Department for Work & Pensions

Annual Report & Accounts 2018-2019

HC 2281

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Department For Work & Pensions

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Department for Work and Pensions

Annual Report and Accounts 2018-19

for the year ended 31 March 2019

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The Right Honourable Amber Rudd MP
Secretary of State for Work and Pensions

Secretary of State's foreword

I was delighted to be appointed Secretary of State for the Department for Work and Pensions in November. DWP is the largest public service government Department, with the biggest annual budget. Its diversity of benefits, payments and pensions support people who are in work, out of work or beyond working age - touching every citizen at some point in their lives.

We are building a modern, fair and affordable welfare system that makes a positive difference to peoples' lives.

Universal Credit is based on three fundamental principles:

- ensuring those who can work, should; and that those who cannot are protected from poverty
- making sure work always pays more than being on benefits
- fairness - to both the recipients of benefits, and the taxpayers whose contributions support them

This vital reform is delivering a welfare system that helps people into work, giving them financial independence, and the choices and opportunities to pursue their ambitions in life. In the past year we have successfully completed the nationwide roll-out of Universal Credit, and made some important changes to improve the system and support we offer, including:

- extending opening hours including piloting opening on Saturdays
- piloting the provision of more frequent payments for new claimants
- improving how the Flexible Support Fund can be used with child care costs

Thank you to all colleagues who worked to deliver this - I commend the level of commitment I have witnessed.

This new benefit is one element that underpins our strong labour market story, with employment reaching an all-time high of 76.1% this year. Indeed, since 2010, the labour market has gone from strength to strength; over 3.5 million more people are in work – that's over 1,000 more each and every day, for almost a decade.

The Department is working to enable disabled people to achieve their full potential, and lead positive, fulfilling lives. My ambition is to significantly improve how we support these citizens and those with health conditions. The number of disabled people in employment rose by 947,000 between 2014 and 2019. We are now working on a comprehensive 10 year plan to remove barriers to work and create more opportunities for this group.

Over the past year we have also continued to make improvements to PIP processes and from April 2019, we will no longer undertake regular reviews of PIP awards for claimant at or above State Pension age unless they tell us their needs have changed.

We are focusing on reforming the pensions system to meet the customer's changing needs, creating a sustainable system that reflects modern life and supports saving and personal responsibility for income in retirement.

Automatic enrolment has transformed pension saving, significantly increasing pension participation and normalising retirement saving for most people in work. Over 10 million workers have now been automatically enrolled into a workplace pension, with over 1.4 million employers meeting their duties under the scheme. This is an immense achievement, of which the Department can be rightly proud.

In the family support portfolio, we have successfully delivered wide-scale reforms to child maintenance by replacing the Child Support Agency. The Child Maintenance Service is a modern system that encourages separated parents to work together to provide financial support for their child's living costs. This year we introduced new legislation under our Child Maintenance Compliance and Arrears Strategy. This will improve parental compliance, close loopholes so that more money reaches children, strengthen our enforcement powers, and deal with the historic arrears that built up under the previous system.

We continue to build a Department fit for the future by embracing digital technology to provide more accessible and efficient services for our customers. Our Digital Transformation has improved the experiences of people who rely on our services, making us more effective and efficient, and enabling us to personalise delivery for customers and claimants.

Since joining the Department I have met frontline colleagues and Work Coaches in many parts of the country. I would like to commend them for the incredible work they do, every single day, to ensure claimants receive the payments and support that they need.

I know there is more to be done over the next year. I will be taking forward our welfare agenda, looking at how we can better serve all our claimants and do more to support the most vulnerable.

Peter Schofield CB
Permanent Secretary

Permanent Secretary's overview

This has been a year in which we have achieved some important milestones, helping change lives for good all across the country.

As of December 2018, Universal Credit is in every jobcentre across the country. Just under 2 million people now receive Universal Credit, with around 86% of claimants receiving their full entitlement on time in the first assessment period.

More people are in work than ever before, with the employment rate reaching a record 76%. Youth unemployment reached a record low in November 2018. And 54,000 people have started on the Work and Health Programme, which provides a personalised support to people facing barriers to employment.

Over 10 million people are now saving for retirement by being auto-enrolled on a workplace pension. And we have worked with employers to get people ready for the rise in automatic enrolment savings rates from April 2019.

In December 2018, we closed the last Child Support Agency cases.

In addition to these milestones, we have contributed to cross Civil Service work on EU Exit, including preparations for a no-deal exit. We have provided staff and other support to departments more affected by exiting the European Union than us.

Above all, we have worked to deliver good services every day to some 20 million citizens. We have maintained high standards in delivery across all our major product lines, and we have met key milestones on our Legal Entitlement Administrative Exercises (LEAP) to tackle past underpayments on ESA and PIP.

These achievements have been delivered alongside significant changes in the way we work, and with a reducing budget for the cost of running the Department.

In 2018-19 we continued to transform our Department, as we have focused on improving the quality of our services within the resources available, we:

- processed 78% of new claims within planned timescales and achieved customer satisfaction of 81%
- processed Universal Credit (UC) faster - UC Full Service claimants for households with new claims receiving full payment on time stood at around 86% in February 2019 an increase from 78% in February 2018
- reduced our annual running costs by £3.1 billion since 2010

- continued to recognise the vital importance of maintaining a healthy, safe, resilient, engaged and motivated workforce: we have trained 965 Mental Health First Aiders as of March 2019 and we received the REBA Employee Wellbeing Award
- delivered commercial savings of around £352 million in 2018-19 (£265 million cash savings and £87 million efficiency savings)
- launched Find a Job, which replaced Universal Jobmatch in July 2018, which has already supported 24.9 million job applications from 810,000 registered jobseekers online
- recovered £1.7 billion of benefit and NHS debt this year

Forward look

The year ahead sees our funding for running the Department fall by 5% compared to the outturn in 2018-19. Our focus is to do more to deliver great outcomes more efficiently which is why we have restructured the organisation from April 2019. The new structure will build multi-functional, multi-disciplinary teams that will work to deliver shared outcomes for our customers. As we do so, we need to make further progress implementing our Fraud and Error Strategy. We will ensure the Department is ready to respond to the UK's exit from the EU and we continue to support the Scottish Government to transfer powers as per the Scotland Act 2016.

I am immensely proud of what we have achieved over the past year and embrace the challenges ahead as we continue to support millions of people to live fulfilling lives.

Our 2018-19 Performance at a glance

Making a difference

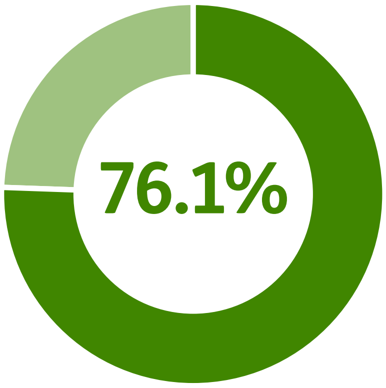
£182.5 billion
paid out in benefit, pension and Social Fund payments

More than
10 million
people automatically enrolled in a workplace pension

Universal Credit

Universal Credit fully rolled out to all
637 jobcentres

A record UK employment rate of



10.2%
of children living in a workless household – down from 16.2% in 2010

947,000
more disabled people in work now than 5 years ago

Transforming our Department

Pension savings of eligible savers at
£90.4 billion

£1.7 billion
of debt recovered

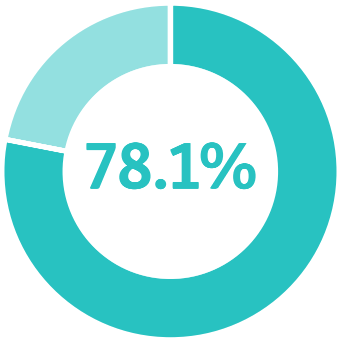
Staff engagement at
59%
up from
46% in 2010

46% 2010
59% 2018

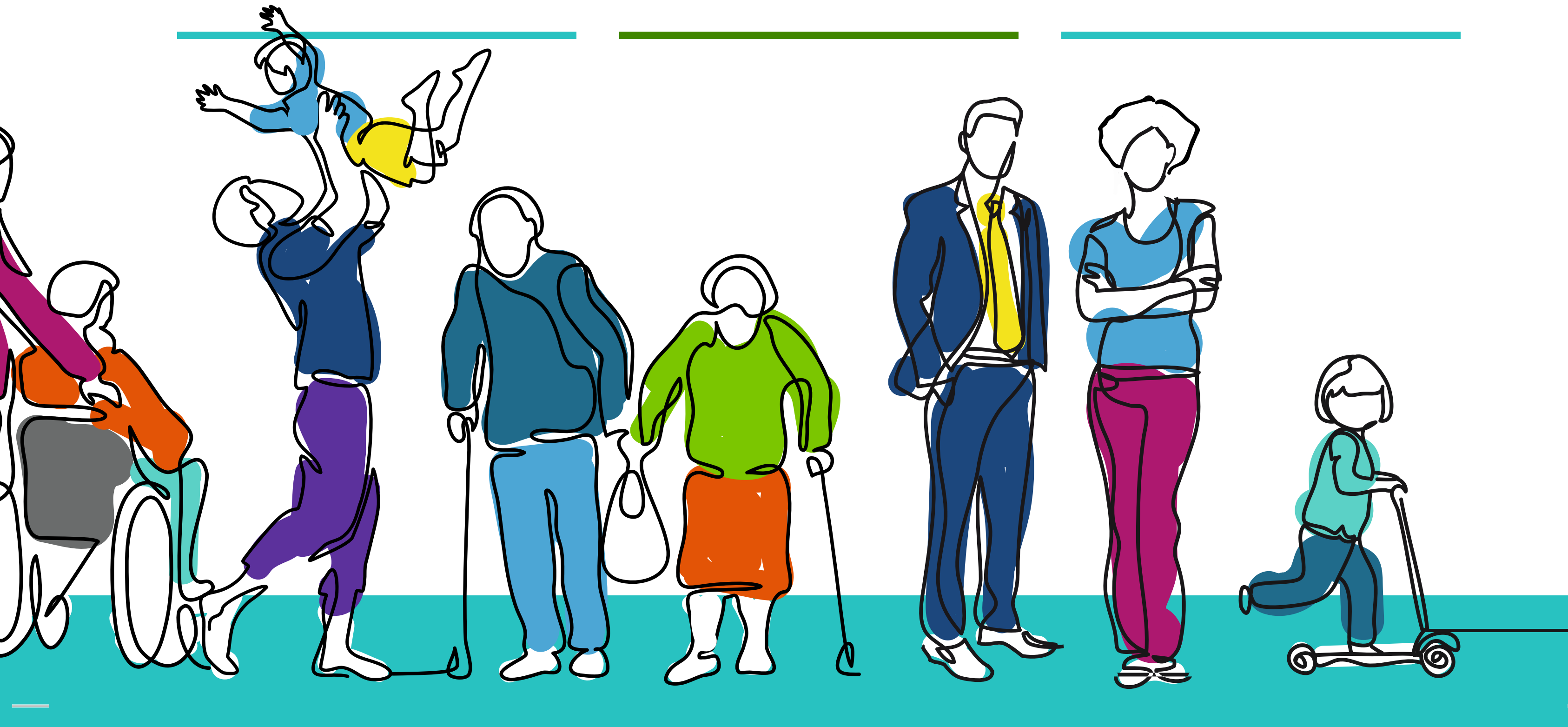
Customer satisfaction at
81%

£3.1 billion since 09-10

Reduced our annual running costs by
£3.1 billion
since 2009/10

Processed


of new claims within timescales



Performance overview

About the Department for Work and Pensions

This section provides an overview of the Department for Work and Pensions.

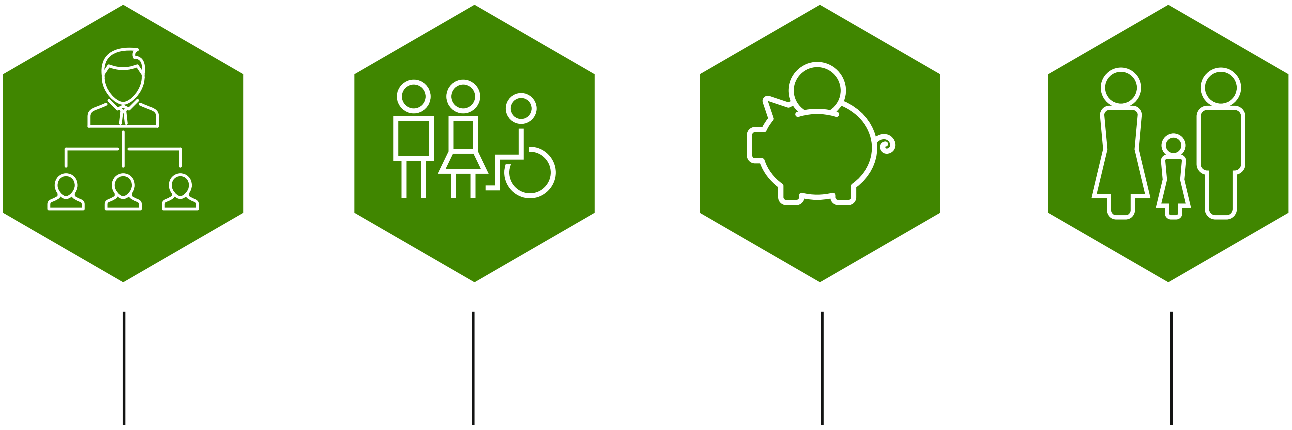
It sets out our purpose and plans during the past year. We have presented the information so that readers of the Annual report and accounts do not need to look further into the rest of the document unless they require additional details or have specific accountability or decision making needs.

Who we are

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

Our vision

Deliver a modern, fair and affordable welfare system that makes a positive difference to citizens' lives by extending opportunity, strengthening personal responsibility and enabling fulfilment of personal potential.



People seeking employment

People with a disability or health condition

People planning for or in retirement

Children and families

Our services

Our services are available to;

Service user groups	Our Services
People seeking employment	**Jobcentre Plus** provides personal tailored employment advice combined with detailed knowledge of local labour markets to match people to suitable job vacancies through a network of 637 jobcentres.
	'Find a job' online site, allows jobseekers to search for work at a time convenient for them, offering jobseekers and employers a simpler and more streamlined way to log in and access their information.
	Universal Credit helps people move into work and become economically independent, giving them more choices and opportunities to fulfil their other ambitions in life and reach their potential.
	Youth Obligation support programme encourages young people into activities to help them transition into work, offering support as appropriate such as basic skills training, work related training and work experience.
	Fuller Working Lives: A Partnership Approach is an employer-led strategy that aims to increase the retention, retraining and recruitment of older workers by bringing about change in the perceptions and attitudes of employers.
	Housing Benefit helps people across the UK with their housing costs.

