3,274	2,315	3,460	59,209
Finance leased		30,671	-	54,736	4,553	-	-	-	89,960
PFI contracts		462,793	-	-	-	1,959	-	-	464,752
Carrying amount at 31 March 2015		**504,432**	**11,715**	**77,906**	**8,860**	**5,233**	**2,315**	**3,460**	**613,921**
Of the total:									
Department		438,310	3,716	74,378	4,586	143	-	3,455	524,588
ALBs		66,122	7,999	3,528	4,274	5,090	2,315	5	89,333
Carrying amount at 31 March 2015		**504,432**	**11,715**	**77,906**	**8,860**	**5,233**	**2,315**	**3,460**	**613,921**

	Note	Land and Buildings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture and Fittings	Motor Vehicles	Payments on Account and Assets Under Construction	Total
		£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2013		1,760,881	23,071	352,637	43,276	10,329	3,680	3,897	2,197,771
Additions		10,976	2,435	17,019	618	1,287	1,297	3,256	36,888
Disposals		(20,299)	(311)	(24,920)	(579)	(1,406)	(783)	-	(48,298)
Impairments		(3,604)	-	-	(181)	-	-	-	(3,785)
Reclassifications		-	4,339	795	3	-	-	(4,342)	795
Revaluations		31,900	62	(52)	-	13	-	-	31,923
At 31 March 2014		**1,779,854**	**29,596**	**345,479**	**43,137**	**10,223**	**4,194**	**2,811**	**2,215,294**
Depreciation									
At 1 April 2013		1,039,445	12,145	291,917	27,318	4,784	1,669	-	1,377,278
Charged in year	11a	124,958	3,145	27,698	5,017	770	454	-	162,042
Disposals		(1,527)	(311)	(23,100)	(514)	(1,189)	(506)	-	(27,147)
Impairments		(284)	-	-	(171)	-	-	-	(455)
Reclassifications		-	-	(62)	-	-	-	-	(62)
Revaluations		195	56	(33)	-	2	-	-	220
At 31 March 2014		**1,162,787**	**15,035**	**296,420**	**31,650**	**4,367**	**1,617**	**-**	**1,511,876**
Carrying amount at 31 March 2014		**617,067**	**14,561**	**49,059**	**11,487**	**5,856**	**2,577**	**2,811**	**703,418**
Carrying amount at 31 March 2013		**721,436**	**10,926**	**60,720**	**15,958**	**5,545**	**2,011**	**3,897**	**820,493**
Asset financing:									
Owned		8,617	14,561	15,756	4,216	3,797	2,577	2,811	52,335
Finance leased		30,403	-	33,303	7,271	-	-	-	70,977
PFI contracts		578,047	-	-	-	2,059	-	-	580,106
Carrying amount at 31 March 2014		**617,067**	**14,561**	**49,059**	**11,487**	**5,856**	**2,577**	**2,811**	**703,418**
Of the total:									
Department		547,739	5,088	45,502	7,299	155	-	2,224	608,007
ALBs		69,328	9,473	3,557	4,188	5,701	2,577	587	95,411
Carrying amount at 31 March 2014		**617,067**	**14,561**	**49,059**	**11,487**	**5,856**	**2,577**	**2,811**	**703,418**

a. Total depreciation in the year of £162 million (2013-14: £162 million) includes £129.1 million (2013-14: £122.8 million) of in year depreciation for PFI contracts.

b. Cash flow reconciliation

	2014-15	2013-14
	£000	£000
Capital payables and accruals at 1 April	625	2,112
Capital additions	56,519	36,711
Less: Leased capital additions	(35,866)	(25,952)
Capital payables and accruals at 31 March	(1,305)	(625)
Purchases of property, plant and equipment as per Statement of Cash Flows	**19,973**	**12,246**
Of the total:		
Department	15,781	5,332
Arm's length bodies	4,192	6,914

Capital additions were £56.5 million (2013-14: £36.7 million). This excludes £0.01 million (2013-14: £0.2 million) of assets purchased prior to 2014-15 which had previously been charged as expenditure.

Land and buildings

	Land	Freehold Buildings	Leasehold Buildings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2014	725,240	7,318	1,047,296	1,779,854
Additions	-	494	-	494
Disposals	(3,730)	-	(4,734)	(8,464)
Impairments	-	-	-	-
Reclassifications	(11)	597	-	586
Revaluations	7,090	(55)	11,370	18,405
At 31 March 2015	**728,589**	**8,354**	**1,053,932**	**1,790,875**
Depreciation				
At 1 April 2014	501,823	1,318	659,646	1,162,787
Charged in year	54,685	404	76,553	131,642
Disposals	(418)	-	(548)	(966)
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	(1,497)	(5,523)	(7,020)
At 31 March 2015	**556,090**	**225**	**730,128**	**1,286,443**
Carrying amount at 31 March 2015	**172,499**	**8,129**	**323,804**	**504,432**
Carrying amount at 31 March 2014	**223,417**	**6,000**	**387,650**	**617,067**
Of the total:				
Department	169,658	1,461	267,191	438,310
Arm's length bodies	2,841	6,668	56,613	66,122
Carrying amount at 31 March 2015	**172,499**	**8,129**	**323,804**	**504,432**

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

12. Intangible assets

	Note	Websites	Purchased Software Licences	Internally Developed Software	Payments on Account and Assets Under Construction	Total
		£000	**£000**	**£000**	**£000**	**£000**
Cost or valuation						
At 1 April 2014		40,709	207,374	1,037,938	70,888	1,356,909
Additions		-	8,308	99	56,065	64,472
Disposals		(8,669)	(6,962)	(2,915)	-	(18,546)
Impairments		-	(4,322)	(3,785)	(2,728)	(10,835)
Reclassifications		4,256	(10,524)	84,971	(90,622)	(11,919)
Revaluations		501	39,420	18,917	-	58,838
At 31 March 2015		**36,797**	**233,294**	**1,135,225**	**33,603**	**1,438,919**

	Note	Websites	Purchased Software Licences	Internally Developed Software	Payments on Account and Assets Under Construction	Total
Amortisation						
At 1 April 2014		36,544	134,396	577,397	-	748,337
Charged in year	12a	4,915	28,948	106,374	-	140,237
Disposals		(8,669)	(6,409)	(2,915)	-	(17,993)
Impairments		-	(2,428)	(3,215)	-	(5,643)
Reclassifications		-	-	-	-	-
Revaluations		383	1,111	8,971	-	10,465
At 31 March 2015		**33,173**	**155,618**	**686,612**	**-**	**875,403**
Carrying amount at 31 March 2015		**3,624**	**77,676**	**448,613**	**33,603**	**563,516**
Carrying amount at 31 March 2014		**4,165**	**72,978**	**460,541**	**70,888**	**608,572**

	Note	Websites	Purchased Software Licences	Internally Developed Software	Payments on Account and Assets Under Construction	Total
Of the total:						
Department		3,624	74,901	448,074	32,706	559,305
Arm's length bodies		-	2,775	539	897	4,211
Carrying amount at 31 March 2015		**3,624**	**77,676**	**448,613**	**33,603**	**563,516**

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

a. Total amortisation in the year was £140.2 million (2013-14: £142 million). This consisted of £142.4 million charged to the Statement of Comprehensive Net Expenditure and £(2.2) million (2013-14: £nil) relating to assets purchased before 2014-15 that were 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 £531.3 million.

c. The Purchased Software Licences includes £25.6 million IPv4 addresses (unique identifier for devices on a network) which were initially recognised at nominal value and then revalued to the fair market value at the Statement of Financial Position date. A further £11.9 million were re-classified as held for sale (see note 22).

d. Cash flow reconciliation:

	2014-15	2013-14
	£000	£000
Capital payables and accruals at 1 April	5,945	20,890
Capital additions	66,664	100,800
Capital payables and accruals at 31 March	(1,966)	(5,945)
Purchases of intangible assets	**70,643**	**115,745**
Of the total:		
Department	67,967	114,569
Arm's length bodies	2,676	1,176

Capital additions were £66.7 million (2013-14: £100.8 million). This excludes £(2.2) million of prior year additions expensed in 2014-15 (2013-14: £0.7 million).

e. £120.1 million (2013-14: £131.3 million) of the £563.5 million carrying value (2013-14: £608.6 million) of intangible assets relate to Universal Credit (UC) assets as follows:

	Internally Developed Software	Licences	Assets under Construction	Total
	£m	£m	£m	£m
Carrying amount at 31 March 2014	**102.1**	**17.6**	**11.6**	**131.3**
Additions	-	0.8	20.6	21.4
Transfer from Assets Under Construction to internally developed software	21.7	-	(21.7)	-
Impairment	-	-	(2.7)	(2.7)
Annual amortisation	(25.5)	(5.9)	-	(31.4)
Revaluation	1.3	0.2	-	1.5
Carrying amount at 31 March 2015	**99.6**	**12.7**	**7.8**	**120.1**

We continue to roll out UC Live service because of the assessed economic benefits. This allows us and the UC claimants to get hands-on experience while we continue to “test and learn” the digital solution.

We estimated in 2013 that expanding the UC live service in this way brings forward the benefits of the programme and increases the net present value of the programme by £1.8 billion.

The carrying value of the internally developed software in use as at 31 March 2015 was £99.6 million (2013-14: £102.1 million). This consists of:

- £84.3 million (2013-14: £68.6 million) of IT assets which are being used as part of the existing IT functionality. We’re amortising these assets to December 2017
- £15.3 million (2013-14: £33.5 million) of IT assets which are being used as part of the existing IT functionality and will also be used in the new digital service. We’re amortising these assets over 15 years

Assets under construction as at 31 March 2015 consist of completed IT assets that had not been deployed at the year-end but which are scheduled to be brought into use later in 2015.

We completed an impairment review of the capitalised UC assets and determined that it was unlikely that £2.7 million of security software would be brought into use. These assets, held as assets under construction, have been impaired accordingly. We’ve identified no further indicators of impairment that would affect the values of the UC IT assets.

13. Non-current assets impairment

		2014-15		2013-14	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£000	£000	£000	£000
Charged to Statement of Comprehensive Net Expenditure					
Property, plant and equipment	11	-	-	3,320	3,330
Intangible assets	12	5,192	5,192	22,739	22,751
Transferred from revaluation reserve					
Property, plant and equipment		-	-	-	(10)
Total		**5,192**	**5,192**	**26,059**	**26,071**

14. Financial assets

	1st April 2014	movement in year	31 March 2015
	£000	£000	£000
Working Links (Employment) Ltd	3,637	638	4,275
National Employment Savings Trust Corporation	299,317	87,830	387,147
New Enterprise Allowance	9,478	(5,496)	3,982
Office for Nuclear Regulation	-	5,900	5,900
Total	**312,432**	**88,872**	**401,304**

We hold investments in Working Links (Employment) Ltd a public, private and voluntary company. Private sector shareholders are Manpower and Capgemini UK plc. and voluntary sector shares are held by Mission Australia. This investment is classified as available-for sale (see note 22).

We provided a loan to National Employment Savings Trust Corporation to set up and administer the scheme.

We provided loans to New Enterprise Allowance, which provides loans to customers setting up a new business. Customers typically repay the loan within 3 years.

Office for Nuclear Regulation (ONR) became a public corporation on 1 April 2014, having previously been consolidated within Health and Safety Executive. We provided a loan to ensure its effective operation.