Service user groups	Our Services
People with a disability or health condition	**Work and Health programme** helps people to enter into and stay in work, using the expertise of private, public and voluntary, and community sector providers.
	Specialist Employability Support is a voluntary programme of support aimed specifically at individuals whose health related barriers do not allow them to benefit from other employment programmes by individually tailored guidance, learning and training relevant to each participant.
	Disability Confident is a business led scheme that puts employers firmly at the centre of a national movement to increase employment opportunities for disabled people, encouraging employers to think differently about disability and to take action to improve how they attract, recruit and retain disabled employees.
	Access to Work is a scheme tailored to an individual's needs, providing financial assistance for pre-employment (work experience, supported internships and traineeships) and during employment.
	Personal Independence Payment helps people between age 16 and pension age with the additional costs associated with a disability or long-term health condition.

Service user groups	Our Services
People planning for or in retirement	**The Money and Pensions Service** ensures that people, especially those who are struggling, have access to the information and guidance they need to help them make effective financial decisions.
	The creation of Pensions dashboards will allow individuals to see information from multiple pensions, including state pensions online in one place.
	Pension Credit protects pensioners on a low income by topping up any income already received to a standard minimum amount, with higher amounts for pensioners with caring responsibilities, a severe disability or certain housing costs.
	The Pensions Regulator protects UK workplace pensions by making sure employers, trustees, pension specialists and business advisers fulfil their duties to scheme members, and by ensuring they meet their automatic enrolment duties.

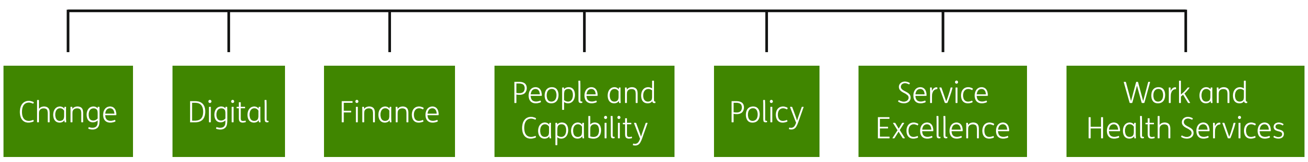
Service user groups	Our Services
Children and families	**Reducing parental conflict programme** aims to decrease the number of children that have to live with damaging levels of parental conflict, by giving parents access to evidenced based support to increase collaboration, whether they are together or separated.
	The Statutory Child Maintenance Scheme can arrange child maintenance on behalf of separated parents who may be unable to agree a child maintenance arrangement between themselves.
	Child Maintenance Options is a free service that provides impartial information and support to help separated parents make decisions about their child maintenance arrangements.

Our structure

We are led by the Secretary of State for Work and Pensions and the Permanent Secretary is our most Senior Civil Servant. At the end of March 2019 there were 76,689[1] full time equivalent people working in our departmental group, which includes our core Department and our arm's length bodies.

From April 2019 we moved to an organisation where we no longer organise ourselves by Operations and Corporate Centre groups. Our focus instead is to ensure that everyone sees their role in supporting the outcomes and services which DWP is responsible for.

Our new Director General led groups are:



This new structure will strengthen how colleagues work together; all members of the Executive Team are collectively accountable for the overall success of DWP.

1 The departmental group staffing numbers is as published on www.gov.uk but does not include BPDTS and TPO whole time equivalents which were 894 at 31 March 2019.

Our budget

The cost of running our Department in 2018-19 was £6.3 billion, paid from Departmental Expenditure Limit (DEL). We also paid out **£182.5 billion** in benefit, pension and social fund payments from Annually Managed Expenditure (AME).

What we are aiming to achieve

Our ministers set out 5 overarching strategic objectives in a Single Departmental Plan for the Department in 2018-19.

A detailed analysis of our performance against each strategic objective has been set out from page 21 and also reports progress for each headline indicator.

Strategic objectives	How are we going to do this
1. Build a more prosperous society by supporting people into work and helping them to realise their potential	Complete the roll-out of Universal Credit
	Deliver an effective labour market strategy and benefit design that ensures work always pays, pre and post EU exit
	Provide effective employment services and efficient benefit processing
	Work with employers to support recruitment, progression and retention, at both a national and regional level

Strategic objectives	How are we going to do this
2. Improve outcomes and ensure financial security for disabled people and people with health conditions	Deliver an effective strategy to support disabled people and people with long-term health conditions to find and remain in work
	Support disabled people and people with long-term health conditions to live independently
	Encourage government, stakeholders, business and disabled people to work together to support disabled people's full participation in economic and social life
	Protect disabled people and people with health conditions on low income

Strategic objectives	How are we going to do this
3. Ensure financial security for current and future pensioners	Deliver a State Pension system which aids retirement planning and protects low income pensioners
	Increase participation and confidence in workplace pension schemes
	Support the retention, retraining and recruitment of older people (50+) in the labour market
	Consider the introduction of a mid-life MOT, an initiative which is designed for anyone who wishes to take stock at key points in their life

Strategic objectives	How are we going to do this
4. Increase every child's opportunity to succeed by helping separated parents agree effective child maintenance arrangements and supporting families in distress to reduce parental breakdown and separation	Continue the effective operation of Child Maintenance policies and service that deals with the Child Support legacy by encouraging family based arrangements and parental collaboration, and delivering an effective and efficient statutory child maintenance service for separated parents
	Implement the national strategy to reduce parental conflict in workless families

Strategic objectives	How are we going to do this
5. Transform our services and work with the devolved administrations to deliver an effective welfare system for citizens when they need it while reducing costs	Transform the Department by creating an environment that enables a highly engaged, capable and diverse workforce
	Reduce fraud and error within DWP benefits
	Provide an outstanding service to our customers and claimants

Information about the challenges the Department faces in delivering these objectives can be found within the Governance Statement.

We are also committed to embedding sustainable development and meeting our public sector equality duty (which covers the 9 protected characteristics of; age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, gender, marriage and civil partnerships and sexual orientation) in everything we do. Our commitment is indicated throughout the Performance Analysis by the following icons:

Sustainable development

Environment – We aim to make prudent use of natural resources to help protect the environment

Social – We aim to recognise the needs of everyone and support those with complex barriers to turn their lives around for the better

Economic – We aim to achieve high and sustainable levels of employment to support economic growth

Public Sector Equality Duty

Fair treatment – We aim to eliminate discrimination and treat everyone fairly

Opportunity – We aim to give everyone the opportunity and support they need to fulfil their potential regardless of their circumstances

Good relations – We aim to develop good relations between different types of people through understanding and tackling prejudice

More detail on sustainable development is available on pages 82 to 84. The Public Sector Equality Duty is on pages 88 to 90 regarding our service users and, on pages 58 to 60 regarding our colleagues.

Overview of our performance in 2018-19

This section provides a summary of our overall performance against our Single Departmental Plan (SDP) for 2018-19. Our SDP sets out our strategic objectives along with the headline indicators through which we measure our progress against each of our 5 strategic objectives.

Strategic Objective 1: Build a more prosperous society by supporting people into work and helping them to realise their potential

In 2018-19, we continued to deliver a welfare state that supports the key principles of helping people who can work into work and providing financial support for those who can't, making work pay and providing support in times of need.

We have continued to focus on the groups with the biggest barriers to work. We are helping young people into work through the Youth Obligation Support Programme, which supports unemployed 18 to 21 year olds to make a new claim to Universal Credit (UC). We offer work focused coaching and referral to additional tailored support drawn from a wide range of locally available provision to young people. In January 2019, the Minister for Employment announced the national roll-out of the mentoring circles initiative to support all young people who would benefit from such support.

We have also seen significant progress in helping claimants from BAME groups into work, with over half a million more in employment since 2015, but there is still more to do. We are working in 20 "challenge areas" where the largest number of ethnic minority people could be helped into employment, we have run mentoring circles which involve national employers offering specialised support to unemployed, ethnic minority jobseekers to help build their confidence and raise their aspirations. They also help employers revise their recruitment practices to attract a more diverse talent pool.

Through UC we are helping people moving into work become economically independent, giving them more choices and opportunities to fulfil their other ambitions in life and reach their potential. We are seeing record numbers of people moving into work, with on average one thousand more people going into work each and every day since 2010.

We are supporting workless parents with high childcare costs when they have an opportunity to take up paid work or increase their working hours. UC childcare policy is a key part of the government's wider childcare offer, which includes free childcare hours and tax free childcare; helping families to retain more of their earnings.

2018-19 Headline Indicators	Previous Data	Latest Data
UK employment rate	75.6%	76.1%
Percentage of young people aged 18-24 years not in full-time education in employment	77.1%	77.4%
Percentage of children living in workless households	10.5%	10.2%

Strategic Objective 2: Improve outcomes and ensure financial security for disabled people and people with health conditions

Many disabled people still face a variety of barriers in their everyday lives, including barriers to work. We are supporting the government's aim to support many more disabled people into work.

Our strategy *'Improving Lives: the future of work, health and disability'* paved the way for multiple changes in the way we help disabled people and people with health conditions to enter or remain in work.

We continue to work with employers to create healthy and inclusive workplaces where disabled people are recruited and supported in work and employees who develop a health condition or disability are supported in work.

More than 11,000 employers had signed up to the Disability Confident (DC) scheme as of 15 March 2019. All main government departments are now signed up to DC Level 3 and 80% of local authorities are DC. Employers report the positive contribution of DC on disability employment practices. We have invested in front line capacity and capability across our Jobcentre Plus network, for example, recruiting more disability employment advisers and rolling out mental health training for all work coaches to support our initiatives.

2018-19 Headline Indicators	Previous Data	Latest Data
UK employment rate of disabled people	50.7%	51.7%
Percentage of disabled people with a low income	19%	21%

Strategic Objective 3: Ensure financial security for current and future pensioners

We are focusing on reforming the pension system to ensure it is sustainable, reflective of modern life and protected for future generations. Through the pension system we are aiming to give people a greater understanding and confidence in what they will receive from the state when they retire, as well as encouraging people to plan and save for their retirement.

To help people increase their pension savings, alongside the simplified new State Pension, we have introduced automatic enrolment to encourage more people to save for their retirement and make saving normal for most people in employment. By the end of January 2019, over 10 million workers had been automatically enrolled into a workplace pension and over 1.4 million employers had declared compliance with their automatic enrolment duties.

Pension Credit continues to protect pensioners on a low income. Pension Credit tops up any income already received to a standard minimum amount, with higher amounts for pensioners with caring responsibilities, a severe disability or certain housing costs. From February 2019, pensioners with responsibility for a child or qualifying young person are able to claim the Pension Credit child addition. This is an additional amount for every child or young person they have responsibility for with further amounts in cases of disability.

2018-19 Headline Indicators	Previous Data	Latest Data
Number of eligible employees in a pension scheme sponsored by their employer	17.7 million	18.7 million
Total pension savings of eligible savers	£83.4 billion	£90.4 billion
Percentage of pensioners with a low income	16%	16%

Strategic Objective 4: Increase every child's opportunity to succeed by helping separated parents agree effective child maintenance arrangements and supporting families in distress to reduce parental breakdown and separation

Child maintenance can make a real difference to the lives of children as it can help to pay for things like food, clothing and other essentials. We have successfully delivered wide scale reforms to child maintenance by replacing the Child Support Agency with an effective system which encourages separated parents to work together to provide financial support for their child's everyday living costs.

Through our Child Maintenance Options, we support separated parents to work together to set up family-based child maintenance arrangements and where this is not possible, we provide access to the statutory Child Maintenance Scheme to ensure separated parents contribute towards the upkeep of their children. The Reducing Parental Conflict programme aims to decrease the number of children that have to live with damaging levels of parental conflict, by giving parents access to evidenced based support to increase collaboration, whether they are together or separated.

2018-19 Headline Indicators	Previous Data	Latest Data
Percentage of children living with parents in relationship distress	12%	11%
Percentage of separated families with a maintenance agreement	55%	48%

Strategic Objective 5: Transform our services and work with the devolved administrations to deliver an effective welfare system for citizens when they need it while reducing costs

Throughout 2018-19 we have a multi-faceted approach to transforming our services including a comprehensive strategy to shape our workforce for the future, embracing and enhancing digital technologies and a robust commercial contracting framework.

Our Department is progressing work on Fraud, Error and Debt. Whilst our focus is on minimising the occurrence of overpayments and underpayments, we nevertheless recovered £1.1 billion in 2018-19 reducing the overall loss in the year to £3.0 billion. Our Risk and Intelligence Service (RIS) was launched on 1 April 2018 and its capability is developing, building a rich understanding of these and other causes of loss and developing and testing ways to detect and prevent them.

Every working day throughout 2018-19, we supported hundreds of thousands of people by helping them find work, get the help they need, and making timely decisions and payments. During 2018-19 we have continued to focus on transforming our services to improve the support we offer customers and deliver an effective welfare system that meets the needs of people using our services and improves customer outcomes.

Our annual running costs were £6.3 billion in 2018-19. The savings illustrate our commitment to delivering value for money for the tax-payer. The Department has done well in achieving the savings to date, especially commercial savings in estates and IT contracts and headcount reductions.

2018-19 Headline Indicators	Previous Data	Latest Data
Net loss due to fraud and error as a percentage of overall benefit expenditure	1.6%	1.6%
Customer and claimant satisfaction with DWP services	84%	81%
New claims processed within planned timescales	81.7%	78.1%

Summary of cross-government commitments and requirements

For our Department, Devolution means a significant change to the way welfare and employment support is to be delivered across Great Britain as a whole. In line with all UK government departments, DWP has a Devolution Capability and Engagement Plan which reflects the changing nature of our Department's engagement on devolved issues, particularly since the passage of the Scotland Act 2016. The plan also supports the Cabinet Office led work to improve devolution knowledge across Whitehall and its goal is to further develop policy and operational capability.

We continue to support a number of city Regions and combined authorities to deliver innovative pilots to support the hardest to help in their area. More detail on pages 80 to 81.

We are mainstreaming sustainable development so that it becomes central to the way we make policy, run our buildings and purchase goods and services. Through our services we are contributing to social wellbeing, safeguarding the environment and supporting the UK economy. Our approach is to balance different, and sometimes competing, needs in everything we do against an awareness of the environmental, social and economic limitations we face as a society.

The Department continues to work closely with the Department for exiting the European Union and other government departments to ensure consistency of plans across government as part of the UK's preparations to leave the EU. Officials continue to undertake planning for all EU Exit scenarios, as is prudent for such a significant issue.