15. Capital commitments

	31 March 2015		31 March 2014	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Property, plant and equipment	106	744	5,524	6,379
Intangible assets	2,434	2,706	2,066	4,121
	2,540	**3,450**	**7,590**	**10,500**

16. Commitments under non-PFI leases

(i) Operating leases

Total future minimum lease payments under operating leases are given in the table below:

	31 March 2015		31 March 2014	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	12,089	16,339	11,234	14,721
Later than 1 year and not later than 5 years	14,875	23,397	14,640	24,730
Later than 5 years	13,449	22,828	13,711	23,768
	40,413	**62,564**	**39,585**	**63,219**

(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 2015		31 March 2014	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Gross liabilities				
Not later than 1 year	25,000	25,000	31,568	31,568
Later than 1 year and not later than 5 years	70,287	70,287	47,164	47,164
Later than 5 years	68,669	68,669	76,875	76,875
Total gross liabilities	**163,956**	**163,956**	**155,607**	**155,607**
Less: interest element	(46,624)	(46,624)	(50,982)	(50,982)
Present value of obligations	**117,332**	**117,332**	**104,625**	**104,625**

	31 March 2015		31 March 2014	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Present value of obligations				
Not later than 1 year	17,604	17,604	24,467	24,467
Later than 1 year and not later than 5 years	50,685	50,685	26,985	26,985
Later than 5 years	49,043	49,043	53,173	53,173
	117,332	**117,332**	**104,625**	**104,625**

Finance leases include the following non PFI arrangements:

- We have an arrangement for the provision of accommodation on the Newcastle estate which started on 1 April 1999 and lasts until 2029.
- IT Services
  The following IT contracts meet the definition of a finance lease:
  - HP Enterprise Services Ltd for:
    - hosting services to February 2018
    - service integration and management to February 2016
    - application maintenance and support to February 2016
    - application development to February 2016
    - desktop services to March 2017

- BT Global Services for:
  - integrated communications network services to February 2016
  - connectivity services to September 2019
- Xerox for sustainable print services to June 2017
- Monster for Universal Jobmatch to April 2016

17. Commitments under PFI contracts and other service concession arrangements

We've assessed the transactions arising from the following contracts under IFRIC 12 (Service Concession Arrangements) and IAS 17 (Leases). We account for them in accordance with the FReM. As the balance of control of the assets is borne by us or our arm's length bodies, rather than the PFI provider, we recognise the assets provided under the contracts as non-current assets in the Statement of Financial Position. We also account for the liabilities to pay for these assets as finance leases. We attribute contract payments to either the service charge element or the capital repayment and interest element of the contracts.

The imputed finance lease charges are:

	31 March 2015		31 March 2014	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Rentals due within 1 year	116,010	126,336	118,599	128,855
Rentals due later than 1 year and not later than 5 years	231,767	273,071	355,671	396,975
Rentals due later than 5 years	-	162,752	-	173,078
Less interest element	(25,782)	(138,346)	(45,486)	(166,554)
Present value of obligations	**321,995**	**423,813**	**428,784**	**532,354**

The minimum service charges are:

	31 March 2015		31 March 2014	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Service charge due within 1 year	401,311	411,940	407,240	417,150
Service charge due later than 1 year and not later than 5 years	826,215	868,729	1,259,762	1,299,399
Service charge due later than 5 years	-	154,905	-	153,693
Total	**1,227,526**	**1,435,574**	**1,667,002**	**1,870,242**

The contracts assessed as service concessions are as follows:

Private sector resource management of the estate (PRIME)

We have a Private Finance Initiative partnership agreement under which the former Department of Social Security transferred ownership and management of its estate to a private-sector partner in exchange for fully serviced accommodation. The contract runs from 1 April 1998 to 31 March 2018.

Health and Safety Executive accommodation and IT services

Health and Safety Executive has signed a 30 year contract for fully serviced accommodation at Redgrave Court in Bootle, Merseyside. The contract runs from May 2005 to May 2035.

Health and Safety Executive has occupied serviced accommodation in Buxton for laboratory and support functions. This comes under a 'design, build, finance and operate' contract which started on 28 October 2004 and lasts until 2037.

On 3 June 2013, the Health and Safety Executive entered a 3 year IT service supply contract with Steria UK plc.

Charge to the Statement of Comprehensive Net Expenditure and future commitments

Contingent rent of £58.8 million (2013-14: £56.6 million) is included in the Statement of Comprehensive Net Expenditure. The contingent rent figures, as at 31 March 2015, are based on a 0.94% per annum increase on the 31 March 2014 rental figure. This is because the rental payments in the PRIME lease contract are linked to the Consumer Price Index.

18. Other financial commitments

We've entered into several significant, non-cancellable contracts (which are not leases or PFI contracts) for the provision of goods and services. The commitments under those contracts with a value greater than or equal to £5m are:

	31 March 2015		31 March 2014	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	289,236	296,110	403,227	404,214
Later than 1 year and not later than 5 years	424,825	433,395	357,352	360,213
Later than 5 years	155,924	159,874	583	3,831
	869,985	**889,379**	**761,162**	**768,258**

19. Cash and cash equivalents

	31 March 2015		31 March 2014	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Balances at 1 April	208,879	214,790	(339,719)	(338,517)
Net change in cash and cash equivalent balances	(2,239,248)	(2,234,057)	548,598	553,307
Balances at 31 March	**(2,030,369)**	**(2,019,267)**	**208,879**	**214,790**
Represented by:				
Cash and cash equivalents	136,689	147,791	256,064	262,337
Bank overdraft	(2,167,058)	(2,167,058)	(47,185)	(47,547)
	(2,030,369)	**(2,019,267)**	**208,879**	**214,790**

The following balances at 31 March were held at:

	31 March 2015		31 March 2014	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Government Banking Services	(2,043,306)	(2,042,738)	200,467	200,106
Commercial banks and cash in hand	12,937	23,471	8,412	14,684
	(2,030,369)	**(2,019,267)**	**208,879**	**214,790**

The bank overdraft includes £1.6 billion of advance benefit payments. This is due to the Easter Bank Holiday, which straddled the year-end.

20. Trade receivables, financial and other assets

(i) Analysis by type

	31 March 2015		31 March 2014	
	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	£000	£000
Amounts falling due within one year				
Trade receivables	20,373	39,984	19,637	34,105
Deposits and advances	1,692	1,947	1,820	2,020
Amounts due from other government departments	20,784	20,628	21,087	20,940
Benefit overpayments	359,221	359,221	323,279	323,279
Benefit advances	5,271	5,271	1,817	1,817
Housing and Council Tax Benefit	338,873	338,873	163,241	163,241
Prepayments and accrued income	1,686,213	1,701,714	850,186	879,910
Social Fund loans	325,001	325,001	384,405	384,405
European Social Fund	493,915	493,915	398,957	398,957
VAT	82,588	83,734	60,316	62,745
Current part of loans	3,749	3,749	1,341	1,341
Amounts due from the consolidated fund in respect of supply	581,277	581,277	-	-
Other receivables	34,013	34,340	22,968	23,346
Gross receivables	**3,952,970**	**3,989,654**	**2,249,054**	**2,296,106**
Less: Provision for impairment	(135,975)	(138,496)	(112,694)	(114,737)
Net receivables	**3,816,995**	**3,851,158**	**2,136,360**	**2,181,369**
Amounts falling due after more than one year				
Deposits and advances	106	198	155	248
Prepayments and accrued income	10,000	10,000	15,000	15,000
Benefit overpayments	2,123,449	2,123,449	2,141,338	2,141,338
Social Fund loans	611,262	611,262	698,200	698,200
Other receivables	4,096	5,262	4,609	5,494
Gross receivables	**2,748,913**	**2,750,171**	**2,859,302**	**2,860,280**
Less: Provision for impairment	(1,264,611)	(1,264,611)	(1,459,345)	(1,459,345)
Net receivables	**1,484,302**	**1,485,560**	**1,399,957**	**1,400,935**
Total net receivables	**5,301,297**	**5,336,718**	**3,536,317**	**3,582,304**

(ii) Intra-government balances

	31 March 2015		31 March 2014	
	Core Department	Departmental Group	Core Department	Departmental Group
Amounts falling due within one year	**£000**	**£000**	**£000**	**£000**
Balances with other central government bodies	733,923	736,390	134,839	138,998
Balances with local authorities	345,322	345,588	163,519	163,656
Balances with NHS bodies	18	144	69	216
Balances with public corporations and trading funds	18,361	20,129	8,590	8,891
Intra-government balances	**1,097,624**	**1,102,251**	**307,017**	**311,761**
Balances with bodies external to government	2,719,371	2,748,907	1,829,343	1,869,608
Total receivables at 31 March	**3,816,995**	**3,851,158**	**2,136,360**	**2,181,369**

	31 March 2015		31 March 2014	
	Core Department	Departmental Group	Core Department	Departmental Group
Amounts falling due after one year	**£000**	**£000**	**£000**	**£000**
Balances with bodies external to government	1,484,302	1,485,560	1,399,957	1,400,935
Total receivables at 31 March	**1,484,302**	**1,485,560**	**1,399,957**	**1,400,935**

21. Trade payables and other current liabilities

(i) Analysis by type

	Note	31 March 2015 Core Department £000	31 March 2015 Departmental Group £000	31 March 2014 Core Department £000	31 March 2014 Departmental Group £000
Amounts falling due within one year					
Taxation and social security		40,206	43,784	42,505	46,745
Superannuation		35,949	38,832	37,654	41,097
Trade payables		78,775	80,679	76,526	79,242
Amounts due to other government departments		47,680	47,680	49,193	49,193
Accruals and deferred income		2,638,968	2,669,000	3,428,199	3,459,180
Capital accruals	11 & 12	2,505	3,271	6,133	6,570
Bank overdrafts	19	2,167,058	2,167,058	47,185	47,547
Imputed finance lease element of on-Statement of Financial Position PFI contracts		102,284	104,255	99,516	101,267
Finance lease obligations	16(ii)	17,604	17,604	24,467	24,467
CFERs due to be paid to the consolidated fund – received		715	715	5,359	5,359
CFERs due to be paid to the consolidated fund – receivable		10,131	10,131	2,203	2,203
Amounts issued from the consolidated fund for supply but not spent at year end		-	-	158,849	158,849
Amounts issued from the contingencies fund		-	-	984	984
Third party payments		59,908	59,908	56,720	56,720
European Social Fund		239,688	239,688	151,220	151,220
Other payables		16,722	29,566	11,488	20,763
		5,458,193	**5,512,171**	**4,198,201**	**4,251,406**
Amounts falling due after more than one year					
Imputed finance lease element of on-Statement of Financial Position PFI contracts		219,948	319,795	329,268	431,086
Finance lease obligations	16(ii)	99,728	99,728	80,159	80,159
European Social Fund	21a	164,917	164,917	183,754	183,754
Other payables		-	285	-	472
		484,593	**584,725**	**593,181**	**695,471**
Total payables		**5,942,786**	**6,096,896**	**4,791,382**	**4,946,877**

a. Balances due over one year of £164.9 million (31 March 2014: £183.8 million) consist of money paid to us by the EU for the European Social Fund. These advances are due to be paid back when final claims are agreed for the 2007-13 programme. This is expected to be in 2017-18.

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(ii) Intra-government balances

	Note	31 March 2015 Core Department	31 March 2015 Departmental Group	31 March 2014 Core Department	31 March 2014 Departmental Group
		£000	£000	£000	£000
Amounts falling due within one year					
Balances with other central government bodies		448,945	456,077	308,421	316,659
Balances with local authorities		159,612	159,624	339,660	339,680
Balances with NHS bodies		30,204	30,383	24,896	25,144
Balances with public corporations and trading funds		6,458	6,717	35	232
Intra-government balances		**645,219**	**652,801**	**673,012**	**681,715**
Balances with bodies external to government		4,812,974	4,859,370	3,525,189	3,569,691
Total payables at 31 March		**5,458,193**	**5,512,171**	**4,198,201**	**4,251,406**

	Note	31 March 2015 Core Department	31 March 2015 Departmental Group	31 March 2014 Core Department	31 March 2014 Departmental Group
		£000	£000	£000	£000
Amounts falling due after one year					
Balances with bodies external to government		484,593	584,725	593,181	695,471
Total payables at 31 March	21(i)	**484,593**	**584,725**	**593,181**	**695,471**

22. Financial instruments

(i) Analysis of financial instruments

Our financial assets include loans and receivables. We've also included IPv4 addresses as assets held for sale in the table below.