We remain committed to providing services which embrace diversity and promote equality of opportunity. Under the Public Sector Equality Duty, we give due regard to eliminating discrimination, advancing equality of opportunity and fostering good relations between different people when carrying out our business. We recognise this helps us to carry out a business more efficiently, particularly in terms of improving decision making and policy development, and thereby enabling us to develop services that meet the requirements of a diverse range of customers.

The Department actively supports the government in meeting several of the sustainable development goals, focusing on SDG 1 "end poverty in all its forms everywhere", SDG 8 "promote sustained, inclusive and sustainable economic growth, full productive employment and decent work for all" and SDG 10 "reduce inequality within and among countries". We also continue to support the government's commitment to reduce its impact on the environment.

Performance analysis

This section provides a more detailed narrative of our performance against our Single Departmental Plan 2018-19, including headline indicators against which we measure performance. It sets out how we've been making a difference to the lives of UK citizens, how we've been transforming our Department to live within our spending review settlement and how we have improved the services we offer to people. It also sets out our performance against a number of cross-government commitments.

Strategic Objective 1: Build a more prosperous society by supporting people into work and helping them to realise their potential

To help the government deliver on its plan to build a country that works for everyone, we are delivering a modern, fair, affordable and sustainable welfare system that makes a positive difference to citizens' lives. Work lies at the heart of this aspiration by giving people purpose, dignity and security and by enabling them to fulfil their personal potential.

This aspiration is underpinned by a system that helps and encourages everyone who can or wants to work to do so no matter what their personal circumstances. This is based around; recognising that the support we offer will differ depending on an individual's personal circumstances, the importance of personal responsibility, and that the system ensures work is financially worthwhile with support for those people most in need.

We provide support financially to working age people where they are seeking employment through a wide range of benefits. We also support working people on a low income, and pay maternity and bereavement benefits.

Benefits administered	Amount paid out in 2018-19 in £s millions
Bereavement benefits	462
Christmas Bonus	32
Housing Benefit (not disability, incapacity or carer)	7,243
Income Support (not incapacity)	1,185
Jobseeker's Allowance	1,300
Maternity Allowance	428
Social Fund Payments	15
Statutory Maternity Pay	2,587
Universal Credit (not incapacity or carer)	6,156
Other benefits	(335)[2]
Total	**19,072**

Totals may not sum due to roundings.

2 The negative figure of £335 million relates to a reduction in the impairment of Tax Credit receivables.

What we've been doing

Making work pay

In 2018-19, we continued to work intensively to deliver a welfare state that supports the key principles of helping people who can work into work and providing financial support for those who can't, making work pay and providing support in times of need. We are seeing record numbers of people moving into work, with on average one thousand more people going into work each and every day since 2010.

Through **Universal Credit** (UC) we are helping people moving into work become economically independent, giving them more choices and opportunities to fulfil their other ambitions in life and reach their potential. UC improves the way in which we help people into work by providing tailored support and makes it more financially rewarding to increase earnings when in employment.

By December 2018, UC was rolled out successfully to our network of 637 Jobcentres, supported by 30 service centres, to provide tailored support to UC claimants across the country. Payment timeliness has improved over the course of the year with 86% of new claims to UC receiving full payment on time in February 2019, an increase from 78% in February 2018.

UC Successfully rolled out to all **637** jobcentres

There is no reason for people to be without money following a move to UC because advance payments are widely available. For some time now UC claimants have been able to access 100% of their indicative award of UC upfront, payable on the same day for someone who is in urgent need.

Since July 2018, advanced claims could be made on-line so they are available in a straightforward and accessible way.

A £4.5 billion cash boost to UC was announced in the Autumn Budget 2018, following the extra £1.5 billion allocated in 2017, to ensure that vulnerable claimants and families are supported in the transition to UC, and millions keep more of what they earn. This included increases to work allowances (the amount some households are allowed to earn before the amount of UC they receive is affected) worth an extra £1.7 billion a year by 2023-24. This will strengthen the work incentives under UC and provide a boost to the incomes of the lowest paid. This will result in 2.4 million families keeping an extra £630 per year of what they earn.

The Budget also announced plans for Income Support, Jobseeker's Allowance (income-based), and Employment and Support Allowance (income-related) claimants to continue to receive support for a fortnight during their move to UC. Effective from July 2020, this extra financial support will benefit around 1.1 million claimants and will not need to be repaid.

More recently, on 11 January 2019, the Secretary of State for Work and Pensions announced measures that will provide further support for UC claimants, including the removal of the extension of the two-child limit on UC for children born before 6 April 2017. All children born before that date will continue to be supported by UC.

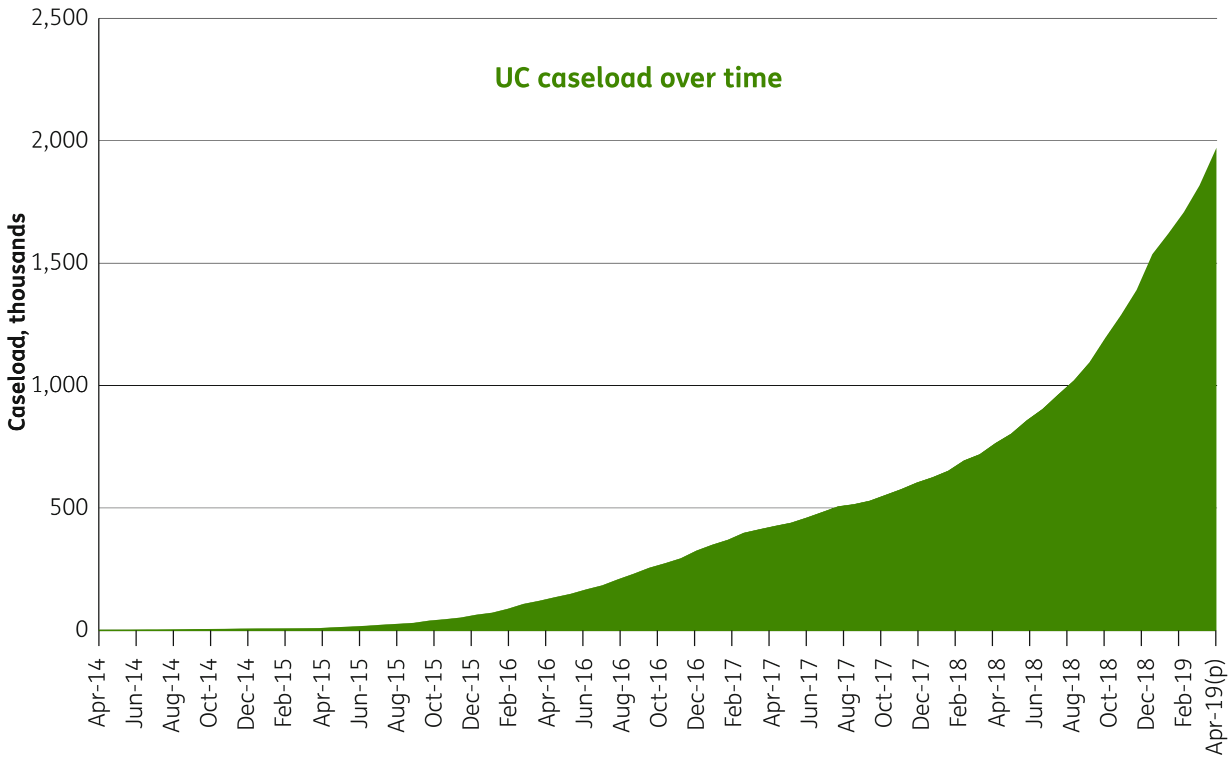
The Autumn Budget package also announced the creation of a one year grace period from the Minimum Income Floor, which is an assumed level of income for self-employed claimants, for people joining UC who already have an existing business that may have been running for several years. This change means, that from September 2020, all self-employed UC claimants, will be given the same 12 months exemption period to provide them with time and support needed to grow their businesses.

In recognition of the importance of self-employment and small businesses to the economy and to society, UC supports people into self-employment where this is the best route for them to become financially self-sufficient. All gainfully self-employed UC claimants who have been in business for 12 months or less, benefit from a start-up period of one year where the Minimum Income Floor does not apply and receive support from dedicated work coaches through regular interviews.

UC is working for the majority of claimants and progress in delivery is good. We believe it will result in an extra 0.2 million people moving into work by 2023-24, and empower people to work an extra 113 million hours a year – lifting people out of poverty and generating £8 billion in economic benefits every year once everyone eligible is on UC.

We expect UC will ensure that £2.4 billion of unclaimed benefits will be paid to those who are entitled to them, benefiting 0.7 million households by an average £285 per month.[3]

By the end of 2023, all existing legacy claimants will be moved to UC. The testing of moving over legacy claimants to UC is planned for July 2019. This pilot will initially involve no more than 10,000 claimants. Testing the system and our processes will allow us to make sure we can provide the best possible service to those claimants who will move to UC.



Latest statistics published in May 2019 show there were 1,959,125 people receiving UC in April 2019 and of these 33% were in employment. This compares to 856,550 people in April 2018 of which 37% were in employment. Since UC began, there have been 4,357,544 claims, and 3,363,877 starts[4] to UC have been made[5].

We are ensuring there is strong financial incentive for individuals to work by reforming the structure of benefits we pay. We have maintained the limit on the total amount of benefit that low income households can receive through the **benefit cap.**

Evaluation of the previous cap level found capped households were 41% (increased by 4.7 percentage points) more likely to go into work than similar uncapped households. Similarly, lone parents affected by the cap were 51% (increased by 4.9 percentage points) more likely to go into work than similar uncapped lone parents. An evaluation of the lower, tiered benefit cap is currently underway and the Department intends to publish the full findings by autumn 2019.

3 Relates to DWP business case modelling
4 A **starter** to Universal Credit is defined as an individual who has completed the Universal Credit claim process and accepted their Claimant Commitment.
5 Please note that the backseries for People on UC was revised in February 2019. This was due to the correction of an issue which affected the start and end dates for some individuals on UC.

Helping people to find and progress in work

The vast majority of benefit claimants only receive out of work benefits for a short duration. By maintaining close links with the labour market, they often return quickly to employment. We actively encourage claimants to take personal responsibility for their transition back to work to support them to identify their own barriers and referring themselves to help and accessing online tools.

Find a job launched in May 2018, provides a service which offers jobseekers and employers a simpler and more streamlined way to log in and access their information. The site allows jobseekers to search for work at a time convenient for them, being available 24 hours a day, 7 days a week. Through the creation of an account, they can track their activity, create tailored job alerts and store multiple CVs, to ensure their applications are the best they can be when applying for roles. We now have over 45,000 companies actively using the site with around 1.3 million adverts being posted and around 24.9 million job applications have been made.

We are developing our understanding of the future in-work UC population and are exploring how best to design and deliver effective interventions to support them, working across government and beyond.

We recently published findings from a large scale Randomised Control Trial (RCT); 'Universal Credit: In-Work Progression Randomised Controlled Trial' – which can be found on www.gov.uk. There is more to do and we are developing the evidence base over the next 4 years with a programme of research and analysis, tests and trials.

45,000 companies actively using Find A Job

The Jobcentre Plus offer

We also support people to realise their employment ambitions through our network of **Jobcentre Plus** offices. Jobcentre Plus provides tailored employment advice combined with detailed knowledge of local labour markets to match people to suitable job vacancies. Our jobcentres provide an environment where people can access computers or free WiFi on their own devices to search and apply for job vacancies.

Our work coaches have flexibility and responsibility in helping people to find and progress in work. There is a greater focus on working with individuals to identify and overcome barriers to work.

Building relationships and trust with customers through regular conversations and developing the individual's claimant commitment is essential to ensure our work coaches are well placed to help claimants find and secure good work. This means, for those that are able to work, there is an agreed plan of actions that takes into account the claimant's personal circumstances. Claimants are made aware of the potential consequences of failing to comply with their commitment.

Work coaches are able to call upon a number of back to work support programmes and the expertise of colleagues, such as disability employment advisers and Jobcentre Plus work psychologists to provide practical advice to help people find and stay in work.

Some of our customers require greater support than others to find employment. For these people Jobcentre Plus works closely with employers and partners to ensure they are able to access the specific help they need.

The **Flexible Support Fund (FSF)** is a discretionary fund used by Jobcentre Plus service leaders and work coaches, where the individuals need additional support, for instance:

- one off claimant needs, like the cost of travel to interviews
- replacement adult or child care
- adaptations to help a disabled claimant access a workplace or
- training allowances

From April 2017, eligible claimants were able to access upfront childcare costs through the FSF, and claimants can now benefit from removal of the previous restrictions concerning working a minimum of 16 hours.

Part of the FSF budget is prioritised to support claimants eligible for the Enhanced Support Offer, a 4 year programme which aims to improve the support we offer to those with disabilities and health conditions, as well as all claimants with a health or disability barrier to work allowing us to focus funding on these claimants.

New Enterprise Allowance is a programme that provides expert mentoring and financial support to people who want to start their own business, helping people who have previously been on benefits turn their business ideas into successful enterprises.

This phase of the programme involves a better experience for participants. It includes a pre-scheme 'Link-Up: Start-Up' workshop that coaches' claimants through the realities of running a business, designed to ensure they are able to make the best informed choices before embarking on the programme. This phase introduced mentoring and financial support for new businesses as well as mentoring only for low earning UC claimants to support them to grow their earnings, this was extended to 2021 in the 2018 Autumn Budget.

Young people

The **Jobcentre Plus Support for Schools** offer assists schools in England to deliver their statutory duty to provide high quality, independent and impartial careers advice to pupils aged from 12 to 18 years of age who are at risk of becoming Not in Employment Education or Training or facing potential disadvantage in the labour market.

This is a demand led programme and is aimed at facilitating an effective transition from school into work, training or further study and adds value in 4 broad areas;

- advice and information on routes into traineeships and apprenticeships
- help in sourcing and advising on work experience opportunities
- advice on the local labour market including the "soft skills" that employers value, such as team working and timekeeping and
- facilitating links between schools and employers

Targeted support for 18 to 24 year olds is provided by our work coaches and locally available provision delivered by providers, local authorities, independent and volunteer organisations, and Jobcentre Plus. Young people are encouraged into activities to help them transition into work, including basic skills training, work related training and work experience.

From April 2017 we introduced the Youth Obligation Support Programme (YOSP) which was a new programme of intensive support for unemployed 18 to 21 year olds making a new claim to UC. This programme was rolled out in line with the schedule for UC and was delivered on target in December 2018. YOSP is now available in every jobcentre.

The programme begins with a curriculum of workshops and exercises to encourage 18 to 21 year olds to think more broadly about their skills and job goals, help them identify any training they need, and support them to improve their job search, job application and interview skills. We offer work focused coaching and referral to additional tailored support drawn from a wide range of locally available provision to young people.

Young people who remain unemployed after 5 months on this programme will have an extended assessment to review their learning and progress, and identify any additional barriers to work that need to be addressed quickly.

If the individuals remain unemployed at 6 months, they are offered a sector based work academy placement or encouraged to take up a traineeship, apprenticeship, or equivalent which combines vocational training with work experience. For every 18 to 21 year old on the programme who does not take up work related training, we offer a 3 month work experience placement to help them achieve their job goals.

In addition, young people aged 22 to 24 are able to access a package of support including referrals to traineeships (or equivalent), work experience, additional local support from the District Provision Tool and referral to the Prince's Trust Programme for their age group.

On 17 January 2019 the Minister for Employment announced the national roll-out of the mentoring circles initiative and the extension from the ethnic minority community to all young people who would benefit from such support.

Lone parent employment rate increased to **67.8%**

Helping claimants with the biggest barriers to employment

Some claimants may have additional and very specific barriers to finding work. Our aim is to give every claimant the opportunity to realise their potential, regardless of their background or circumstances.

Lead carers, including lone parents

Lead carers, including lone parents, are now more likely to be in work than ever before. The lone parent employment rate was 67.8%, up 0.4 percentage points on the year and up 11.7 percentage points since Q4 2010. The increases to the UC Work Allowances announced within Budget 2018 will offer further support for this group as they move into work.

High childcare costs can affect parents' decisions to take up paid work or increase their working hours. To overcome this barrier to employment, working families claiming UC can reclaim up to 85% of their eligible childcare costs each month up to a maximum of £646.35 for one child and £1,108.04 for 2 or more children.

The UC childcare policy is part of the wider government childcare offer, which includes free childcare hours and tax free childcare. The eligibility rules for the childcare element in Working Tax Credit require claimants to work at least 16 hours per week. UC has removed this rule making it easier for parents to take their first steps into work.

In addition, 15 hours' of free childcare is available to all 3 and 4 year olds and disadvantaged 2 year olds, 30 hours' of free childcare is available to working parents of 3 and 4 year olds and tax free childcare for working parents of children aged up to 12 and disabled children aged up to 17. The intention is that families will retain more out of the money that they earn, and will find that it pays to work.

Claimants from a black, Asian or minority ethnic background (BAME)

Building on its commitment to improve employment outcomes for ethnic minorities, we published our first Race Disparity Audit in October 2017, which is updated annually. The October 2018 data showed that employment levels for ethnic minority groups have grown steadily, but there is still a gap between people from these groups and white people when it comes to participation in the labour market. The employment rate for those from an ethnic minority reached a high at December 2018 of 66.2%, compared to 77.2% for those from a white background, a gap of 11 percentage points. This is a small improvement from a gap of 12 percentage points from the year to December 2017.

We have made significant progress in helping claimants from BAME groups into work, with over half a million more in employment since 2015, but there is still more to do.

Working in 20 “challenge areas” where the largest number of ethnic minority people could be helped into employment, we have run mentoring circles which involve national employers offering specialised support to unemployed, ethnic minority jobseekers to help build their confidence and raise their aspirations. They also help employers revise their recruitment practices to attract a more diverse talent pool. Aligned to this we have written and delivered, in July 2018, a guide to increasing ethnic minority employment in Local Enterprise Partnerships.

In September 2018 we trialled a programme with 27 Pakistani and Bangladeshi women in the Birmingham Yardley area. Historically they would have had no need to contact their local jobcentre. The jobcentre offered tailored support such as training to gain qualifications, and confidence building opportunities. This has resulted in some women securing jobs, others have started training, volunteering or work experience and a few commenced courses. This programme is being rolled out further in 2019.

So that our jobcentre staff can better support ethnic minority jobseekers into employment, we developed and delivered new training and guidance. This also enables them to promote the benefits of a more diverse workforce to local businesses, encouraging businesses to, for example, undertake unconscious bias training and introduce name blind recruitment processes. We also equipped jobcentre challenge areas with local data packs to help better understand the local economy and what employers want; and across the jobcentre network ethnic minority information and guidance has been added to our place-based toolkit[6]. The toolkit helps local activities to be prioritised by providing a local evidence base.

We are working closely across government. We have, for example joined up with the Ministry of Housing, Communities and Local Government (MHCLG) on the integration strategy, where employment was identified as a barrier to integration. Our jobcentres in the 5 integration areas have developed and started to implement plans to improve the economic opportunities for groups furthest from the labour market. An example of our work with MHCLG is in Blackburn with Darwen, a mentoring programme targeted at white working class and South Asian women, which started in March 2019. This provides one to one support to move these women closer to the workplace. English language classes will be incorporated into the programme focussing on life skills and how to integrate into the wider community.

6 The place-based toolkit is a form of Jobcentre Plus guidance, which is a mechanism for checking opportunities in a specific location.

Claimants aged 50 years and over

The number of people aged 50 years and over in employment is at a record high of over 10 million, an increase of 2.3 million over the last 10 years. This increase in older worker employment has been predominately driven by the changes in the female employment rate over time. The largest increase from 1997 to 2018 occurred for females aged 60 to 64 years – up 25.1 percentage points from 23.4% in 1998 to 48.5% in 2018.

In February 2017 we published our strategy '*Fuller Working Lives: A Partnership Approach*' on www.gov.uk. This employer-led strategy aims to increase the retention, retraining and recruitment of older workers by bringing about change in the perceptions and attitudes of employers.

The government appointed Business in the Community's 'Age at Work' leadership team as the business champion for older workers. This appointment is to spearhead the government's work to support employers to retain, retrain and recruit older workers by actively promoting the benefits of older workers to employers across England influencing them both strategically and in terms of practical advice.

To support unemployed people aged 50 years and over to return to work, there is a network of older claimant champions in each of the Jobcentre Plus districts. The older claimant champions work to raise the profile of older claimants across Jobcentre Plus and sell the benefits of employing older claimants to employers. We believe that this will help to tackle the barriers faced by older claimants in getting back to and maintaining work.

Our Jobcentre Plus work coaches have the freedom and flexibility to offer all claimants, including older people, different local types of support and help to find work. In addition, Jobcentre Plus are looking to test the mid-life MOT initiative with older claimants in the North East of England. Alongside the individual, we look on their personal circumstances taking account of health, finances and lifestyle.

Helping people to find a safe place to live

Having the stability of a home will be, for many, an important stepping stone to finding employment. We continue to spend around £21 billion a year helping people across the UK with their housing costs.

The Local Housing Allowance (LHA) was introduced in 2008 as a way of calculating Housing Benefit for tenants in the private rented sector. From April 2016 LHA rates were frozen for 4 years. In practice, this means that when rent officers determine the LHA each year the rates either remain frozen or are set at the 30th percentile of local rents if this is lower than the rate previously determined. We do recognise however, that the impact of freezing LHA rates has impacted regions differently, with rents in some areas increasing at different rates. In view of this, we are using a proportion of the savings from the freeze to LHA rates to create Targeted Affordability Funding (TAF), which is used to increase those LHA rates that have diverged the most from local rents.

In 2018-19 we used TAF to increase 213 LHA rates by 3% and in 2019-20 we will be increasing 361 LHA rates by 3%. In addition, we have provided around £1 billion in Discretionary Housing Payment funding since 2011, enabling local authorities to protect the most vulnerable claimants. The Discretionary Housing Payment Scheme helps vulnerable claimants who are entitled to Housing Benefit (or those in receipt of the housing element of UC) who have a short-fall with their housing costs, for example, if they have difficulty meeting their rental obligations or require help with such things as removal costs or rent deposits.

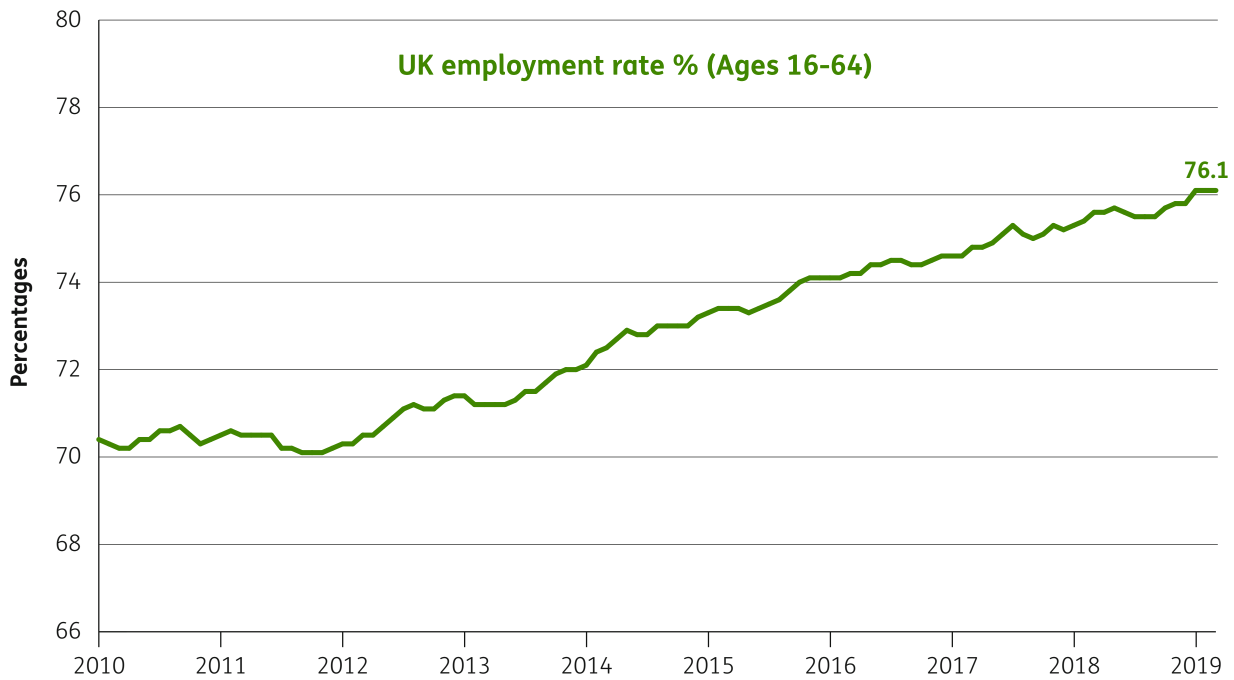
Support for Mortgage Interest (SMI) changed from a benefit to an interest bearing loan in April 2018. This is balancing the needs of owner occupiers and the tax payer, whilst continuing to provide robust protection against repossession. SMI loans are also exempt from the benefit cap.

Our performance

We are measuring our progress in this objective through the following headline indicators:

Headline indicator 1: UK employment rate

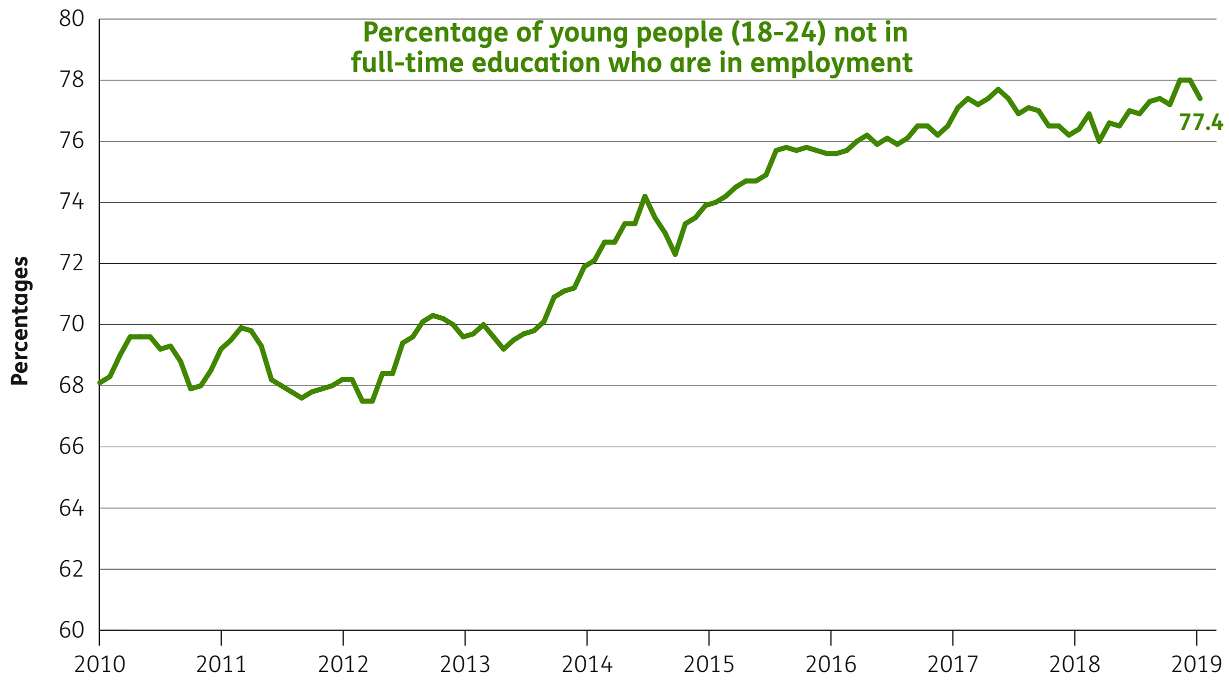
The overall UK employment rate between January and March 2019 was 76.1%, the joint highest rate on record. This is an increase of 0.5 percentage points from 2018 (Jan-Mar 18) and 5.9 percentage points from 70.2% in 2010 for the same period.



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

Headline indicator 2: percentage of young people aged 18 to 24 years not in full-time education who are in employment

Altogether 77.4% of young people aged 18 to 24 years not in full-time education were in employment between January and March 2019, up 0.3 percentage points from 77.1% in 2017 (Jan-Mar 17) and up 9.1 percentage points from 68.3% in 2010 for the same period. The unemployment rate amongst young people aged 18 to 24 years who are not in full-time education is 9.7%.