We haven't included our investment in Working Links Employment Ltd, as this is categorised as available-for-sale. It amounts to £4.3 million (2013-14: £3.6 million).

	Note	31 March 2015 Core Department	31 March 2015 Departmental Group	31 March 2014 Core Department	31 March 2014 Departmental Group
		£000	£000	£000	£000
Financial assets					
Loans and investments		404,050	404,050	316,221	316,221
Other receivables		86,335	107,630	72,093	87,970
Cash and cash equivalents	19	136,689	147,791	256,064	262,337
Housing and Council Tax subsidy	20	338,873	338,873	163,241	163,241
Benefit overpayments	20	2,482,670	2,482,670	2,464,617	2,464,617
Social Fund	20	936,263	936,263	1,082,605	1,082,605
European Social Fund	20	493,915	493,915	398,957	398,957
Assets held for sale		11,919	11,919	-	-
Total		**4,890,714**	**4,923,111**	**4,753,798**	**4,775,948**
Less provision for impairment		**(1,399,583)**	**(1,402,104)**	**(1,574,487)**	**(1,576,530)**
		3,491,131	**3,521,007**	**3,179,311**	**3,199,418**

	Note	31 March 2015 Core Department £000	31 March 2015 Departmental Group £000	31 March 2014 Core Department £000	31 March 2014 Departmental Group £000
Financial liabilities					
Other payables		2,784,650	2,830,481	3,571,539	3,615,420
Bank overdraft	21	2,167,058	2,167,058	47,185	47,547
European Social Fund	21	404,605	404,605	334,974	334,974
Total		**5,356,313**	**5,402,144**	**3,953,698**	**3,997,941**

(ii) Fair value

The carrying value of trade receivables and payables less impairment provision is assumed to approximate their fair value. The book values of our financial assets and liabilities at 31 March 2015 aren't materially different from their fair values, so we haven't shown them separately.

(iii) Exposure to risk

Due to the largely non-trading nature of our activities and the fact that our cash requirements are met through the estimates process, we aren't exposed to the same degree of financial risk as commercial business entities. Moreover, financial instruments play a smaller role in creating or managing risk than would apply to a non public-sector body of a similar size. This means we're exposed to little credit, liquidity, market or interest rate risk.

Foreign currency risk

Due to the time delay between preparing claims and receiving funds for the European Social Fund and between advance payment and final settlement, we are exposed to movements in the euro/sterling exchange rate. Other than this, our exposure to foreign currency risk is not significant.

23. Provisions for liabilities and charges

		31 March 2015	
		Core Department	**Departmental Group**
	Note	**£000**	**£000**
Financial Assistance Scheme (FAS) provision	23(i)	4,739,729	4,739,729
Other provisions	23(ii)	115,944	118,060
		4,855,673	**4,857,789**

(i) Analysis by type

FAS provision	**2014-15**	
	Core Department	**Departmental Group**
	£000	**£000**
Balance at 1 April 2014	4,234,345	4,234,345
Provided in year	452,080	452,080
Utilised in year	(183,033)	(183,033)
Borrowing costs (unwinding of discount)	236,337	236,337
Balance at 31 March 2015	**4,739,729**	**4,739,729**

Other provisions	**2014-15**	
	Core Department	**Departmental Group**
	£000	**£000**
Balance at 1 April 2014	13,181	15,268
Provided in year	104,544	105,555
Provisions not required written back	(1,286)	(1,291)
Utilised in year	(764)	(1,741)
Borrowing costs (unwinding of discount)	269	269
Balance at 31 March 2015	**115,944**	**118,060**

a. The Financial Assistance Scheme (FAS) helps members of defined benefit occupational pension schemes that wound up under-funded when their employers became insolvent from 1 January 1997 to 5 April 2005, before the introduction of the Pension Protection Fund. FAS assets are disclosed in the FAS Trust Statement (page 166).

Regulations came into force in April 2010 to allow remaining assets to be transferred from FAS qualifying schemes to the 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 the government. Since April 2010, £1.63 billion of FAS assets and equivalent liabilities have been transferred to the government.

The value of the provision as at 31 March 2015 has been affected by:

- an increase in asset-backed FAS liabilities as a result of more assets being transferred in this year
- increased anticipated assistance payments to members who will receive FAS in the future (around 13% increase on previous assumption)
- changes in short- and medium-term discount rates used (as per HM Treasury's PES paper (2014)), resulting in a decrease

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- a 6% increase to the expectation of the total members in Great Britain and a larger proportion of members compared to Northern Ireland

b. Within other provisions we have included a new provision of £96.5 million for arrears of Employment and Support Allowance for 2014-15. This won't be paid until 2015-16

c. The remaining other provisions comprise:

- early departure costs and pension commitments associated with exit schemes
- onerous contracts
- refurbishment work required on vacation of leased properties
- termination costs for other contracts
- decommissioning costs
- expected future costs of Industrial Injuries Benefit permanent allowance payments to our employees who are injured at work and can't perform their job as a result

(ii) Analysis of expected timing of discounted flows

	FAS provisions		Other provisions		Total	
	Core Department	**Departmental Group**	**Core Department**	**Departmental Group**	**Core Department**	**Departmental Group**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Not later than 1 year	148,411	148,411	98,759	98,914	247,170	247,325
Later than 1 year and not later than 5 years	685,478	685,478	11,421	11,738	696,899	697,216
Later than 5 years	3,905,840	3,905,840	5,764	7,408	3,911,604	3,913,248
Balance at 31 March 2015	**4,739,729**	**4,739,729**	**115,944**	**118,060**	**4,855,673**	**4,857,789**

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24. Contingent liabilities

Remploy Ltd

The Secretary of State for Work and Pensions has given a formal guarantee to Remploy Ltd (called the Disabled People's Employment Corporation (GB) Ltd (DPEC) from 7 April 2015). If DPEC implements proposals for its liquidation, previously approved by the Secretary of State, the Secretary of State will pay DPEC (GB) Ltd a sum equal to its net liabilities. We will also cover any shortfall in DPEC's pension provision.

European Social Fund repayments

The Audit Authority produces an annual control report and opinion for the EU. Their opinion is largely based on the amount of error found during checks of claims that we've submitted, as managing authority of the European Social Fund in England and Gibraltar. If this exceeds the EU's defined 2% tolerable error the opinion is likely to be qualified, with the risk that the EU would impose a financial correction.

In addition, the European Anti Fraud Office (OLAF) will be investigating to assure the Director General of the European Commission that EU money is being spent correctly. OLAF will be sampling 3 contracts and if the review highlights errors then it could impose a financial correction.

A further risk arises because European Social Fund commitments are made in sterling, whereas funds are reimbursed from the EU in euros and are fixed at the start of the 7-year programme.

Financial Assistance Scheme

Regulations came into force in April 2010 enabling the transfer to government of pension scheme assets that qualify for the Financial Assistance Scheme, along with their associated pension liabilities. As a result, the Financial Assistance Scheme pension provision (see note 23) will increase as the assets and the associated liabilities transfer. We estimate that the total value of the assets transferred to government will reach £1.847 billion. However, until the assets transfer it isn't possible to estimate the impact on the Financial Assistance Scheme pension liability.

Transfer of State Pensions and benefits

In 2007, regulations were put in place to allow staff employed in certain EU institutions to transfer an enhanced cash value of potential entitlement to the State Pension and other contributory benefits to the Pension Scheme for Officials and Servants of Community Institutions. Until the transfer value has been calculated, a contingent liability arises. The overall time limit is 10 months between the date of application and the transfer payment. However, the limits can be extended if needed.

Since 2007 we've received 1,343 transfer applications. 80% of these have resulted in transfer payments.

Compensation claims

Compensation payments may become due as a result of claims against us by staff and members of the public. Claims relate to employment tribunal, personal injury and Civil Service Appeals Board cases. There is significant uncertainty around the estimated liability and the timing of payments. This uncertainty can fluctuate based on factors such as medical evidence received, witness statements and whether claims proceed to trial or are settled early.

Single Fraud Investigation Service

Between July 2014 and March 2015, 336 full-time equivalent staff were transferred to us from local authorities via a legislative transfer scheme. This was part of the Single Fraud Investigation Service project. Under the terms of the Cabinet Office's Fair Deal for staff pensions, employees can transfer their accrued pension benefits from a broadly comparable defined benefit pension scheme to the Principal Civil Service Pension Scheme (PCSPS). To make sure staff who transfer their accrued benefits are no worse off than if they had remained members of their existing schemes, we may be liable to provide additional pension contributions to the PCSPS. We can't yet estimate how many people this will affect, or how much we will need to pay.

Vaccine damage payments

An appeal has been lodged with the Upper Tribunal about a ruling on a vaccine damage payment. If successful, this could lead to payment for this case and affect the outcome of 13 other cases which are still being assessed.

The Rent Service employee pensions

The Rent Service transferred from us to the Valuation Office Agency on 1 April 2009. Following the transfer, employees could participate in the Local Government Pension Scheme. If there's a pension deficit we will be liable to meet the shortfall.

Compensation recovery

We recognise recoveries from insurance companies for compensation claims made by benefit recipients. Once the recovery is made the insurance company has the right to mandatory reconsideration or appeal within a set time period. If the reconsideration or appeal is successful recoveries are refunded to the insurance company. Analysis of existing data suggests that it is reasonable to recognise a contingent liability of £4 million for successful mandatory reconsideration or appeals.

Judicial review

We have contingent liabilities arising from payments that may become due as a result of judicial review claims against us. We can't be sure of the timing, likelihood or amount of any settlements at this stage.

Trillium assets claim

Telereal Trillium have made a claim against us for costs they incurred for the maintenance of assets introduced as part of a major project change. We have disputed the claim and are continuing to negotiate with Telereal Trillium.

25. Financial guarantees, indemnities and letters of comfort

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

These items are reported as contingent liabilities for internal reporting purposes only. They refer to instances where commercial cover has been provided to a supplier before contract signature. They have arisen within the normal course of business and include, as at the 31 March 2015:

- a letter of comfort issued on 2 May 2014 to the Independent Living Fund. This guarantees that funding of £278.3 million will be made available to cover all of the Independent Living Fund's financial obligations incurred before 31 March 2014, as they fall due up to March 2015. This includes continuing support to claimants who were already receiving funding or had a firm offer of funding before 31 March 2014
- a letter of comfort issued on 19 September 2014 to Remploy Ltd. This guarantees that core funding of £30.3 million will be made available to cover all financial obligations of Remploy Ltd including the transition costs until 31 March 2015
- a letter of comfort was issued on 23 July 2014 and 25 September 2014 to the Scottish Government to guarantee £0.2 million to cover the set up costs on the Health and Work Service in Scotland. The Health and Work Service project was completed in December 2014

26. Losses and special payments

				2014-15				2013-14
	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	£000	£000	Cases	Cases	£000	£000	Cases	Cases
Losses	500,026	502,258	1,608,527	1,611,130	564,809	566,871	1,727,115	1,728,035
Special payments	4,688	4,817	10,749	10,765	6,818	6,909	13,549	13,554

Categories of losses and special payments are explained in HM Treasury's Managing public money annexes 4.10 and 4.13 which is available on www.gov.uk.

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

	2014-15 £000
Non-recoverable benefit overpayments	**396,973**
During the year we write off non-recoverable overpayments of benefit. These are where we don't have the legal right to pursue them and where we can't enforce repayment.	
Customer fraud	**7,702**
We write off overpayments resulting from customer fraud once we've exhausted our debt recovery processes.	