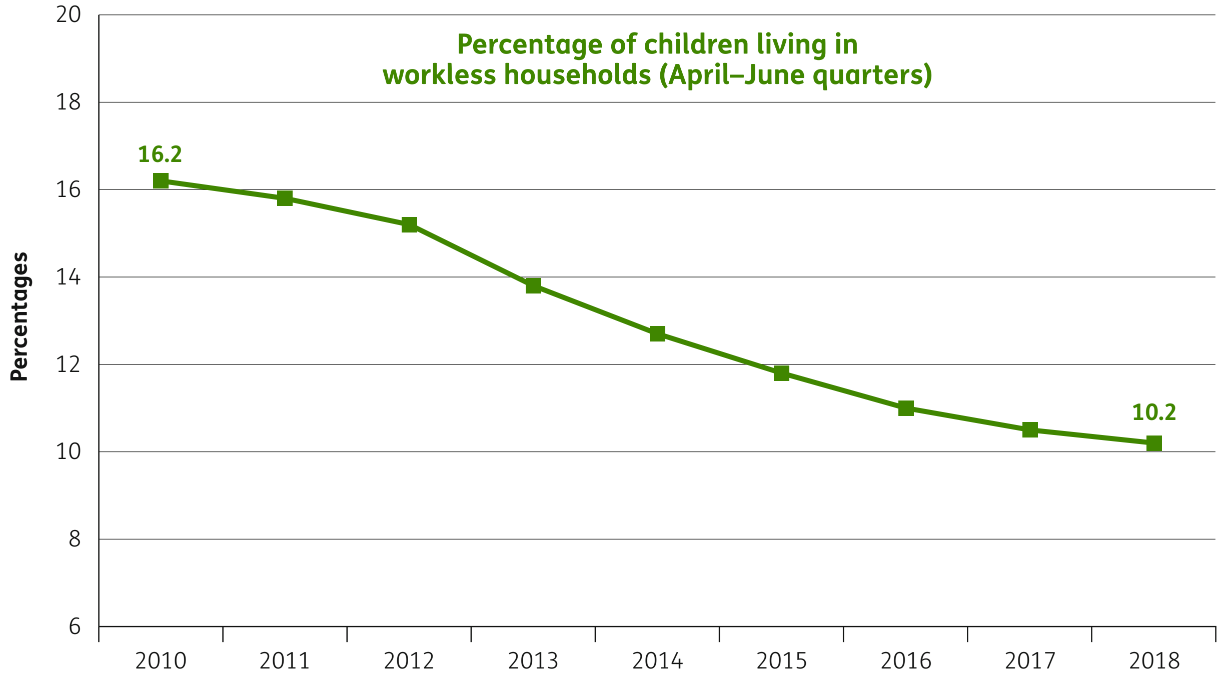


This indicator measures the proportion of young people aged 18 to 24 years not in full-time education who are in employment. It uses data from the Labour Force Survey published monthly by the ONS. Data is seasonally adjusted so quarter-on-quarter comparisons can be made. An increase denotes an improvement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

Headline indicator 3: percentage of children living in workless households

In April to June 2018 the percentage of children living in workless households was 10.2% – down 6.0% points from 16.2% for the same period in 2010.

The workless household statistics are now produced quarterly by the ONS, though historically they have been produced only semi-annually or annually. Our indicator is based on the April to June quarter, as this quarter provides the longest time series with which to judge trends.



This indicator measures the percentage of children (aged under 16 years old) who live in a workless household. These households contain at least one person aged 16 to 64 years where none of the members aged 16 years or over are in employment. The statistic, which is based on the Household Labour Force Survey, is published for each quarter. A reduction in the proportion of children in workless households denotes an improvement for this indicator. The data is not seasonally adjusted, so only year on year comparisons are meaningful.

Strategic Objective 2: Improve outcomes for disabled people and people with health conditions by increasing opportunities to realise their full potential with the help of the welfare system and through the labour market

Many disabled people still face a variety of barriers in their everyday lives, including barriers to work. The Department holds many of the levers to enable disabled people to achieve their potential, and lead positive, fulfilling lives.

We are supporting the government's aim to support many more disabled people into work and understand the relationship between health, work and disability. Central to this is a welfare system that empowers all disabled people regardless of their disability or health condition and provides support that is tailored to the needs of the individual and a recognition of the importance of working with others, such as employers.

We spend around £53 billion each year on a range of benefits to support people, including children living with a disability or a health condition.

What we've been doing

Improving employment outcomes for disabled people and people with health conditions

Support for disabled people and people with health conditions	Benefits administered	Amount paid out in 2018-19 in £s millions
Children	Disability Living Allowance	2,108
Working age	Carer's Allowance	2,854
	Disability Living Allowance	2,498
	Employment and Support Allowance	15,098
	Income Support for Carers	654
	Housing Benefit	7,356
	Industrial Injuries Benefits	327
	Personal Independence Payment	9,123
	Universal Credit (incapacity and carer type cases)	1,975
Pension age	Attendance Allowance	5,676
	Carer's Allowance	30
	Disability Living Allowance	3,520
	Industrial Injuries Benefits	511
	Personal Independence Payment	1,512
	Severe Disablement Allowance	96
Total		**53,337**

Totals may not sum due to roundings.

Our strategy ***'Improving Lives: the future of work, health and disability'*** (published in November 2017), set out our aims to see one million more disabled people in work by 2027. This strategy paved the way for multiple changes in the way we help disabled people and people with health conditions to enter or remain in work. The changes include:

- continuing to make the welfare system work better for disabled people, offering more tailored support for those who need it and delivering this support in an efficient, user friendly way
- working with employers to create healthy and inclusive workplaces where disabled people are recruited and supported in work and employees who develop a health condition or disability are supported in work
- exploring ways to improve the relationship between health and work by seeking new models of support in healthcare and working with health care professionals to have routine conversations on work with their patients

We made a commitment to reform the Work Capability Assessment and we are working with external stakeholders to inform future changes. We recognise the importance of getting any further reform in this area right. Therefore, we are also testing new approaches to build our evidence base. This activity will include the single assessment feasibility test, announced in March 2019. The findings will form part of the wider evidence base that informs improvements to the current assessment process, and longer-term reform.

The **Personal Support Package** provides tailored support to all claimants with a disability or health condition who can or could work; helping them prepare for, find and secure employment. As part of this package, we are supporting all claimants claiming Employment and Support Allowance (ESA) and Universal Credit (UC) due to a disability or health condition by:

- introducing the Health and Work Conversation (HWC), which focuses on what customers can do rather than what they cannot do – this is conducted for all ESA claimants (exceptions apply) and the techniques are open for all UC work coaches to use in their interactions with customers
- providing personalised and tailored disability employment support from trained work coaches, with access to Disability Employment Advisers to develop their skills to work effectively with claimants to understand the interaction between individuals, their health and disability and employment.
- investing in Disability Employment Advisers to proactively share knowledge and information about health and disability local provision, services, training and employment opportunities.

We have invested in front line capacity and capability across our Jobcentre Plus network, for example, recruiting more disability employment advisers and rolling out mental health training for all work coaches.

The joint DWP/Department of Health and Social Care (DHSC) Work and Health Unit is continuing its work to empower health care professionals with the tools and techniques to have routine discussions on work during clinical interventions where appropriate. They are also taking steps to extend the authority to certify fit notes to other health care professions.

The two departments have also invested in a programme of test and learn activity to identify effective models of health and employment support.

This includes:

- **launching the Health-Led Trials (HLTs)** in Sheffield City Region and the West Midlands combined authority in May 2018, which has been designed with the NHS. The HLTs build on the internationally recognised Individual Placement and Support (IPS) approach to test the provision of employment support in a health setting for people with mild to moderate mental and physical health conditions
- spending a total of around £39 million to more than **double the number of employment advisers to improve access to psychological therapies services**
- **launching The Challenge Fund in July 2018**, a £3.9 million fund which will test new or promising approaches to help people experiencing mental health or musculoskeletal (MSK) issues stay in work. 19 initiatives spanning a range of sectors and organisations will run until the end of March 2020. They will test ways to:
  - help people self-manage their conditions
  - provide advice and support
  - help individuals/employers identify appropriate workplace solutions and
  - strengthen communication, liaison, or joint action between services to achieve better work related outcomes, building evidence of what works, for whom, why and at what cost

Providing tailored support to people with a disability or health condition to help them prepare for, find and secure work

We are continuing to ensure that the support we offer is tailored to the needs of each individual claimant.

Assessments Process

In March 2019, we announced plans to improve our assessments process. We announced that:

- the Health Transformation Programme will create a new, integrated service for Personal Independence Payment (PIP) and Work Capability Assessments (WCAs) from 2021. This will be supported by a single digital system which focuses on the needs of those using it. The new service is a major part of our commitment to deliver a more streamlined, personalised journey for our customers
- the integrated service will bring a more joined up experience to claimants but retain two separate assessments. We aim to go further by testing whether we can simplify the assessment process for our customers through a single assessment to determine eligibility for both ESA/UC and PIP where appropriate
- we will be exploring whether we can enhance the mandatory reconsideration process to gather further evidence from claimants and make more accurate decisions

Enhanced Support Offer

In 2017 we launched the **Enhanced Support Offer** as part of the Personal Support Package, a 4 year programme which aims to expand and improve the support we offer to those with disabilities and health conditions. By introducing and testing new approaches, the package is still building a more robust understanding of the types of support that have positive outcomes in terms of health and work.

We intend to continue building on the progress made with further improvements in our frontline services - for instance we are exploring a range of customer engagement measures and activity to support work coaches, including increasing work coach time for claimants with health conditions and disabilities.

Work and Health Programme

In April 2018, the rollout of the Work and Health Programme (WHP) throughout England and Wales was completed. This predominantly helps people with a wide range of health conditions or disabilities, as well as the long-term unemployed, and certain priority groups to enter into and stay in work, using the expertise of private, public and voluntary, and community sector providers.

Over 5 years, this programme will provide innovative support for around 275,000 people. The majority of people starting on the programme (around 220,000) will be disabled people who can volunteer for the programme at any time.

Since April 2018 (when the programme was available to all areas of the country and all customer groups) we have seen an increase in monthly starts[7] and total referrals alongside a substantial increase in individual referrals in the latest observable 3 months to February 2019.

The design of the WHP was built on the strengths and lessons learned from the Work Programme and other contracted provision. In line with this experience, providers are paid a service delivery fee as well as outcome related payments which are triggered when a person reaches a specified level of earnings once in employment, or records 6 months of being in self-employment.

The WHP integrates with the resources and successful programmes available within local areas. This ensures that effective use is made of local funding streams and the expertise of local service suppliers so that participants with multiple barriers to work can receive co-ordinated and holistic support. This includes agencies working with families, offenders, care leavers, refugees, drug and alcohol users, veterans, amongst others.

Specialist Employability Support

Specialist Employability Support (SES) is a voluntary programme of support aimed specifically at individuals whose health related barriers do not allow them to benefit from other employment programmes. It is designed to help people at risk of being left out of the labour market find and stay in employment or self-employment. The programme is individually tailored to offer guidance, learning and training relevant to each participant. In 2018-19, over the lifetime of the programme, there were 6,880 referrals to SES and 5,010 starts.

Improving Lives: the future of work, health and disability confirmed that we were considering the best policy options for continuing to support those with greatest needs and most complex situations, once the SES contracts come to an end. We are planning to launch at end of 2019, a new national voluntary contracted provision for people with both disabilities and complex barriers to employment who are considered by the Department's work coaches to be more than 12 months from the labour market without intensive support. **Intensive Personalised Employment Support** will provide an intensive, highly personalised package that is flexible to participants' needs and can deliver support for up to 21 months, including 6 months in work support for those who get a job.

Work Choice

The Department previously offered a disability employment programme called Work Choice which served our disabled customers from October 2010 until the planned contract termination on 31 March 2019 (replaced by devolved provision in Scotland from October 2018). Originally a 5 year contract, it utilised the contractually available extension period to its fullest extent, in order to dovetail with the commencement of the WHP in England and Wales and ensure there were no gaps in provision for this vulnerable customer group.

7 A 'start' within Work and Health Programme occurs at the first meeting between the participant and the provider

Within the contract "Work Choice Supported Businesses" were recognised and designated which enabled disabled participants facing the most significant or complex barriers to finding and keeping a job, to be employed within the supported business. A total of 2,500 posts were defined and these posts, named Protected Places, were funded by the Department.

All participants occupying a Work Choice Protected Place on 31 March 2019, will automatically transition onto the Transitional Employer Support Grant (TESG). TESG is a time limited element of Access to Work to enable ongoing support to be offered to individuals working in "supported businesses" for 2 years from April 2019. In addition, the funding is available for the supported businesses to employ more people with disabilities, enabling a total of over 2,000 people with disabilities across England, Scotland and Wales to access support.

The change to TESG was made via a Ministerial announcement in July 2018, following a period of collaboration with the Supported Business Steering Group, in order that this customer group were able to retain their employment and the businesses were able to continue offering employment opportunities to disabled people who may have difficulty gaining employment with mainstream employers.

Whilst employed within the supported business, participants can develop skills and confidence within a workplace setting to prepare them to move on to employment elsewhere, or they can be employed on a permanent basis by the business. In the latter case we are introducing a direct recruitment process via Jobcentre Plus, now that the Work Choice Provider contracts have ended.

Health Assessments

We ended health reassessments for ESA and UC claimants with the most severe lifelong disabilities or health conditions from 29 September 2017. Those placed in ESA's Support Group and the UC equivalent who have the most severe and lifelong health conditions or disabilities and whose level of function would always mean that they would have limited capability for work and work related activity, will no longer be routinely reassessed. The criteria have now been in place for over a year and, as of March 2019, over 38,000 people have had their assessments stopped as a result. Rather than being defined through a list of specific medical conditions, the new severe conditions criteria are considered as part of the work capability assessment. This gives claimants the best opportunity to share with us the most up to date information about the functional impacts of their condition. Most claimants who meet the severe conditions criteria will have a decision made without having to attend a face to face assessment.

Working with employers to create employment opportunities and improve the work experience for disabled people and people with health conditions

Employers are increasingly realising the talents and commitment that disabled people and those with health conditions can bring to their businesses. We are working with employers across all sizes, sectors and locations to turn that realisation into increased employment opportunities for that group.

DWP and DHSC, through the joint Work and Health Unit, continue to drive forward the implementation of the 40 recommendations of the Stevenson/Farmer *Review of Mental Health and Employers*. In November 2018, we launched a framework to support organisations to record and voluntarily report information on disability and mental health in the workplace.

We are also exploring ways to reduce the number of people who leave work each year for health reasons and will consult later in 2019 on measures to encourage and support all employers to play their part in this vital agenda. This consultation will also propose ways to improve access to occupational health.

Disability Confident

Disability Confident (DC) is a business led scheme that puts employers firmly at the centre of a national movement to increase employment opportunities for disabled people.