Guaranteed minimum pension	**592**
In 2006 a system error affected 172,000 customers who received Pension Credit. This meant we didn't take the correct action to review entitlement as widows approached the age of 60. As a result, we didn't deduct guaranteed minimum payment from the award, as is appropriate. We wrote off 126 of these overpayments this year.	
Duplicate Christmas bonus	**1,057**
Duplicate Christmas bonuses can arise because more than one benefit system can generate the payment.	
Social Fund	**66,363**
We make low-cost Funeral Expense Payments to people who receive (or whose partners receive) a qualifying benefit or tax credit. These are recoverable from the estate of the deceased, but we write most of them off as there usually aren't enough assets in the estate. This year we wrote off 36,743 of these payments, with a total value of £49.2 million. Budgeting and Crisis Loans which can't be recovered are written off subject to strict criteria. This year we wrote off 163,381 of these loans, with a total value of £16 million. We also wrote off 5,767 irrecoverable grant overpayments amounting to £1.1 million.	
Independent Living Fund grants	**1,188**
The Independent Living Fund seeks formal recovery of grants that are based on incorrect information, or where grants haven't been used for their intended purpose. This year we wrote off 347 of these grants where we deemed recovery to be unachievable.	

(ii) Cash losses

Reimbursement of Child Maintenance overpayments	**7,515**
Reimbursements arise when a paying parent has a change in circumstances and, even though they've told the Child Maintenance Group about this change, a delay in implementing the new maintenance assessment leads to an overpayment. We don't recover these overpayments from the parent with care, but the Child Maintenance Group does refund the paying parent.	
Incorrect Child Maintenance payments	**1,653**
This is where maintenance is paid to the wrong parent. It normally happens where the paying parent is associated with more than one receiving parent. We don't recover these payments and the Child Maintenance Group makes the payment to the correct parent.	
Return to Work Credit and In Work Credit overpayments	**5,884**
We wrote off 17,127 cases of administration debt relating to overpayments of Access to Work, Return to Work Credit and In Work Credit allowances. These all followed the exhaustion of our debt recovery processes.	
Flexible Support Fund losses	**1,287**
Under the Flexible Support Fund, we give funds to some claimants to buy items to help them to start work. If, after a number of reminders, claimants don't provide receipts, or give us incomplete or incorrect receipts, we treat the funding as a loss.	
Court cost write-offs	**1,000**
We incur court costs in the collection of overpayment debt. These costs are recovered at the same time as these debts. This year we cleansed old and unrecoverable debt for court costs.	

(iii) Constructive losses

Health & Disability Assessment Service – IT enablement project	**1,402**
This project to develop IT for work capability assessments was terminated in October 2014, due to a lack of clarity around future business requirements. We decided to wait until the new provider of the medical services contract was in place so we could work with them on replacement IT. This will be addressed in the next phase of Employment and Support Allowance.	
Informatica software licences	**3,670**
In 2012 we purchased software licenses for Universal Credit live service to provide data management and data quality services. Changes in Universal Credit system design required a different software solution for data management. We have considered alternative plans to use the licenses elsewhere in the department but this was not possible. The licenses have therefore been impaired.	
Security software	**2,728**
We developed online security software for claimants and agents in the Universal Credit live service. We no longer think this is needed. Instead, the Universal Credit digital service will provide a scalable alternative.	

Single Customer View	**1,056**
This system was developed to give operational staff access to several benefit systems so they could deal with multi-benefit enquiries. Since the start of the programme we've improved efficiency so much that it reduces the potential benefits of the Single Customer View system.	
Automated Service Delivery software licences	**413**
We bought software licences for the Automated Service Delivery project, and transferred those licences elsewhere when the project ended in 2012. This year we realised one of these licences was no longer in use. As a result, we've incurred a loss on disposal of this licence.	

(iv) Other accountability issues

Fraud

A total of 51 internal fraud investigations into salary, expenses, contract and other non-benefit losses proved fraud of £0.1 million.

We completed 16 investigations into non-contributory and Jobseeker's Allowance (contributory) benefits, proving fraud of £0.1 million.

We also completed 6 investigations into potential fraud by contracted employment providers. The total value of these cases was £0.98 million.

We make recoveries at a local level and don't record them separately for disclosure.

Serious and organised fraud

The Fraud Investigation Service investigates organised and systematic abuse of the benefits system. It concluded 117 investigations with a value of £0.4 million in 2014-15. Recovery action is taken at a local level and not recorded separately for disclosure.

27. Incorrect payments

We are responsible for paying claimants the right benefit at the right time. Social Security legislation sets out the basis on which we calculate and pay benefits. The purpose of this legislation is to provide a regulatory framework that we operate within to support those in need.

In many instances Parliament has targeted benefits to claimants' needs and circumstances to ensure an efficient use of overall resources. However, this introduces complexity and a risk of fraud and error, leading to some incorrect payments. We administer over 27 benefits, at more than 300 different rates, at any one time. Despite these challenges we pay approximately 97% of benefit expenditure correctly.

Overall performance

Along with HMRC, we first set out the government commitment to reduce annual welfare fraud and error overpayments by over 25% (or £1.4 billion) in October 2010. We have a target to reduce the level of fraud and error to 1.7% of total expenditure by March 2015. The latest 2014-15 fraud and error preliminary estimates were published on 14 May 2015, and show that £3.2 billion was overpaid in 2014-15, or 1.9% of estimated total expenditure. The value of benefit underpaid has remained at

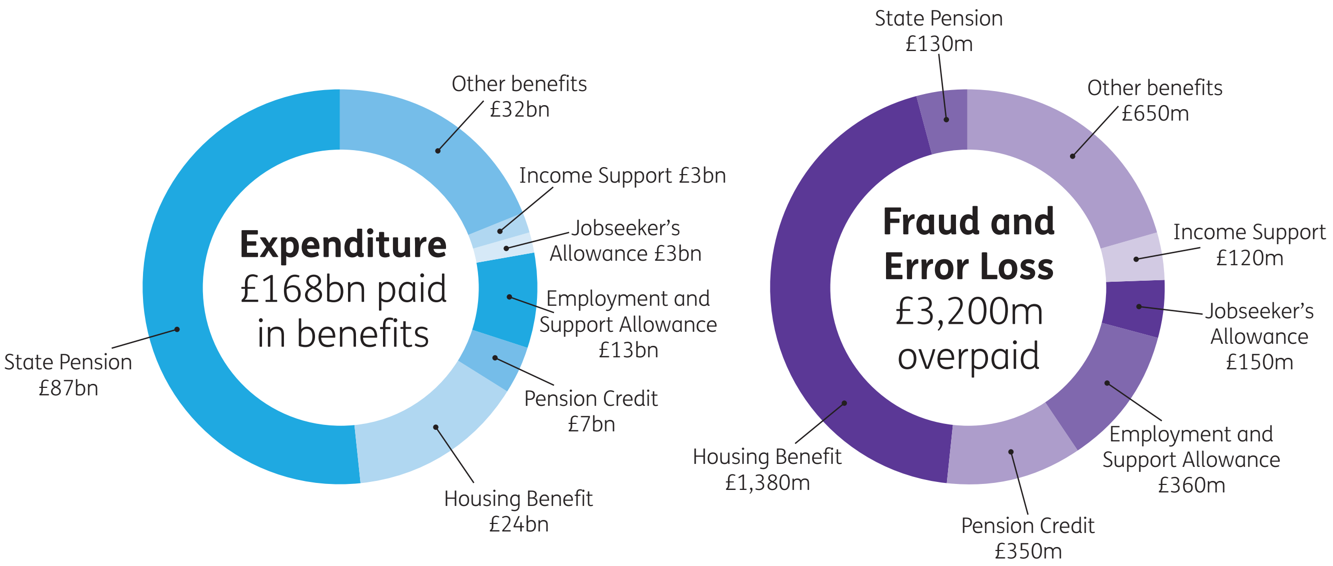
£1.4 billion in the 2014-15 preliminary estimates. The proportion underpaid has also remained at 0.9%.

Our best estimates of the current levels of fraud and error in the benefits system are set out in the charts and tables 1-4 below.[1] Please refer to the end notes below the tables when interpreting these figures.

Identified overpayments can be recovered from claimants, so not all money overpaid is truly “lost” from the public purse. We expect to recover around £900 million in 2014-15.

We have an additional measure that takes away actual recoveries from estimated overpayments to give an estimate of the net loss to the system.[2]

We understand which benefits are most vulnerable. The two charts below show that the losses are not proportionate. For example, State Pension accounts for 51% of the estimated expenditure but only 4% of fraud and error, whereas Housing Benefit accounts for 14% of the estimated expenditure but 43% of fraud and error.



Figures are rounded to the nearest £ billion or £10 million

1. We define **fraud** as where claimants deliberately claim money they aren’t entitled to. We split error into two categories: **claimant error**, which occurs when claimants provide inaccurate information, and **official error**, which occurs when we process information incorrectly or fail to apply rules.
2. This method uses in-year figures for directly administered benefits plus estimated figures for Housing Benefit, taking off money recovered this year (regardless of when the recovery is from) from the money estimated to have been overpaid this year. Further information can be found at www.gov.uk by searching for Fraud and Error in the Benefit System 2014-15.

1. Estimated levels of overall fraud and error including confidence intervals

	2014-15		2013-14	
Overpayments				
Fraud	0.7% £1.1bn	(0.5, 1.0) (0.9, 1.6)	0.7% £1.1bn	(0.5, 1.0) (0.9, 1.6)
Claimant error	0.8% £1.3bn	(0.6, 1.0) (1.0, 1.6)	0.9% £1.5bn	(0.7, 1.1) (1.2, 1.9)
Official error	0.4% £0.7bn	(0.3, 0.6) (0.6, 1.0)	0.4% £0.7bn	(0.3, 0.6) (0.5, 1.0)
Total overpayments	**1.9% £3.2bn**	**(1.6,2.2) (2.7,3.7)**	**2.0% £3.3bn**	**(1.7,2.4) (2.8,3.9)**
Underpayments				
Fraud	0.0% £0.0bn	(0.0, 0.0) (0.0, 0.0)	0.0% £0.0bn	(0.0, 0.0) (0.0, 0.0)
Claimant error	0.6% £0.9bn	(0.3, 0.8) (0.6, 1.4)	0.6% £0.9bn	(0.3, 0.8) (0.6, 1.4)
Official error	0.3% £0.5bn	(0.2, 0.4) (0.4, 0.6)	0.3% £0.5bn	(0.3, 0.4) (0.4, 0.6)
Total underpayments	**0.9% £1.4bn**	**(0.6, 1.1) (1.0, 1.9)**	**0.9% £1.4bn**	**(0.6, 1.2) (1.1, 1.9)**
Total expenditure	**£168.1bn**		**£163.9bn**	

2. Jobseeker’s Allowance and low income benefits

	Income Support		Jobseeker’s Allowance		Pension Credit		Housing Benefit	
Overpayments	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Fraud	2.4%	2.1%	2.7%	2.6%	2.0%	1.9%	1.9%	1.4%
	£70m	£80m	£80m	£120m	£130m	£140m	£470m	£340m
Claimant error	1.0%	1.3%	0.6%	0.3%	1.6%	2.1%	3.2%	3.8%
	£30m	£50m	£20m	£10m	£110m	£150m	£770m	£900m
Official error	0.4%	0.5%	*1.5%	0.8%	1.6%	1.8%	0.6%	0.6%
	£10m	£20m	£50m	£30m	£110m	£130m	£150m	£150m
Total Overpayments	**3.9%**	**4.0%**	***4.8%**	**3.7%**	**5.2%**	**5.7%**	**5.7%**	**5.8%**
	£120m	**£150m**	**£150m**	**£160m**	**£350m**	**£410m**	**£1,380m**	**£1,380m**
Total Underpayments	**0.8%**	**1.0%**	**0.9%**	**0.4%**	**2.0%**	**2.2%**	***1.2%**	**1.6%**
	£30m	**£40m**	**£30m**	**£20m**	**£130m**	**£160m**	**£300m**	**£370m**
Total Expenditure	**£3.0bn**	**£3.7bn**	**£3.1bn**	**£4.4bn**	**£6.7bn**	**£7.2bn**	**£24.3bn**	**£23.9bn**