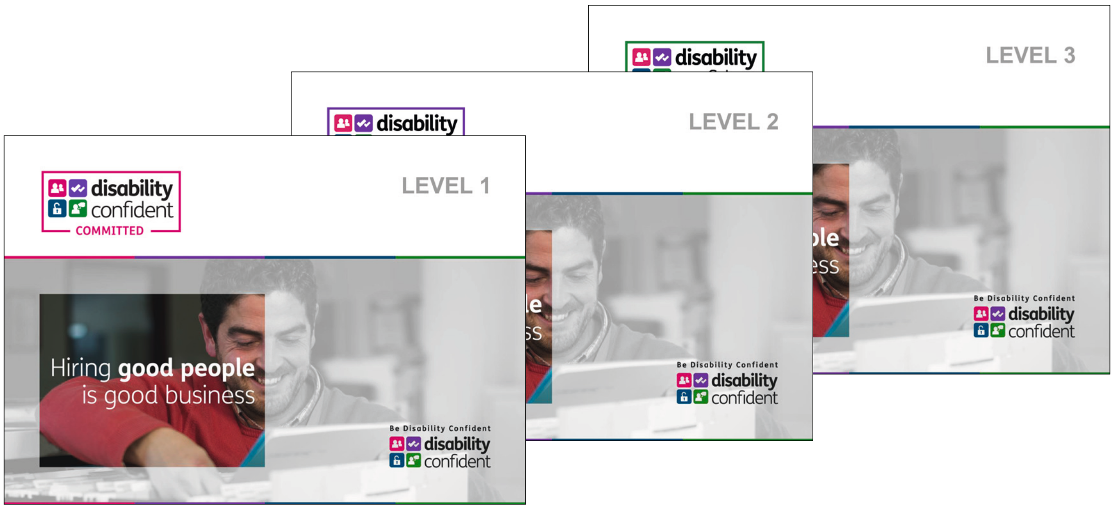
The scheme has been live since November 2016 and has been developed by disabled people, employers and disability organisations, encouraging employers to think differently about disability and to take action to improve how they attract, recruit and retain disabled employees. Unlike the Two Ticks Symbol scheme, DC is an Employer led, self-assessment process, with no intervention from the Department.

The scheme takes employers on a journey from being a Disability Confident Committed (level 1) to being a Disability Confident Employer (level 2) and finally to a Disability Confident Leader (level 3). At level 2 of the scheme employers work through a self-assessment process with a wide range of support, including expert advice, business to business workshops, useful toolkits and events. At level 3 employers will put this self-assessment up for external challenge and they will also state what leadership activity they will follow. The scheme is voluntary and access to the guidance, resources and materials is free.

More than 11,000 employers had signed up to the scheme as of 15 March 2019. All main government departments are now signed up to DC Level 3 and 80% of local authorities are DC.

In the lead up to the DC Scheme's second anniversary in November 2018, Jobcentre staff worked closely with employers in their areas and nationally we worked with business leaders to organise several highly successful anniversary and promotional events. DWP Communications ran an active social media campaign reaching an estimated 16.5 million twitter accounts. With this heightened operational focus and campaign activity DC sign-ups went up 39% in November 2018 compared to earlier in the year.

In 2018, DWP commissioned Ipsos Mori to conduct an Employer Insight Research in which 600 DC employers took part, comprising a mix of sizes, sectors and sign-up levels. The report, published in November 2018, suggests that the DC scheme has had a significant positive impact on disability employment practices.



Disability Confident - employer levels achieved as at 15 March 2019	
Disability Confident Committed (level 1)	8,005
Disability Confident Employer (level 2)	3,070
Disability Confident Leader (level 3)	187
Total	**11,262**

Source: DWP Disability Confident: list of employers that have signed up to 15 March 2019

Access to Work

The Access to Work scheme is a demand-led discretionary grant for in-work support needs for individuals who have a health condition or disability. It provides individuals and employers with advice and support for extra costs of support workers, aids and adaptations, or travel, beyond standard reasonable adjustments. Access to Work does not replace the duty an employer has under the Equality Act.

This can include a workplace assessment, Mental Health Support Service assistance or a discretionary grant as a contribution towards extra travel to work costs, support workers or specialist aids and equipment. Access to Work also supports pre-employment activity, including some work experience, supported internships and traineeships.

To help meet individuals needs and personal circumstances, we provide specific financial support. From April 2019 the maximum cost of an award is £59,200. Customers can complete this Access to Work application online, making it more efficient to administer. We are working on more digital improvements for the year ahead.

The latest Access to Work official statistics published in October 2018 show that 33,860 people received Access to Work payment in the 2017-18 financial year, an increase of 13% on the previous year.

33,860 people

received an Access to Work payment in 2017-18

Administering claims for Personal Independence Payment and reassessing Disability Living Allowance claims for 16 to 64 year old people for eligibility to Personal Independence Payment

Personal Independence Payment (PIP) helps people between age 16 and pension age with the additional costs associated with a disability or long-term health condition. The design of the benefit is intended to ensure that the support goes on those who most need it and that the assessment should treat all conditions fairly and equally, regardless of whether they are of a physical or non-physical nature.

Disability Living Allowance (DLA) for people aged 16 to 64 has been replaced for new claimants by PIP since April 2013. In October 2013 we began to invite existing DLA claimants who were aged 16 to 64 in April 2013, or reached age 16 after that date, to claim PIP. We have taken a controlled approach to this activity ensuring that we are ready and able to take claimants through the reassessment process in a timely and efficient manner.

Up to January 2019 we cleared over 2.6 million new claims to PIP and over 1.45 million reassessments with the average new claimant completing the end to end process within 15 weeks. Average processing time from the beginning of a claim to its decision for both new claims and reassessments is down by nearly two thirds since July 2014 as a result of our drive to continually improve our processes and services.

Cleared over **2.6 million**
PIP New Claims

Over the past year we have also continued to introduce improvements to PIP processes, for example:

- introducing an updated version of the PIP award review form from July 2018 which better communicates to claimants their responsibilities around providing further supporting evidence on how they currently manage their daily living and mobility needs
- issuing updated guidance from August 2018 for case managers to ensure that claimants with the most severe and/or progressive conditions who are awarded the highest level of support, and where their needs are unlikely to change or may even get worse will receive an ongoing award with a light touch review at the 10 year point
- from December 2018 we piloted video recording the assessment with a view to rolling this out more widely, in order to promote greater trust and transparency and
- from April 2019 we also no longer undertake regular reviews of PIP awards for claimant at or above State Pension age unless they tell us their needs have changed

As well as making improvements, we have also taken action to respond to judicial decisions. When we implement the decision of the courts we use an administrative exercise to review the PIP caseload to ensure that claimants affected by the judgements receive the benefits they are entitled to.

In 2018, the Department began an administrative exercise to identify anyone who may be entitled to more support under PIP as a result of 2 decisions of the Upper Tribunal (UT). One of the UT decisions broadened the interpretation about how symptoms of overwhelming psychological distress should be assessed when considering a claimant's ability to plan and follow a journey. The other concerned how the Department considers a claimant to be carrying out an activity safely and whether they need supervision to do so. In 2019, the Department began a further administrative exercise to identify anyone who may be entitled to more support under PIP when the UT decided that when a claimant fails to attend their reassessment for PIP, but the Department or a Tribunal later decides that the claimant had 'good reason' then the claimant should have their DLA reinstated. The same also applies to claimants who may have failed to provide information or evidence but were later found to have good reason for the failure to comply. The Department is recruiting over 185 additional people to increase resources available for these exercises to ensure that claimants receive any additional entitlement to PIP as soon as possible.

Our performance

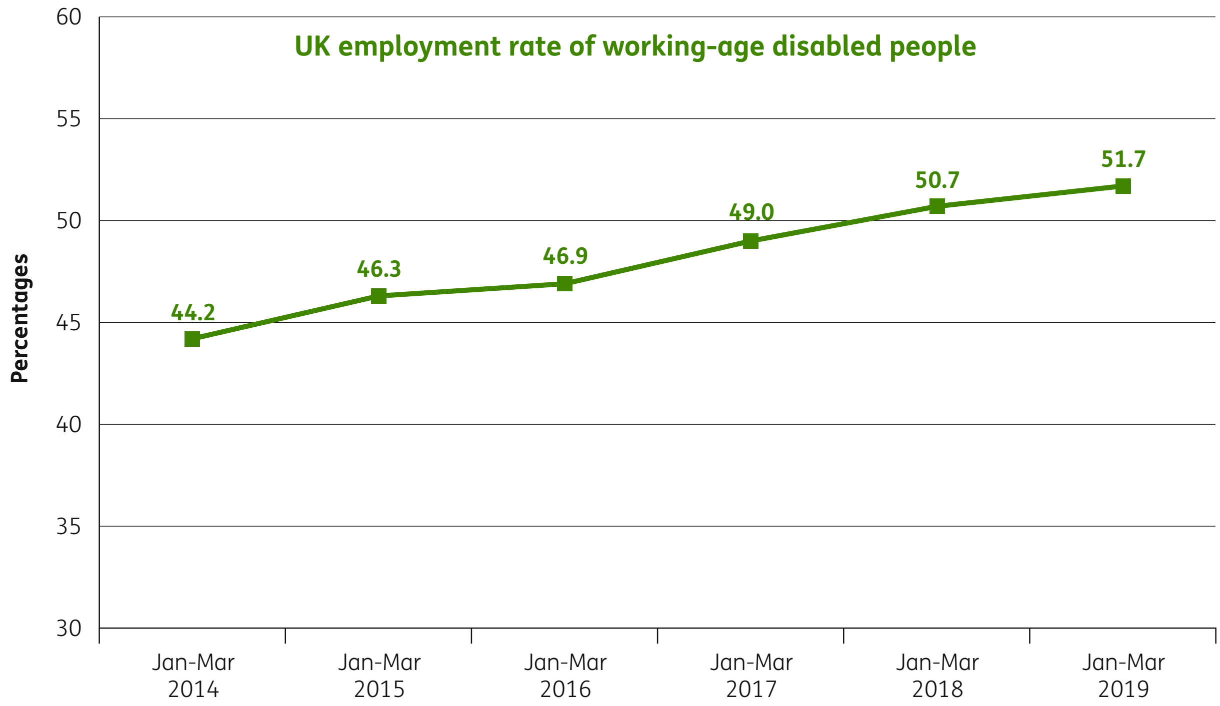
We are measuring our progress in this objective through the following 2 headline indicators:

Headline indicator 4: UK employment rate of working-age disabled people

The UK employment rate of working-age disabled people during January to March 2019 was 51.7%. This has increased by 7.5 percentage points over the last 5 years, from 44.2% in January to March 2014.

Over this period the number of disabled people in employment has increased by 947,000 to a total of 3.9 million people.

This indicator monitors the real-world outcomes we want to see, and that the government's strategy (as set out in Improving Lives: the Future of Work, Health and Disability) is designed to contribute to. It is an outcome measure rather than a direct performance measure, as in addition to policy initiatives across government, the outcome will be influenced by other factors such as the actions of employers and employees, the performance of the wider labour market, population changes, and changes in the number of people reporting disabilities in the Labour Force Survey, due to changes in health, society or general awareness of disability issues. In their recent report – Supporting disabled people to work, the NAO highlighted the issue of it not being a direct performance measure. The Department has committed to publishing an annual statistical release setting out a range of statistical indicators to support understanding of the overall progress being made on disability employment, and will continue to measure job outcomes performance for its contracted out programmes.

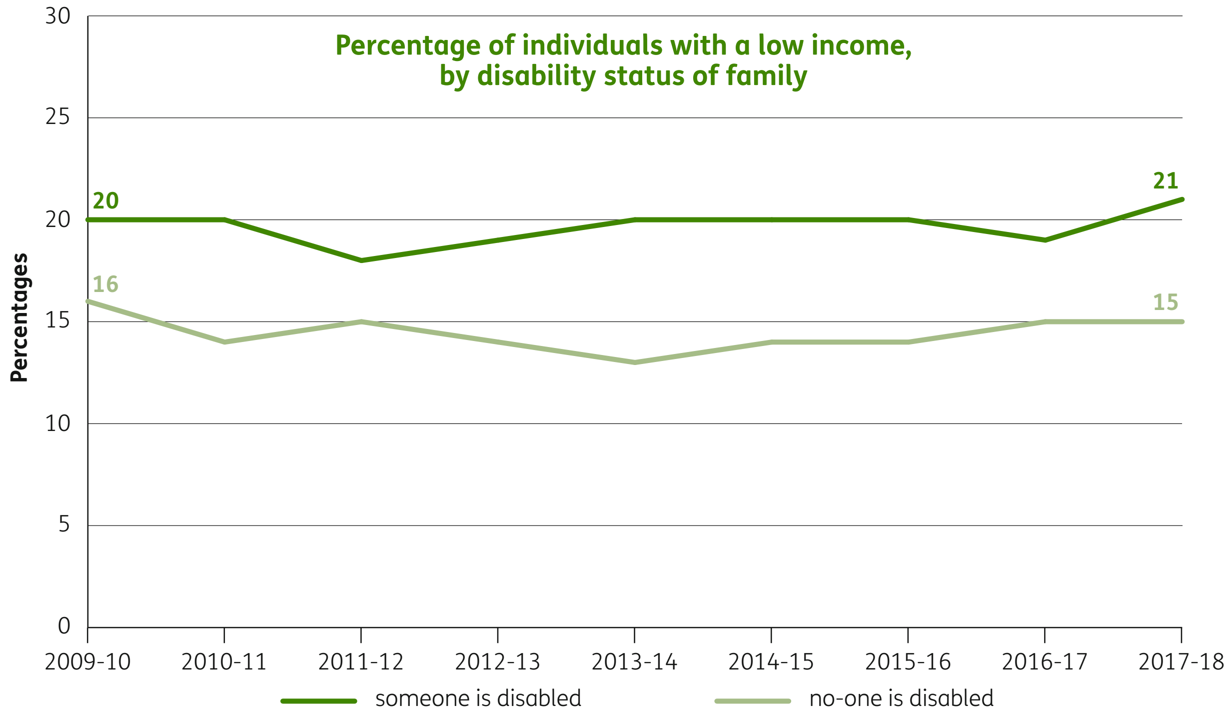


This indicator is measured using data from the Labour Force Survey published each quarter by the Office for National Statistics (ONS). The data is not seasonally adjusted so only year-on-year comparisons between equivalent quarters should be made.

Headline indicator 5: percentage of disabled people with a low income

Those living in a family with a disabled member are more likely to be in a low income household than non-disabled families. The proportion living in a low income household is 21% before housing costs (BHC), which is lower than over the period 1995-96 to 2008-09.

The percentage of individuals in families who have a disabled family member falling below headline low income measures BHC rose between 2016-17 and 2017-18. On the absolute basis, low income also rose to 18%. Relative low income rose by around 2 percentage points to 21% between 2016-17 and 2017-18.



Source: Households Below Average Income statistics 1995-96 to 2017-18

This indicator measures the percentage of households with someone with a disability living in low income households 'before housing costs'. Household income is equivalised to take account of the size and composition of households in which people live. The poverty estimate is then derived by separately counting how many individuals fall below 60% of the median equivalised income value for families with and without someone with a disability[8].

8 Data is published annually in the 'Households Below Average Income series, Table 7a' on *Households Below Average Income (HBAI) statistics* on www.gov.uk. A reduction in this indicator would denote improvement. Estimates are derived from a sample survey and subject to statistical uncertainty. The means of identifying people with a disability has changed over time however, with different criteria applied for 2002-03, 2003-04; 2004-05, 2011-12; and 2012-13 to date, as such, changes over time in the number of individuals with disabilities could be affected by the changes in the disability questions. The focus should be on longer-term trends rather than year on year changes which may not be statistically significant.

Strategic Objective 3: Ensure financial security for current and future pensioners by: helping people to increase their pension savings; providing information on their private and state pension provision to enable effective planning for the future; and supporting older people to extend their working lives

We are focusing on reforming the pension system to ensure it is sustainable, reflective of modern life, protected for future generations and supports saving and personal responsibility for income in retirement.

Through the pension system we are aiming to give people a greater understanding of confidence in what they will receive from the state when they retire, as well as encouraging people to plan and save for their retirement.

We are also working to increase pension participation by normalising pension saving for most people in work.

Around two thirds of the department's claimants are of State Pension Age and this year we spent £110 billion on pensioner benefits.

Benefits / assistance administered	Amount paid out in 2018-19 in £ millions
State Pension	96,630
Housing Benefit	5,580
Over 75 TV Licenses	468
Pension Credit	5,140
Social Fund Payments	2,039
Bereavement benefits	2
Other benefits	242
Total	**110,101**

The following bodies have been established at arm's length from central government to deliver a range of functions to ensure that people can have confidence in saving for their retirement:

- National Employment Savings Trust (NEST) Corporation
- the Pensions Regulator
- the Money and Pension Service
- the Pension Protection Fund
- the Pensions Ombudsman/Pension Protection Fund Ombudsman

We work in partnership with these bodies to ensure that they are working to high standards and that the services they provide are delivered efficiently and effectively, in order to provide value for money to the taxpayer.

What we've been doing

Giving people a firm state foundation on which to plan their retirement income

There were around 12.8 million pensioners receiving a State Pension as at August 2018, with around 1.2 million of them living overseas. Around 960,000 people were claiming the new State Pension. It was the third anniversary of the introduction of the new State Pension on 6 April 2019, a reform that brings clarity to a system that had become increasingly complex over the years.

Working alongside automatic enrolment, the new State Pension enables people to plan for their additional retirement savings. The simplicity of the system means that people are aware that they will receive over £8,500 a year (2018-19 rates) when they reach State Pension age, if they have achieved a total of 35 years of National Insurance contributions or credits.

The 'Check your State Pension' digital service allows people to find out when they will reach State Pension age, how much State Pension they can expect to receive and if they can increase the amount. Since its launch in February 2016, over 13 million digital forecasts have been viewed.

The 'Get your State Pension' service has been developed to deliver a safe and secure digital service which allows individuals to claim their State Pension online.

We send a letter with a personalised code between 2 and 4 months before a person reaches State Pension age. This code allows them to access the service along with details of how to use it.

We trialled the new service for a few months before rolling it out nationally. Feedback showed it significantly improved the way in which people can claim their State Pension, with 97% of users satisfied or very satisfied with the service and 97% found it easy or very easy to use. It takes on average around 7 minutes to complete a State Pension claim online. The new service is also being made available to customers living outside of the UK, reducing the time it takes for their claims to be processed. The service is incrementally bringing automation to the processing of the claims, and will continue to reduce administration costs.

Ensuring the pension system is fair, sustainable and protected for future generations

As people are living longer, regular review of the State Pension age is necessary to ensure that the State Pension system remains sustainable as life expectancy grows.

Women's State Pension age reached 65 in November 2018, and is currently increasing from 65 to 66 for both men and women. Men and women's State Pension age will reach 66 by October 2020, with further rise legislated to age 67 by 2028.

A girl born in 1951 in the UK was expected to live to 81.6 years and a boy born in 1951 to 77.0 years. By 2019 these figures had increased by over 10 years for newly born girls who can now expect to live to 92.4 years and by over 12 years for newly born boys who can now expect to live to 89.7 years. As a result of these and other demographic changes, the number of people over State Pension age in the UK is expected to grow by over one third (35.3%) over the next 25 years, from 12.1 million in 2019 to 16.4 million in 2044 – an increase of 4.3 million people.

Giving eligible employees the opportunity to save into a workplace pension

To help people increase their pension savings, alongside the simplified new State Pension, we have introduced automatic enrolment to encourage more people to save for their retirement and make saving normal for most people in employment. Employers must automatically enrol eligible workers into a qualifying workplace pension scheme and pay a minimum employer contribution. Eligible workers are those between the age of 22 years and State Pension age who earn more than £10,000 per year. Workers can choose to opt out within one month of being enrolled into a pension scheme and any contributions already paid will be refunded. Beyond this they can stop saving at any time and contributions already paid will be retained in their pension scheme until normal retirement age.

During 2018-19, we completed the staged roll-out of automatic enrolment to small and micro employers as well as new employers; we have supported employers to re-enrol their employees who previously opted out, which they are required to do every three years; we monitored the impact of the increase in minimum pension contributions which took place in April 2018 and worked closely with employers to prepare for the second increase from April 2019; and we continued to develop plans to extend retirement saving to other workers including plans for research and trials to find ways to help self-employed people save for retirement.

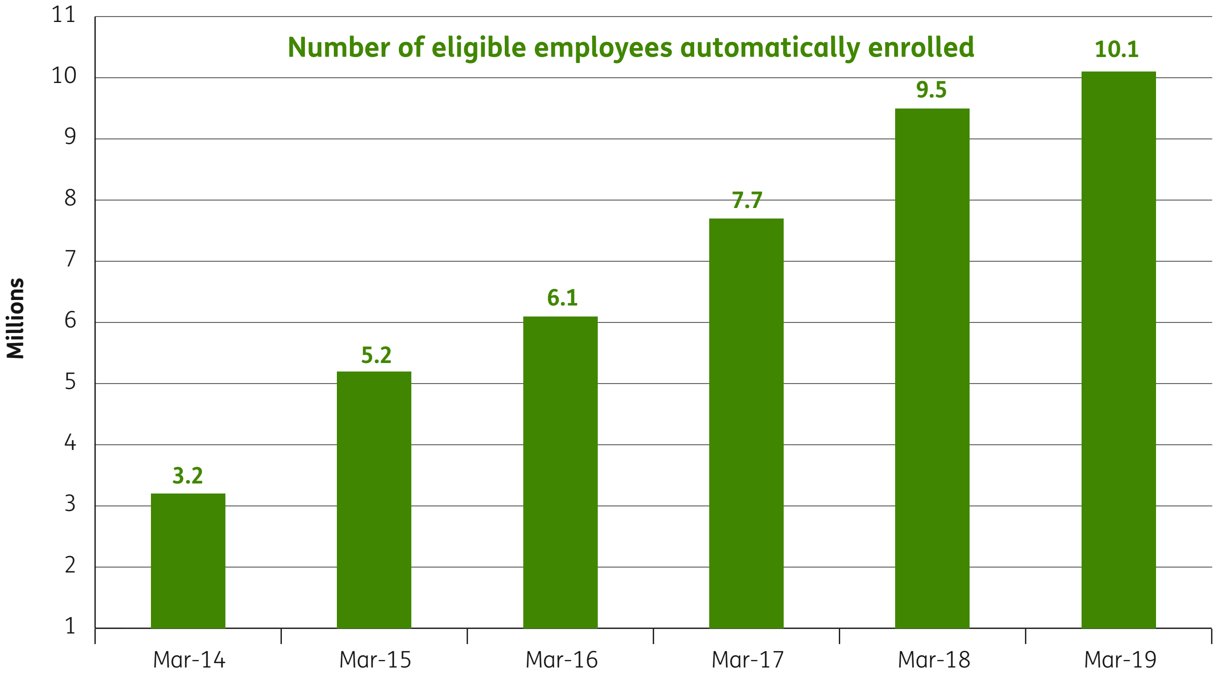
Over **10 million**
people auto enrolled into a workplace pension

Pension participation

Automatic enrolment has reversed the decline in workplace pension saving seen in the decade prior to its introduction in 2012. By the end of January 2019, over 10 million workers had been automatically enrolled into a workplace pension and over 1.4 million employers had declared compliance with their automatic enrolment duties. By 2019-20 an extra £18.6 billion a year is estimated to be saved into workplace pensions as a result of automatic enrolment.

The majority of change has been seen amongst the younger workers and low earners. In 2012, 65% of women employed full time in the private sector did not have a workplace pension. By 2017 this had fallen to 24%. The workplace pension participation rate for eligible women in the private sector is 80%. Young people are also embracing pension saving and almost 80% of eligible 22 to 29 year olds working in the private sector are now enrolled in a workplace pension.

This year we monitored the impact of the first of two planned increases in minimum pension contributions to 5% of banded earnings, from April 2018. This went smoothly, and early evidence (published in the *Automatic Enrolment evaluation report 2018*) suggests this did not have an adverse effect on savings behaviours (i.e. no significant increase in opt out or cessation rates). We also worked closely with employers to prepare for the final legislated increase in contributions which took place in April 2019 to give a combined employer/employee total of 8% of banded earnings. We will continue to monitor this closely to see if this latest change has any impact on savings behaviour.



Our *Automatic Enrolment Review*, published in December 2017, sets out our ambition to further strengthen the workplace pension saving framework from the mid-2020s, subject to discussions with stakeholders on the implementation approach, and finding ways to make these changes affordable, and following the evidence of the impact of the increases in statutory minimum contribution rates in April 2018 and April 2019.

We recognise that employers and other delivery partners need time to plan for these changes so that they can manage costs with certainty and will ensure that before any changes are made to automatic enrolment, we have full discussions with stakeholders, followed by formal consultation in due course. Our overall approach is intended to provide employers and delivery partners (including small and micro employers, payroll practitioners and others) with the necessary stability to continue to introduce automatic enrolment schemes for employees in the most effective way for all parties. Our ambitions include lowering the age for automatic enrolment from 22 years to 18 years, which DWP estimates will help an extra 900,000 people to save an additional £800 million per year into a workplace pension, and removing the Lower Earnings Limit (LEL) so that contributions are calculated from the first pound of earnings, which supports those with low earnings and multiple jobs to save more for retirement.

Modelling presented in *Automatic Enrolment Review 2017: Analytical Report* illustrated the effect the proposed package may have on the pension pots of a hypothetical individual working their full working life at the national living wage whilst making and receiving minimum contributions on their qualifying earnings. Without the package, this individual would save £49,200 into a pension over their working life under the estimates used in the model. With the package they would save £89,500 an increase of £40,400 or 82% which is mainly driven by abolishing the LEL. This report can be found on www.gov.uk.

Self-employment has become an important feature of the UK labour market; encompassing an estimated 4.8 million people (around 15% of the workforce). While individuals classified as self-employed will benefit from the new State Pension, they are much less likely than employed workers to accumulate private pension saving. As part of its *Review of Automatic Enrolment 2017*, the Government committed to scope, develop and test targeted interventions aimed at establishing what works to increase retirement saving among the self-employed. This approach provides an evidence based step towards the government manifesto commitment to increase retirement provision among the self-employed; using insights from automatic enrolment.

The Department published a report, *'Enabling Retirement Saving for the Self-Employed: Pensions and Long-Term Savings Trials'* in December 2018. This report sets out the programme of research and trialing activity the Department is carrying out from 2019-20, with a range of delivery partners. Our approach focuses on testing behaviourally inspired messages and tech tools, aimed at prompting self-employed individuals to save; the trials will also test how and where to deliver propositions.

The trials focus on three areas:

- marketing interventions aimed at people who have previously saved – for example, after being automatically enrolled whilst employed – to encourage them to continue their saving behaviour
- marketing interventions using trusted third parties for the self-employed, such as trade bodies/unions etc. to promote the value of saving and provide an easy connection to an appropriate savings vehicle and
- behavioural prompts – testing messages combined with prompts through invoicing services and/or the banking sector to seek to engage self-employed people to think about starting a regular saving habit at a point when they are receiving income

Single Financial Guidance Body

Many people, at some stage in their lives, will need help with complex, often interrelated financial issues in terms of budgeting, saving, retirement planning and managing debt. We are committed to ensuring that people, especially those who are struggling, have access to the information and guidance they need to help them make effective financial decisions.

To deliver on this ambition and rationalise the public financial guidance landscape the Financial Guidance and Claims Act 2018, which received Royal Assent on 10 May 2018, has brought together the services provided by Pension Wise, the Pensions Advisory Service and the Money Advice Service into the Money and Pension Service. Its creation is a genuine opportunity to improve provision of free and impartial government sponsored money and pensions guidance and debt advice.

It was established as a legal entity on 1 October 2018 and, on 1 January 2019, it began delivering its five core functions; pensions guidance, money guidance, debt advice, consumer protection and the development of a national strategy to improve financial capability. Regulations to name the Single Financial Guidance Body the Money and Pensions Service were laid in Parliament on 4 March 2019 and came into force on the 6 April 2019.

The Money and Pensions Service's vision is a "society where everyone makes the most of their money and pensions". The Money and Pensions Service will work with us to scope a ground breaking pensions dashboard. They will advise on aspects of HM Treasury's work on a debt respite scheme (Breathing Space). These are 2 of a number of important pieces of work that will move them closer to their vision of creating a society where everyone makes the most of their money and pensions.

Pensions dashboard

Pensions dashboards will eventually allow individuals to see all of their pensions information online in one place. In December 2018, we published our feasibility report and consultation on pensions dashboards. We responded to the comments raised during the consultation in the government response published on 4 April 2019. As set out in that response, the Department has committed to introducing legislation to compel pension schemes to make their information available to individuals via dashboards, as soon as parliamentary time allows. We have also committed to providing State Pension information via dashboards at the earliest opportunity. Money and Pensions Service will be working with industry, consumer groups, government and regulators to ensure that dashboards are delivered safely and securely.