3. State Pension and disability benefits

	Employment and Support Allowance		Incapacity Benefit		Disability Living Allowance		State Pension	
Overpayments	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Fraud	*0.9%	1.6%	0.3%	0.3%	0.5%	0.5%	0.0%	0.0%
	£120m	£170m	£0m	£0m	£70m	£70m	£0m	£0m
Claimant error	0.8%	0.8%	0.9%	0.9%	0.6%	0.6%	0.1%	0.1%
	£100m	£90m	£0m	£10m	£90m	£90m	£70m	£70m
Official error	1.1%	1.0%	1.2%	1.2%	0.8%	0.8%	0.1%	0.1%
	£140m	£100m	£0m	£10m	£110m	£110m	£60m	£40m
Total Overpayments	**2.8%**	**3.4%**	**2.4%**	**2.4%**	**1.9%**	**1.9%**	**0.2%**	**0.1%**
	£360m	**£360m**	**£10m**	**£30m**	**£260m**	**£260m**	**£130m**	**£110m**
Total Underpayments	**1.6%**	**1.5%**	**0.7%**	**0.7%**	**2.5%**	**2.5%**	**0.2%**	**0.1%**
	£200m	**£160m**	**£0m**	**£10m**	**£350m**	**£340m**	**£150m**	**£120m**
Total Expenditure	**£12.8bn**	**£10.5bn**	**£0.3bn**	**£1.2bn**	**£13.8bn**	**£13.8bn**	**£86.5bn**	**£83.1bn**

4. Fraud and error in other benefits

	Carer's Allowance		Interdependencies		Other Unreviewed	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Total Overpayments	**5.5%**	**5.5%**	z	z	**1.7%**	**1.8%**
	£130m	**£120m**	**£10m**	**£40m**	**£250m**	**£250m**
Total Underpayments	**0.1%**	**0.1%**	z	z	**1.6%**	**1.5%**
	£0m	**£0m**	z	z	**£240m**	**£210m**
Total Expenditure	**£2.3bn**	**£2.1bn**	z	z	**£15.1bn**	**£14.0bn**

Notes to the tables at 1-4:

1. The 2014-15 data comes from DWP National Statistics: 'Fraud and Error in the Benefit System: Preliminary 2014-15 Estimates'. Figures are based on fraud and error National Statistics for October 2013 to September 2014 and estimated benefit expenditure for 2014-15. The 2013-14 data comes from DWP National Statistics: 'Fraud and Error in the Benefit System: Preliminary 2013-14 Estimates'. Figures are based on fraud and error national statistics for October 2012 to September 2013 and estimated benefit expenditure for 2013-14.

2. Total expenditure figures for 2014-15 and 2013-14 were the latest available for the financial year at the time of producing the fraud and error estimates.

3. All expenditure values in the table are rounded to the nearest £100m and monetary estimates are rounded to the nearest £10m.

4. We review a selection of benefits for fraud and error each year. Estimates for other benefits come from previous review exercises, or proxies. Please refer to the latest National Statistics publication for further details (see 'Benefit fraud and error estimation and uncertainty' below for details).

5. Figures expressed as percentages give the overpayments and underpayments as a percentage of the benefit paid out in the year.

6. Rows and columns may not equal the totals due to rounding.

7. Approximate 95% confidence intervals are given in table 1. This allows for statistical uncertainty caused by the sampling approach. Further uncertainties arise

from imperfections in the review process. Where possible we have quantified these and incorporated them into the 95% confidence intervals.

8. Of the differences between 2014-15 and 2013-14 preliminary estimates, only figures marked with a * are statistically significant at a 95% level of confidence. Where changes aren't statistically significant, differences are likely to be due to sampling variation. This suggests that these estimates are stable over time with little change year on year.

9. We have changed the calculation methodology for Housing Benefit. We now use the same method for "netting" underpayments from overpayments as we do for other benefits we continuously measure. We have also changed the way we count claims we haven't been able to check. Please refer to the latest National Statistics publication for further details (see 'Benefit fraud and error estimation and uncertainty' below for details).

10. The 2004-05 Disability Living Allowance (DLA) National Benefit Review identified cases where the change in claimant's needs had been so gradual that it would be unreasonable to expect them to know when their entitlement to DLA might have changed. These cases don't result in a recoverable overpayment as we cannot identify when the change occurred. Because legislation requires the Secretary of State to prove that entitlement to DLA is incorrect, rather than requiring the claimant to inform us that their needs have changed, cases in this sub-category are legally correct. The difference between what claimants in these cases are receiving in DLA and related premiums in other benefits and what they would receive if their benefit was reassessed was estimated to be around £0.6 billion (+/-£0.2 billion) in 2005-06. Based on 2014-15 DLA expenditure this figure is now estimated to be around £1.0 billion (+/-£0.3 billion). This component is not included in the total above.

11. "Interdependencies" is an estimate of the knock-on effects of DLA overpayments on caring and disability premiums on income-related benefits, which depend on the rate of DLA in payment.

12. A 'z' indicates not applicable.

Benefit fraud and error estimation and uncertainty

We are rigorous in estimating levels of fraud and error. Our estimates are produced to the exacting standards of the UK Statistics Authority national statistics protocols. This ensures their production is independent of departmental and ministerial influence.

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

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

When interpreting the statistics, please bear in mind that the underpayment estimates don't include people who are entitled to benefits but who do not apply, or whose applications are incorrectly rejected. Our policy is to correct all cases of underpayment.

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28. Related party transactions

We sponsor the arm's length bodies listed in 'Our controls' page 56. These include 4 public corporations: Pension Protection Fund, National Employment Savings Trust Corporation, Remploy Ltd and Office for Nuclear Regulation. We're also responsible for the Social Fund and the European Social Fund. We see these bodies as related parties that we had various material transactions with during the year.

In addition, we've had transactions with other government departments, other central government bodies, local authorities and some charitable organisations. Most of these transactions have been with Government Banking Services, Post Office Ltd, the British Broadcasting Corporation, the Department of Health, the Northern Ireland Social Security Agency, the Ministry of Defence, HM Revenue & Customs, Government Legal Services, the Department for Education and the Valuation Office Agency. We also transact with Working Links Employment Ltd.

No minister, board member, key manager or other related party has undertaken any material transactions with the department during the year.

29. Third-party assets

Some money is held on behalf of third-parties and relates to maintenance collected from non-resident parents that is due to be paid to parents with care or the Secretary of State. These are not departmental assets and are not included in these accounts but are accounted for in the client funds account of the Child Maintenance Group. The cash balance held at the reporting date is £23.3 million (2013-14: £24.3 million).

30. Office for Nuclear Regulation

Office for Nuclear Regulation (ONR) was formed on 1 April 2011 as an in-house agency of the Health and Safety Executive (HSE). It is responsible for all nuclear sector regulation across the UK. The Energy Bill 2013, which gained royal assent on 18 December 2013, established ONR as an independent statutory corporation from 1 April 2014. All staff, assets and liabilities which relate to the functions carried out by ONR transferred from HSE to the new body on 1 April 2014.

From that date, ONR has been outside our accounting boundary. We have shown the impact of the transfer (£11.3 million) in the Statement of Comprehensive Net Expenditure.

31. Events after the reporting period

There were no events after the reporting period.

The Accounting Officer authorised these financial statements for issue on 10 July 2015.

Trust Statement

Financial Assistance Scheme Trust Statement

for the year ended 31 March 2015

Statement of Principal Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the department to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs in respect of the Trust Statement and of its revenue and expenditure and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going-concern basis

HM Treasury has appointed me, the Permanent Secretary, as Accounting Officer with overall responsibility for the preparation of the Trust Statement.

The responsibilities of an accounting officer are set out in Managing public money, published by HM Treasury. These include responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, and responsibility for keeping proper records and for safeguarding the assets of the department or non-departmental public body for which the accounting officer is responsible.

Governance Statement

Our governance statement, covering both the departmental accounts and the Trust Statement, starts on page 76.

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 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Financial Assistance Scheme Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Financial Assistance Scheme; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the Financial Assistance Scheme Trust Statement gives a true and fair view of the state of affairs of the Financial Assistance Scheme as at 31 March 2015 and of the net revenue for the year then ended, and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
13 July 2015

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

Statement of Revenue, Other Income and Expenditure

for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Revenue			
Income from pension schemes	2	522,543	435,804
Total revenue		**522,543**	**435,804**
Other income			
Investment income	4	3,882	2,207
Change in fair value of investments	5	3,905	(4,068)
Total other income		**7,787**	**(1,861)**
Total revenue and other income		**530,330**	**433,943**
Total expenditure		**-**	**-**
Net revenue for consolidated fund		**530,330**	**433,943**

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

The notes on pages 173 to 178 form part of this statement.

Statement of Financial Position

as at 31 March 2015

	Note	31 March 2015 £000	31 March 2014 £000
Non-current assets			
Financial assets - annuity policies	6	92,908	53,094
Financial assets - other	6	2,685	128
Total non-current assets		**95,593**	**53,222**
Current assets			
Transfer-in receivables	6	761	3
Cash and cash equivalents	6	281,717	96,576
Total current assets		**282,478**	**96,579**
Total current liabilities		**-**	**-**
Net current assets		**282,478**	**96,579**
Net current assets plus non-current assets		**378,071**	**149,801**
Non-current liabilities		**-**	**-**
Total net assets		**378,071**	**149,801**
Represented by			
Balance on the consolidated fund account	7	378,071	149,801
Total funds		**378,071**	**149,801**

Robert Devereux
Accounting Officer

10 July 2015

The notes on pages 173 to 178 form part of this statement.

Statement of Cash Flows

for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Net cash flow from operating activities		487,201	408,980
Cash paid to the consolidated fund		(302,060)	(323,980)
increase/(decrease) in cash		**185,141**	**85,000**

Notes to the Statement of Cash Flows

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

Net revenue for the consolidated fund		530,330	433,943
(Increase)/decrease in non-current assets	6	(42,371)	(26,179)
(Increase)/decrease in receivables	6	(758)	1,216
Increase/(decrease) in current liabilities		-	-
Increase/(decrease) in non-current liabilities		-	-
Net cash flow from operating activities		**487,201**	**408,980**

B: Analysis of changes in net funds

Increase/(decrease) in cash	6	185,141	85,000
Net funds at 1 April	6	96,576	11,576
Net funds at 31 March	6	**281,717**	**96,576**

The notes on pages 173 to 178 form part of this statement.

Notes to the Trust Statement

for the year ended 31 March 2015

1. Statement of accounting policies

1.1 Basis of accounting

The Trust Statement is prepared in accordance with the Accounts Direction issued by HM Treasury on 18 December 2014, under section 7 of the Government Resources and Accounts Act 2000. The accounts direction requires the department to prepare accounts in accordance with the 2014-15 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, we've picked the policy we judge to be most appropriate to the circumstances of the Financial Assistance Scheme for the purpose of giving a true and fair view. We've applied these policies consistently in dealing with items that we consider to be material to the accounts.

The income contained in this statement is those flows of funds which the department handles on behalf of the consolidated fund where it is acting as agent rather than as principal.

1.2 Accounting convention

The Trust Statement has been prepared under the historical cost convention, modified where material by the fair valuation of financial assets as determined by the relevant accounting standard. All income and expenditure is accounted for on an accruals basis.

1.3 Income recognition

In accordance with IAS 18 (Revenue Recognition), the department recognises the transfer of assets from schemes as income if a transfer notice has been issued by the reporting date and if we judge that the transfer of those assets is probable. Net assets recognised under this policy are stated net of amounts due for professional services or other liabilities incurred by scheme trustees before the transfer of a scheme into the Financial Assistance Scheme.

Annuity income arising from insurance policies held by the Financial Assistance Scheme after transfer from pension schemes is recognised on a cash basis.

1.4 Financial instruments

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
- 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
- exchange financial instruments with another entity under conditions that are potentially unfavourable

b. Recognition
The department recognises financial assets and liabilities when it becomes party to the contracts that give rise to them.

The department derecognises financial assets 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. The department derecognises financial liabilities when the obligation to deliver cash or another financial asset is discharged, cancelled or expires.

c. Classification of financial instruments
Financial instruments fall into categories which are determined at initial recognition in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). The categories are:

- financial assets or 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
- financial liabilities measured at amortised cost

d. Financial assets or 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.

This category includes insurance contracts in the form of annuity policies.

e. Available-for-sale financial assets
Available-for-sale financial assets are non-derivative assets that are designated as available for sale or which are recognised at fair value but not classified in any of the other categories.

This classification includes any illiquid financial assets inherited from schemes and transferred into the Financial Assistance Scheme plus any 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 aren't quoted in an active market and which aren't 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.

This category includes investment income receivables, transfer-in receivables and cash at bank.

g. Financial liabilities measured at amortised cost
Trade payables and accruals do not bear interest and are stated at amortised cost. This category includes net amounts payable to brokers for outstanding settlements and amounts due for professional services incurred before the transfer of a scheme into the Financial Assistance Scheme.

h. Fair value
The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments held at fair value by the Financial Assistance Scheme consist mainly of annuity policies received from transferring pension schemes. We assess the fair value of these annuity policies using actuarial techniques based on demographic and financial factors, including:

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

This valuation process is carried out by qualified actuaries working in the Actuarial – Policy and Process team of the Board of the Pension Protection Fund, acting as the scheme manager of the Financial Assistance Scheme. The process requires the board to make estimates and assumptions that affect reported amounts. The selection of valuation assumptions, such as the discount rate to apply to cash flows generated by annuity contracts, requires the board to exercise judgement. This means actual results could differ from the estimates and judgements.

1.5 Transfer notices

Schemes may exit the process of being assessed for entry into the Financial Assistance Scheme by the scheme manager issuing a transfer notice under regulation 29 of the Financial Assistance Scheme Regulations 2005 (SI2005/1986). This notice means the government assumes responsibility for the scheme, so 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. Where appropriate, the department will also disclose contingent assets for 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

		2014-15	2013-14
		£000	£000
FAS 1 scheme assets transferred	(i)	1,860	1,021
FAS 2 scheme assets transferred	(ii)	520,683	434,783
Total income from pension schemes		**522,543**	**435,804**

(i) FAS1 schemes are schemes that qualify for the Financial Assistance Scheme, 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. The Financial Assistance Scheme pays FAS1 beneficiaries amounts to top up the annuities purchased by the scheme trustees to the benefit levels that it has promised them.

(ii) FAS2 schemes are schemes that qualify for the Financial Assistance Scheme, have been prevented from annuitising and, as part of the finalisation of their winding up, surrender all of their qualifying assets to the government. The Financial Assistance Scheme pays FAS2 beneficiaries the full amount of the benefit it has promised them.

3. Interest on operating bank accounts

The bank account set up to receive income from annuity policies earns interest. This account is managed by the board of the Pension Protection Fund. This regularly transfers any money received to the department's Government Banking Service (GBS) account. The frequency of these transfers means only minimal interest is earned.

The bank account established to receive money from pension schemes transferring into the Financial Assistance Scheme does not earn interest. Nor does the department's GBS account that is used to transfer this money to the consolidated fund.

4. Investment income

All investment income disclosed in the Statement of Revenue, Other Income and Expenditure is income from annuity policies.

5. Financial assets

	31 March 2015	31 March 2014
	£000	£000
Balance at 1 April	53,222	27,043
Asset transfers	38,566	30,347
Redemption of loan notes	(100)	(100)
Change in fair value	3,905	(4,068)
Balance at 31 March	**95,593**	**53,222**

The financial assets consist largely of annuity policies. The change in the assessed fair value of those policies over the year particularly reflects:

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

6. Financial instruments and related risks

(i) Financial instruments by category

	31 March 2015 £000	31 March 2014 £000
Financial assets designated at fair value through profit or loss		
Annuity policies	92,908	53,094
Other financial assets	2,685	128
	95,593	**53,222**
Loans and receivables		
Cash and cash equivalents	281,717	96,576
Transfer-in receivables	761	3
	282,478	**96,579**
Liabilities	-	-
Total financial instruments	**378,071**	**149,801**

The amounts disclosed as "cash and cash equivalents" consist entirely of cash deposits; the Financial Assistance Scheme held no cash-equivalent financial instruments at either year end. The cash deposits can be further analysed as follows:

Cash deposits held at:

	31 March 2015 £000	31 March 2014 £000
Commercial banks	9,560	136
Government Banking Service	272,157	96,440
Total cash deposits	**281,717**	**96,576**

The increase in the value of cash held by the Financial Assistance Scheme at the end of the accounting period is a result of the number of high-value scheme transfers completed in March 2015.

The amounts stated under loans and receivables measured at amortised cost have carrying values which are not materially different from their fair values. So we've assumed the carrying values of these financial instruments approximate to their fair value.

(ii) Financial risks

IFRS 7 'Financial Instruments: Disclosures' requires users of financial statements to be able to evaluate the nature and extent of risks arising from financial instruments and how the entity manages those risks. We discuss how this affects the department below, along with how we measure and manage those risks.

a. Interest rate risk
This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As disclosed in note 3, we have no significant interest-bearing assets or liabilities. This means cash flows are largely independent of market interest rates. The department therefore hasn't disclosed the interest profile of its financial assets and liabilities.

b. Credit risk

This is the risk that a counterparty to a financial instrument will cause us a financial loss by failing to discharge an obligation. Exposure to credit risk arises from counterparty risk on annuity policies, cash and cash equivalents, and transfer-in receivables. The department is satisfied that the credit quality of all the financial instruments exposed to credit risk is satisfactory, as the instruments consist of annuity contracts with insurance companies, receivables with pension schemes and other parties where recovery of the debt is probable.

At the reporting date, the financial assets exposed to credit risk amounted to:

	31 March 2015	31 March 2014
	£000	**£000**
Annuity policies	92,908	53,094
Other financial assets	2,685	128
Cash and cash equivalents	281,717	96,576
Transfer-in receivables	761	3
Total	**378,071**	**149,801**

c. Liquidity risk

This is the risk that the department will find it difficult to meet obligations associated with financial liabilities arising as a result of Financial Assistance Scheme operations. The department manages this risk by maintaining a small balance in its operating bank account in order to meet these liabilities. The liabilities consist entirely of scheme-related expenses settled after issue of transfer notices.

All scheme-related expenses are current liabilities and so are due within a year.

7. Balance on the consolidated fund account

	2014-15	2013-14
	£000	**£000**
Balance on consolidated fund account at 1 April	149,801	39,838
Net revenue for the consolidated fund	530,330	433,943
Amount paid to the consolidated fund	(302,060)	(323,980)
Balance on consolidated fund account at 31 March	**378,071**	**149,801**

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 2015 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 2014-15.

2. The Statement shall be prepared, as prescribed in the accounts direction, 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 in so far as they can properly be met from that revenue and other income

(b) the revenue and expenditure

(c) the cash flows for the year then ended

3. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

4. When preparing the Statement, the department shall comply with the guidance given in the FReM (Chapter 8). The department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

5. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

6. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to ensure compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

7. The 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 Statement may be laid at a later date.

Ross Campbell
Deputy Director, Government Financial Reporting
Her Majesty's Treasury
18 December 2014

Annex

Annex 1: Core tables

Table 1: Public spending

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Resource DEL[6]							
Section A: Operational Delivery	1,399	1,294	2,487	2,865	2,866	2,191	1,631
Section B: Health and Safety Executive (net)	231	203	175	162	155	139	141
Child Maintenance and Enforcement Commission (net)	448	391	484	155	-	-	-
Section C: European Social Fund	-	-	15	122	(3)	-	-
Section D: Executive Arm's Length Bodies (net)	431	391	375	366	354	348	115
Section E: Employment Programmes	1,313	1,814	876	802	1,037	950	904
Financial Assistance Scheme	33	45	73	109	153	-	-
Section F: Support for Local Authorities	614	585	546	529	644	536	296
Section G: Other Programmes	145	197	183	89	62	50	12
Section H: Other Benefits	150	173	90	90	212	206	129
Section I: Departmental operating costs	3,100	2,835	1,453	1,461	1,485	2,150	2,181
Section J: Unallocated provision	-	-	-	-	-	-	549
Section K: National Insurance Fund	1,056	1,093	821	706	611	547	526
Section L: Expenditure incurred by the Social Fund	139	131	46	39	37	33	40
Total Resource DEL	**9,060**	**9,152**	**7,624**	**7,497**	**7,615**	**7,152**	**6,522**
Of which:							
Staff costs	3,585	3,553	3,188	3,066	2,999	2,776	2,410
Purchase of goods and services	2,756	2,945	2,111	2,088	2,259	2,441	2,052
Income from sales of goods and services	(354)	(373)	(284)	(154)	(233)	(201)	(218)
Current grants to local government (net)	760	705	581	621	908	724	421
Current grants to persons and non-profit bodies (net)	1,161	1,377	594	536	555	392	230
Current grants abroad (net)	(338)	(540)	(248)	(187)	(139)	(282)	(400)
Subsidies to private sector companies	6	2	29	95	108	97	121
Subsidies to public corporations	117	174	206	141	120	111	61
Net public service pensions[3]	-	-	-	-	-	-	-
Rentals	1,124	1,126	983	754	693	652	716
Depreciation[2]	222	163	202	249	183	176	181
Other resource	21	22	262	287	162	265	398
Unallocated funds - resource	-	-	-	-	-	-	549

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Resource AME[11]							
Section M: Severe Disablement Allowance - Inside Welfare Cap	907	888	881	887	860	735	507
Section N: Industrial Injuries Benefits Scheme - Inside Welfare Cap	845	888	888	905	901	908	905
Section O: Universal Credit - Inside Welfare Cap	-	-	-	-	6	56	39
Section P: Employment and Support Allowance - Inside Welfare Cap	689	1,282	2,168	4,475	6,898	8,726	9,406
Section Q: Income Support - Inside Welfare Cap	8,369	7,872	6,997	5,254	3,583	2,893	2,804
Section R: Pension Credit - Inside Welfare Cap	8,133	8,242	8,037	7,566	7,042	6,576	6,162
Section S: Financial Assistance Scheme - Inside Welfare Cap	(71)	(1,481)	1,171	93	284	688	500
Section T: Attendance Allowance - Inside Welfare Cap	5,107	5,228	5,339	5,476	5,360	5,422	5,500
Section U: Personal Independence Payment - Inside Welfare Cap	-	-	-	-	165	1,571	2,357
Section V: Disability Living Allowance - Inside Welfare Cap	11,503	11,877	12,566	13,430	13,763	13,798	12,985
Section W: Carer's Allowance - Inside Welfare Cap	1,497	1,572	1,733	1,927	2,088	2,319	2,457
Section X: Housing Benefit - Inside Welfare Cap	19,603	21,015	22,388	23,434	23,701	23,742	22,202
Section Y: Statutory Maternity Pay - Inside Welfare Cap	1,713	2,460	2,548	2,443	2,258	2,391	2,272
Section Z: State Pension Christmas Bonus - Inside Welfare Cap	47	45	47	50	-	33	32
Section AA: Jobseeker's Allowance - Outside Welfare Cap	3,589	3,668	4,173	4,507	3,812	2,696	1,785
Section AB: Universal Credit - Outside Welfare Cap	-	-	-	-	-	-	518
Section AC: TV Licences for the over 75s - Outside Welfare Cap	555	578	587	596	606	612	618
Section AD: Housing Benefit - Outside Welfare Cap	-	-	-	-	-	-	1,583
Section AE: Other Benefits - Outside Welfare Cap[12]	4,837	5,073	5,083	5,129	259	107	95
Section AF: Other Expenditure - Outside Welfare Cap	(29)	(4)	(34)	(142)	11	(13)	-
Section AG: Other Expenditure EALBs (net) - Outside Welfare Cap	1	(5)	1	(4)	(2)	(1)	-
Section AH: Incapacity Benefit - Inside Welfare Cap	6,109	5,562	4,939	3,276	1,187	245	19
Section AI: Employment and Support Allowance - Inside Welfare Cap	582	963	1,414	2,305	3,539	4,101	4,547
Section AJ: Expenditure incurred by the Social Fund - Inside Welfare Cap	3,186	3,681	2,328	2,390	2,106	2,125	2,262
Section AK: Maternity Allowance - Inside Welfare Cap	345	343	366	395	400	417	443
Section AL: Bereavement benefits - Inside Welfare Cap	649	614	594	593	582	571	534
Section AM: Jobseeker's Allowance - Outside Welfare Cap	1,089	788	735	662	527	369	313
Section AN: State Pension - Outside Welfare Cap	66,969	69,884	74,219	79,858	83,137	86,552	89,781
Contributory Benefits - Outside Welfare Cap	-	-	-	-	-	-	-
Total Resource AME	**146,225**	**151,033**	**159,167**	**165,506**	**163,072**	**167,639**	**170,625**

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Of which:							
Staff costs	-	-	-	-	-	-	-
Purchase of goods and services	-	-	-	1	-	-	-
Income from sales of goods and services	-	-	(1)	-	-	-	-
Current grants to local government (net)	24,179	25,807	27,213	28,308	23,702	23,740	23,785
Current grants to persons and non-profit bodies (net)	121,405	125,430	130,002	136,307	138,130	142,413	145,559
Depreciation[2]	(120)	439	(75)	2	5	(3)	50
Take up of provisions	(28)	(1,422)	1,250	204	442	796	499
Release of provision	(75)	(78)	(98)	(162)	(156)	(184)	(205)
Other resource	863	857	877	845	948	877	937
Total Resource Budget	**155,284**	**160,185**	**166,791**	**173,003**	**170,687**	**174,661**	**177,147**
Of which:							
Depreciation[2]	102	602	126	251	188	173	232
Capital DEL							
Section A: Operational Delivery	51	66	37	18	15	12	5
Section B: Health and Safety Executive (net)	6	6	5	7	5	4	5
Child Maintenance and Enforcement Commission (net)	20	8	12	8	-	-	-
Section D: Executive Arm's Length Bodies (net)	2	-	1	1	3	3	-
Section E: Employment Programmes	-	-	3	-	6	(4)	-
Section G: Other Programmes	7	81	52	68	60	94	-
Section I: Departmental operating costs	186	161	171	273	97	97	181
Section L: Expenditure incurred by the Social Fund	48	45	47	44	47	44	45
Unallocated provision	-	-	-	-	-	-	-
Total Capital DEL	**320**	**368**	**327**	**419**	**233**	**249**	**237**
Of which:							
Capital support for local government (net)	-	-	-	-	-	-	-
Capital grants to persons & non-profit bodies (net)	19	10	1	-	-	-	-
Capital grants to private sector companies (net)	-	-	-	-	-	(2)	-
Capital grants abroad (net)	-	-	-	-	-	-	-
Capital support for public corporations	7	2	1	-	-	-	-
Purchase of assets	254	233	229	308	126	118	191
Income from sales of assets	(3)	-	(2)	(3)	(6)	(2)	-
Net lending to the private sector and abroad	48	45	46	45	53	40	45
Other capital	(5)	79	51	68	60	94	-
Unallocated funds - capital	-	-	-	-	-	-	-

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Capital AME							
Section N: Industrial Injuries Benefits Scheme - Inside Welfare Cap	-	-	-	-	-	-	-
Section O: Universal Credit - Inside Welfare Cap	-	-	-	-	1	-	-
Section P: Employment and Support Allowance - Inside Welfare Cap	-	-	-	-	-	-	-
Section Q: Income Support - Inside Welfare Cap	-	-	-	-	-	-	-
Section R: Pension Credit - Inside Welfare Cap	-	-	-	-	-	-	-
Section AA: Jobseeker's Allowance - Outside Welfare Cap	-	-	-	-	1	-	-
Section AJ: Expenditure incurred by the Social Fund - Inside Welfare Cap	123	132	(12)	(17)	(136)	(124)	-
Section AM: Jobseeker's Allowance - Outside Welfare Cap	-	-	-	-	-	-	-
Total Capital AME	**123**	**132**	**(12)**	**(17)**	**(134)**	**(124)**	**-**
Of which:							
Net lending to the private sector and abroad	123	132	(12)	(17)	(134)	(124)	-
Total Capital Budget	**443**	**500**	**315**	**402**	**99**	**125**	**237**
Total departmental spending[5]	**155,626**	**160,084**	**166,980**	**173,154**	**170,598**	**174,742**	**177,152**
Of which:							
Total DEL	9,158	9,358	7,749	7,667	7,665	7,401	6,577
Total AME	146,467	150,726	159,230	165,487	162,933	167,515	170,575

Table 1 notes

1. Net of income from sales of goods and service.

2. Includes impairments.

3. Pension schemes report under Financial Reporting Standard 17 accounting requirements. Any amounts include cash payments made and contributions received, as well as certain non-cash items.

4. Expenditure on tangible and intangible fixed assets net of sales.

5. Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly total departmental expenditure limit (DEL) is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL.

6. This table represents DEL for resource and capital, set for each year in the Spending Review process (amended to incorporate transfers of functions to other government departments as they have arisen).

7. Since 2009-10 we have received additional funding to manage the increased workflows caused by the recession. This funding is used to provide additional support to customers affected by the downturn.

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.

9. As part of the Spending Review 2010 settlement we 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, recession-related Work Programme activities.

10. Table 1 is produced automatically from the HM Treasury System (Online System for Central Accounting and Reporting (OSCAR)) which is used by all central government departments to record their spending and plans. At 31 March 2015, OSCAR reflects the position agreed at Budget 2014. This won't match the outturn in previous years' financial statements and some spending may appear on different lines.

11. AME limits are set as part of the Budget and Autumn Statement process.

12. For 2009-10 to 2012-13 other benefits (Section AE), includes spend on Council Tax Benefits. From 2013-14 new arrangements were introduced for council tax localisation. This was administered by the Department for Communities and Local Government - Local Government, Scotland and Wales.

13. Since 2009-10 the financial accounts of central government departments and entities in the wider public sector were produced under the framework of International Financial Reporting Standards. The main impact for the department related to the accounting treatment of Private Finance Initiative (PFI) contracts and intangible assets. In response to this change the department centralised the funding for some of the major contracts for accommodation and IT within departmental operating costs. However, this did not reflect a reprioritisation of real resources but simply the movement of certain contract costs to be scored against the corporate centre.

14. Totals may not sum due to rounding.

Table 2: Public spending control

	2014-15 Original Plans	2014-15 Adjusted Plans	2014-15 Final Plans	2014-15 Outturn
	£ million	£ million	£ million	£ million
Resource DEL	**7,727**	**7,727**	**7,217**	**7,152**
Operational Delivery	2,098	2,098	1,616	1,859
Child Maintenance Group	447	447	331	332
Health and Safety Executive (net)	142	142	139	139
European Social Fund	-	-	-	-
Executive Non-Departmental Public Bodies (net)	344	344	355	348
Employment Programmes	906	906	953	950
Support for Local Authorities	656	656	523	536
Other Programmes	109	109	225	256
Departmental operating costs	972	972	2,495	2,150
Unallocated provision	1,413	1,413	-	-
National Insurance Fund	600	600	547	547
Expenditure incurred by the Social Fund	40	40	34	33
Resource AME	**167,592**	**167,592**	**169,129**	**167,639**
Severe Disablement Allowance	537	537	751	735
Industrial Injuries Disablement Benefit	909	909	912	908
Universal Credit	3	3	130	56
Jobseeker’s Allowance	3,175	3,175	2,693	2,696
Employment and Support Allowance	8,306	8,306	8,635	8,726
Income Support	2,823	2,823	2,996	2,893
Pension Credit	6,704	6,704	6,657	6,576
Financial Assistance Scheme	442	442	675	688
TV Licences for the over 75s	631	631	637	612
Attendance Allowance	5,522	5,522	5,448	5,422
Personal Independence Payment	1,426	1,426	1,650	1,571
Disability Living Allowance	13,389	13,389	13,778	13,798
Carers Allowance	2,267	2,267	2,292	2,319
Housing Benefit	18,258	18,258	18,319	17,898
Rent Rebates	5,863	5,863	5,904	5,844
Statutory Sick Pay and Statutory Maternity Pay	2,400	2,400	2,393	2,391
Other Benefits	142	142	140	140
Other Expenditure	(6)	(6)	(14)	(13)
Other Expenditure EALBs (net)	-	-	-	(1)
Incapacity Benefit	154	154	247	245
Jobseeker's Allowance	487	487	383	369
Employment and Support Allowance	4,350	4,350	4,134	4,101
Maternity Allowance	400	400	416	417
State Pension	86,560	86,560	86,721	86,552
Bereavement benefits	574	574	563	571
Expenditure incurred by the Social Fund	2,274	2,274	2,669	2,125
Total	**175,319**	**175,319**	**176,346**	**174,791**
Of which:				
Voted expenditure	79,879	79,879	80,633	79,831
Non-voted expenditure	95,440	95,440	95,713	94,960
Capital DEL	**286**	**286**	**281**	**249**

	2014-15 Original Plans	2014-15 Adjusted Plans	2014-15 Final Plans	2014-15 Outturn
	£ million	**£ million**	**£ million**	**£ million**
Operational Delivery	3	3	1	2
Child Maintenance Group	6	6	10	10
Health and Safety Executive (net)	6	6	5	4
Executive Non-Departmental Public Bodies (net)	2	2	3	3
Employment Programmes	-	-	(3)	(4)
Other Programmes	85	85	82	94
Departmental operating costs	30	30	137	97
Unallocated provision	110	110	-	-
Expenditure incurred by the Social Fund	44	44	46	44
Capital AME	**-**	**-**	**(100)**	**(124)**
Universal Credit	-	-	-	-
Jobseeker's Allowance	-	-	-	-
Employment and Support Allowance	-	-	-	-
Income Support	-	-	-	-
Expenditure incurred by the Social Fund	-	-	(100)	(124)
Total Spending in AME	**-**	**-**	**(100)**	**(124)**
Total	**286**	**286**	**181**	**125**
Of which:				
Voted expenditure	242	242	235	205
Non-voted expenditure	44	44	(55)	(80)

Table 2 notes

1. Explanations of notable variances are included in the financial overview (page 49).

2. Table 2 is produced automatically from the HM Treasury System (Online System for Central Accounting and Reporting (OSCAR)), which is used by all central government departments to record their spending and plans. At 31 March 2015, OSCAR reflects the position agreed at Budget 2014. This won't match the outturn in previous years' financial statements. Some spending may also appear on different lines.

3. Totals may not sum due to rounding.

Table 3: Capital employed

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
	£ million[4]	£ million[4]	£ million[4]	£ million[4]	£ million[4]	£ million[4]	£ million[4]
Assets and Liabilities on the Statement of Financial Position at end of year:							
Assets							
Non-current assets	**3,612**	**3,760**	**3,937**	**2,972**	**2,926**	**2,969**	**2,769**
Intangible[1]	**448**	**506**	**538**	**666**	**606**	**559**	**524**
Tangible	**1,955**	**2,044**	**1,977**	**727**	**608**	**525**	**360**
Of which:							
Land and buildings[2]	1,821	1,939	1,896	653	548	438	296
Leasehold improvements	-	-	-	2	5	4	2
Plant and machinery	2	20	16	11	7	5	5
Furniture and fittings	10	-	-	-	-	-	-
Transport and equipment	-	-	-	-	-	-	-
Information technology[2]	122	85	62	56	46	74	53
Payments on account and assets under construction	-	-	3	4	2	3	3
Financial assets	49	126	177	253	312	401	401
Trade and other receivables	1,160	1,084	1,244	1,326	1,400	1,484	1,484
Current assets	**2,680**	**2,813**	**2,602**	**2,983**	**2,392**	**3,966**	**3,966**
Liabilities							
Payables (<1 year)	(4,905)	(5,276)	(4,598)	(4,293)	(4,198)	(5,458)	(5,456)
Payables (>1 year)	(1,113)	(985)	(851)	(709)	(593)	(485)	(602)
Provisions[3]	(4,312)	(2,774)	(3,919)	(3,959)	(4,248)	(4,856)	(5,131)
Pension liabilities	-	-	-	-	-	-	-
Capital employed within core department	**(4,038)**	**(2,462)**	**(2,829)**	**(3,006)**	**(3,721)**	**(3,863)**	**(4,454)**
Arm's length bodies net assets	**(65)**	**(48)**	**(39)**	**(11)**	**(6)**	**(15)**	**(15)**
Total capital employed in departmental group	**(4,104)**	**(2,510)**	**(2,868)**	**(3,018)**	**(3,727)**	**(3,879)**	**(4,469)**

Table 3 notes

1. 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.

2. In 2009-10, we adopted IFRS. This resulted in a number of previously off Statement of Financial Position contracts for IT and accommodation moving onto our 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.

3. Provisions are primarily in respect of Financial Assistance Scheme and reflect the latest forecasts of the likely assistance payments.

4. Totals may not sum due to rounding.

Table 4: Administration budget

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Resource DEL							
Section A: Operational Delivery	1,396	1,269	176	249	244	192	146
Section B: Health and Safety Executive (net)	153	132	111	105	107	83	79
Child Maintenance and Enforcement Commission (net)	448	391	121	44	-	-	-
Section D: Executive arm's length bodies (net)	-	-	15	16	18	19	15
Section I: Departmental operating costs	3,010	2,726	910	765	722	600	760
Section K: National Insurance Fund	1,056	1,093	-	-	-	-	-
Total administration budget	6,063	5,610	1,333	1,180	1,091	894	1,001
Of which:							
Staff costs	3,506	3,436	652	524	479	452	484
Purchase of goods and services	1,434	1,123	440	299	423	375	353
Income from sales of goods and services	(230)	(246)	(100)	(27)	(92)	(65)	(61)
Current grants to persons and non-profit bodies (net)	-	-	-	-	-	-	1
Current grants to local government (net)	-	-	-	-	-	-	8
Net public service pensions	-	-	-	-	-	-	-
Rentals	1,124	1,126	121	138	62	55	99
Depreciation	220	162	212	232	199	56	102
Other resource	9	8	9	14	19	20	15

Table 4 notes

1. As part of the Spending Review 2010 we agreed with HM Treasury that we would re-classify the costs of delivering front line services from DEL administration to DEL programme with effect from 1 April 2011. This has caused significant change.

2. National Insurance Fund (NIF) administration relates to the administration costs of processing NIF benefits, directly related to volumes of activity (see Note 8 Table 1). From 2011-12, activities funded from the NIF are now re-classified to DEL Programme.

3. Totals may not sum due to rounding.

For Table 5: Staff Numbers see 'Our controls' page 62

Table 6: Total identifiable expenditure on services by country and region, 2009-10 to 2013-14

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn
			£ millions National Statistics		
North East	6,287	6,469	6,558	6,860	6,880
North West	16,360	16,787	17,026	17,695	17,771
Yorkshire and the Humber	11,269	11,633	11,794	12,338	12,440
East Midlands	9,413	9,748	10,007	10,492	10,615
West Midlands	12,321	12,672	12,853	13,347	13,476
East	11,440	11,889	12,225	12,864	13,109
London	13,288	13,739	13,856	14,283	14,294
South East	15,953	16,651	17,102	18,000	18,363
South West	11,169	11,583	11,905	12,516	12,735
Total England	**107,499**	**111,170**	**113,325**	**118,396**	**119,682**
Scotland	12,060	12,433	12,577	13,066	13,144
Wales	7,610	7,796	7,901	8,206	8,240
Northern Ireland	9	13	1	1	-
UK identifiable expenditure	**127,178**	**131,412**	**133,804**	**139,668**	**141,067**
Outside UK	2,943	3,108	3,277	3,490	3,655
Total identifiable expenditure	**130,121**	**134,520**	**137,081**	**143,159**	**144,722**
Non-identifiable expenditure	-	1	17	10	-
Total expenditure on services	**130,121**	**134,521**	**137,098**	**143,169**	**144,722**

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Table 7: Identifiable expenditure on services by country and region, per head 2009-10 to 2013-14

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn
			£ per head National Statistics		
North East	2,441	2,501	2,526	2,636	2,636
North West	2,342	2,391	2,413	2,498	2,502
Yorkshire and the Humber	2,157	2,214	2,230	2,321	2,331
East Midlands	2,105	2,163	2,205	2,297	2,308
West Midlands	2,229	2,277	2,292	2,365	2,375
East	1,989	2,047	2,085	2,178	2,202
London	1,673	1,704	1,689	1,719	1,698
South East	1,879	1,941	1,976	2,063	2,088
South West	2,137	2,202	2,246	2,344	2,368
England	2,060	2,112	2,134	2,213	2,222
Scotland	2,305	2,363	2,373	2,459	2,467
Wales	2,504	2,556	2,579	2,669	2,673
Northern Ireland	5	7	-	-	-
UK identifiable expenditure	**2,043**	**2,094**	**2,114**	**2,192**	**2,201**

Table 8: Expenditure on services by sub-function 2013-14

National Statistics	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East
				£ millions				
1. General public services								
1.1 Executive and legislative organs, financial and fiscal affairs, external affairs	-	1	1	1	1	1	1	1
Total general public services	**-**	**1**	**1**	**1**	**1**	**1**	**1**	**1**
4. Economic affairs								
4.1 General economic, commercial and labour affairs	212	442	384	237	383	250	504	295
4.8 R&D economic affairs	1	2	1	1	1	2	3	3
4.9 Economic affairs n.e.c.	-	-	-	-	-	-	-	-
Total economic affairs	**213**	**444**	**386**	**238**	**384**	**253**	**507**	**299**
10. Social protection								
10.1 Sickness and disability	1,895	5,069	3,072	2,540	3,277	2,712	3,831	3,751
of which: incapacity, disability and injury benefits	1,895	5,069	3,072	2,540	3,277	2,712	3,831	3,751
10.2 Old age	3,992	10,450	7,628	6,887	8,376	9,081	7,932	12,963
of which: pensions	3,992	10,450	7,628	6,887	8,376	9,081	7,932	12,963
10.3 Survivors	29	74	51	44	56	54	58	82
10.4 Family and children	229	588	377	292	434	350	771	460
of which: family benefits, income support and tax credits	229	588	377	292	434	350	771	460
10.5 Unemployment	276	574	499	307	497	324	654	383
of which: other unemployment benefits	276	574	499	307	497	324	654	383
10.6 Housing	-	-	-	-	-	-	-	-
10.7 Social exclusion n.e.c.	116	283	191	149	213	160	240	206
of which: family benefits, income support and tax credits	116	283	191	149	213	160	240	206
10.8 R&D social protection	-	-	-	-	-	-	-	-
10.9 Social protection n.e.c.	130	288	235	157	237	174	299	218
Total social protection	**6,667**	**17,325**	**12,053**	**10,376**	**13,090**	**12,855**	**13,785**	**18,063**
TOTAL DEPARTMENT FOR WORK AND PENSIONS EXPENDITURE ON SERVICES	**6,880**	**17,771**	**12,440**	**10,615**	**13,476**	**13,109**	**14,294**	**18,363**

National Statistics (continued)

	South West	England	Scotland	Wales	Northern Ireland	Outside UK	Not Identifiable	Grand Total
				£ millions				
1. General public services								
1.1 Executive and legislative organs, financial and fiscal affairs, external affairs	1	9	1	1	-	-	-	10
Total general public services	**1**	**9**	**1**	**1**	**-**	**-**	**-**	**10**
4. Economic affairs								
4.1 General economic, commercial and labour affairs	189	2,897	321	185	-	1	-	3,404
4.8 R&D economic affairs	1	16	2	1	-	2	-	21
4.9 Economic affairs n.e.c.	-	2	-	-	-	-	-	2
Total economic affairs	**191**	**2,916**	**323**	**186**	**-**	**2**	**-**	**3,428**
10. Social protection								
10.1 Sickness and disability	2,744	28,890	3,687	2,405	-	74	-	35,057
of which: incapacity, disability and injury benefits	2,744	28,890	3,687	2,405	-	74	-	35,057
10.2 Old age	8,893	76,203	7,889	4,863	-	3,518	-	92,473
of which: pensions	8,893	76,203	7,889	4,863	-	3,518	-	92,473
10.3 Survivors	49	497	61	33	-	20	-	612
10.4 Family and children	322	3,823	382	263	-	1	-	4,469
of which: family benefits, income support and tax credits	322	3,823	382	263	-	1	-	4,469
10.5 Unemployment	245	3,760	416	241	-	1	-	4,417
of which: other unemployment benefits	245	3,760	416	241	-	1	-	4,417
10.6 Housing	-	-	-	-	-	-	-	-
10.7 Social exclusion n.e.c.	142	1,700	175	125	-	1	-	2,001
of which: family benefits, income support and tax credits	142	1,700	175	125	-	1	-	2,001
10.8 R&D social protection	-	-	-	-	-	-	-	-
10.9 Social protection n.e.c.	146	1,883	210	124	-	38	-	2,255
Total social protection	**12,543**	**116,757**	**12,820**	**8,054**	**-**	**3,653**	**-**	**141,284**
TOTAL DEPARTMENT FOR WORK AND PENSIONS EXPENDITURE ON SERVICES	**12,735**	**119,682**	**13,144**	**8,240**	**-**	**3,655**	**-**	**144,722**

Core Tables 6, 7 and 8: regional tables - notes

1. Tables 6, 7 and 8 show analyses of the department's spending by country, region and by function. The data in these tables is consistent with the country and regional analyses published by HM Treasury in the November 2014 release. The figures were largely taken from OSCAR in summer 2014 and the regional distributions were completed by the following autumn (taking on board any revisions to departmental totals). Therefore the tables may not show the latest position and may not be consistent with other tables in the departmental report or published elsewhere. 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 to 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 ALBs plus public corporations' capital expenditure, but do not include capital finance to public corporations. Nor do they include payments to local authorities or local authorities' own expenditure.

3. TES is a cash equivalent measure of public spending. The tables don't include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of 'Public Expenditure Statistical Analysis 2014'.

4. The data features both identifiable and non-identifiable spending:

- identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions
- non-identifiable expenditure - is incurred for the benefit of the UK as a whole and cannot be disseminated by individual country or region

5. Across government, most expenditure isn't planned or allocated regionally. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that haven't normally been made 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, the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA November 2014 release. These are not the same as the strategic priorities shown elsewhere in the report.

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