Helping people make pensions work for them

Since April 2015 Pension Freedoms have given people aged 55 years and over more choice in how they access their pension savings. Since introduction, over one million people received a flexible payment derived from their pension savings. This amounted to 6.1 million payments with a total value of £25.62 million.

Consumers have welcomed the reforms and the evidence so far suggests that they are typically responding to the freedoms by making responsible choices. The government continues to be alert to emerging evidence on the freedoms and is working with industry, regulators and consumer groups to monitor and research the choices being made.

We welcome the Financial Conduct Authority's publication of their proposed actions to improve outcomes for pension savers. The implementation of the Retirement Outcome Review proposals should help improve both the information savers receive and protect consumers who do not take advice before choosing income drawdown products. We are working with the Pensions Regulator to determine whether equivalent measures should be introduced in occupational pensions schemes that take into account the role of trustees and the different structure of these schemes.

Protecting defined contribution pension savers

We are committed to making sure that every pound put into pension schemes – by employers, employees, or taxpayers – works as hard as it can to deliver members a return and savings for retirement. The cap on scheme charges protects members of schemes used for automatic enrolment, and we are committed to reviewing whether it should be lowered further in 2020.

A Master Trust scheme is an occupational pension scheme used by multiple employers. Membership in these schemes has grown from around 270,000 in 2012 to almost 14 million in January 2019. Master Trust pension schemes were required to apply for authorisation in the 6 months prior to 31 March 2019. The Pensions Regulator has an ongoing supervisory role ensuring schemes continue to meet the authorisation criteria if they want to operate in the pensions market. Those schemes that are not authorised will be required to wind up and their members transferred to another scheme.

We have made regulations that require information on the costs of occupational defined contribution schemes to be given to members and published. By the end of this year, schemes will have been required to publish cost and charge information.

As of April 2019 members of occupational defined contribution schemes now have the right to obtain more information about how their pension scheme is invested, and by October trustees of these schemes will be required to publish their investment policies, including how they take account of financial risks such as climate change. We anticipate that increased transparency will drive up standards of governance and offer the opportunity to engage members with their pension saving.

We have recently consulted on further measures to encourage large defined contribution schemes to consider investment in illiquid assets, and to prompt trustees of smaller schemes to consider whether members would receive better value in larger schemes such as a Master Trust.

We have contributed to Project Bloom, a cross-government task force that brings together law enforcement, government and industry to share intelligence and, raise awareness of scams through communication campaigns, and take enforcement action where appropriate. This intelligence sharing has led to a number of successful criminal convictions. Action Fraud estimate, on average, victims of pension scams lost £91,000 each to fraudsters in 2017.

We have also implemented tighter scheme registration rules to make it harder to open fraudulent schemes and banned pensions cold calling from 9 January 2019. Following the roll-out of the Master Trust authorisation regime in 2019, we plan to bring forward legislation to enable trustees to make sure that pension savings are transferred to safe destinations such as authorised Master Trusts and not fraudulent pension schemes. In conjunction with the Pensions Regulator and the Financial Conduct Authority, we ran a successful scams awareness campaign last summer, which helped alert people to the risks posed by scams.

Defined Benefit White Paper

In March 2018, we published the Defined Benefit White Paper, protecting defined benefit pension schemes. This followed a comprehensive consultation exercise to better protect defined benefit pension scheme members' benefits including: giving the Pension Regulator additional powers to enable them to be more proactive with tougher penalties to deter wrongdoing; and improving scheme funding, and facilitating consolidation.

The white paper set our ambition to maintain confidence in the defined benefit system by increasing the protection of members' benefits. Our proposals are set against 2 main themes to achieve that, whilst balancing the need to consider the sustainability of the sponsoring employer:

- a tougher approach to the minority of employers whose irresponsible behaviour puts their pension scheme at risk by, giving the Pensions Regulator additional powers to prevent and punish wrongdoing and
- improvements to the Defined Benefit Framework for all employers and schemes by clarifying funding standards, by making it easier for the regulator to take earlier action where necessary to protect scheme members, and by introducing a system that supports consolidation of schemes

The majority of proposals require either new, or changes to existing, primary legislation. To finalise the design of proposals we have consulted as follows:

- between 26 June and 21 August 2018, we ran a public consultation "Protecting Defined Benefit Pensions – A stronger Pension Regulator". The Government response was published on 11 February 2019 and between 7 December 2018 and 1 February 2019, we ran a public consultation "Defined benefit pension scheme consolidation" which sought views on a new legislative framework for authorising and regulating defined benefit 'superfund' consolidation schemes. We are currently analysing the responses.

We intend to introduce legislation to bring forward these changes as soon as parliamentary time allows.

Collective Defined Contribution pension schemes

Between November 2018 and January 2019 we consulted on our proposals for Collective Defined Contribution (CDC) pension schemes and published our response to the consultation in March 2019.

CDC pension schemes will provide members with a pension which, while not guaranteed, means that members will receive an income that is likely to be greater than that provided by an annuity, without the risk that funds will run out before members die. These schemes also allow employers to offer their employees a pension income in retirement without the business being liable for any shortfall in funding arising from poor investment performance or increases in life expectancy.

We intend to introduce these changes through legislation as soon as parliamentary time allows.

Protecting pensioners on a low income

Pension Credit protects pensioners on a low income. Pension Credit tops up any income already received to a standard minimum amount, with higher amounts for pensioners with caring responsibilities, a severe disability or certain housing costs. From February 2019, pensioners with responsibility for a child or qualifying young person are able to claim the Pension Credit child addition. This is an additional amount for every child or young person they have responsibility for with further amounts in cases of disability.

In 2018-19 we continued to provide additional support to pensioners through Winter Fuel Payments helping pay the cost of heating their homes and also including free TV licenses for pensioners aged 75 and over. Cold Weather Payments are also available for periods of extremely cold weather.

The Christmas bonus is a one-off tax free payment of £10 made to people in receipt of certain benefits, including State Pension.

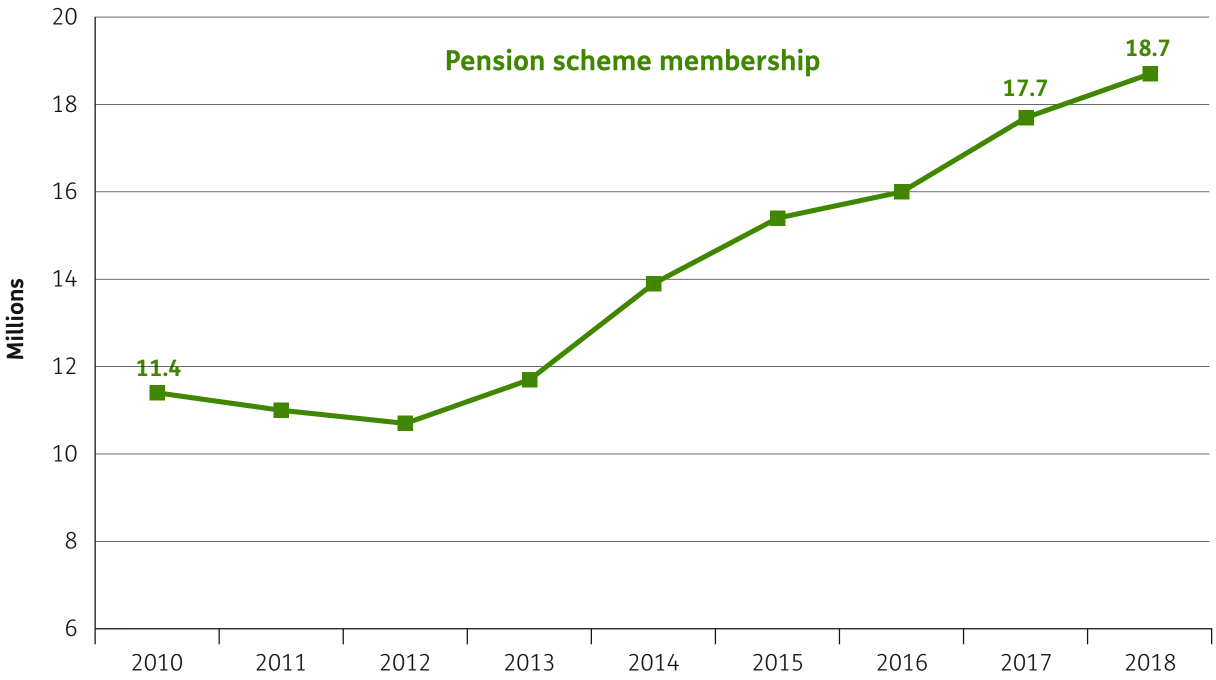
In addition, we continue to increase the basic State Pension through the 'triple lock', the higher of earnings, Consumer Price Index or 2.5%.

Our performance

We are measuring our progress in this objective through the following 3 headline indicators:

Headline indicator 6: the number of eligible employees in a pension scheme sponsored by their employer

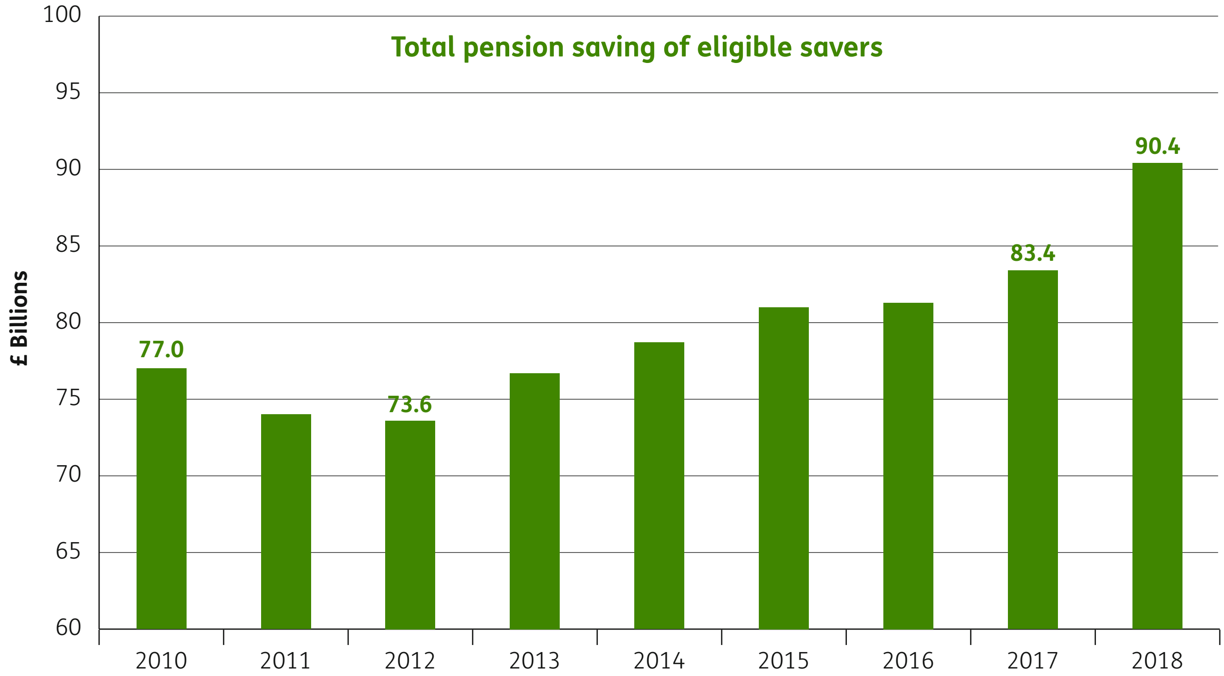
The number of eligible employees in a pension scheme sponsored by their employer in 2018 was 18.7 million compared to 17.7 million in 2017. The number of eligible employees in a pension scheme sponsored by their employer has increased by 8 million since 2012 when it was 10.7 million eligible employees.



This indicator measures the number of employees (excludes self-employed people) saving into a pension scheme sponsored by their employer who are at least 22 years old, under State Pension age, and earning above the earnings threshold (£10,000 in 2018-19) for automatic enrolment. Data is published annually in the DWP official statistic 'Workplace pension participation and trends'. An increase would denote an improvement in this indicator. More information on this indicator can be found in the DWP technical annexes on www.gov.uk.

Headline indicator 7: the total pension saving of eligible savers

The annual total amount saved for eligible employees stood at £90.4 billion in 2018 compared to £83.4 billion in 2017. Total annual savings are now £16.8 billion higher than the £73.6 billion saved in 2012, when automatic enrollment was introduced.



This indicator measures the total amount saved into pension schemes by eligible savers, defined as those eligible employees who are saving into a workplace pension. The amount is the combined total of employee, employer and tax relief contributions. Data is published annually in the DWP official statistic 'Workplace pension participation and trends'[9]. An increase would denote an improvement in this indicator. More information on this indicator can be found in the DWP technical annexes on www.gov.uk.

9 The 2008 to 2018 edition of this publication used a revised methodology to estimate the total amount saved. Please see the statistical note for more information: www.gov.uk

Headline indicator 8: percentage of pensioners with a low income

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

Around 70% of pensioners live in homes that are owned outright and, therefore, they have minimal housing costs. This compares to around 20% of the working age population. The government's preferred measures of low income for the pensioner population are, therefore, estimated on an AHC basis to draw out the difference in living standards for the minority of pensioners who do have housing costs.

The percentage of pensioners falling below headline low income measures AHC remained broadly the same between 2016-17 and 2017-18. On the absolute basis, the percentage of pensioners in low income rose slightly to 14% but remains broadly in line with positive long-term trends observed for pensioners. Relative low income remained stable at 16% between 2015-16 and 2017-18.

Compared to the overall population, pensioners have been less likely to fall below headline low income measures AHC since 2003-04. Furthermore, the proportion of pensioners living in low income households is now 13 percentage points lower than it was 20 years ago.

Source: Households Below Average Income statistics 1995-96 to 2017-18

This indicator measures the percentage of pensioners living in low income households AHC in the UK (Great Britain before 2001-02). Household income is equivalised to take account of the size and composition of households in which people live. The poverty estimate is then derived by counting how many pensioners fall below 60% of the median equivalised income value. Data is published annually in the *'Households Below Average Income series'* on www.gov.uk. A reduction in this indicator would denote improvement. Estimates are derived from a sample survey and subject to statistical uncertainty. Therefore, the focus should be on longer-term trends rather than year-on-year changes which may not be statistically significant.

Strategic Objective 4: Increase every child's opportunity to succeed by helping separated parents agree effective child maintenance arrangements and supporting families in distress to reduce parental breakdown and separation

To help government deliver support for disadvantaged families at risk of parental conflict, we have successfully delivered wide scale reforms to child maintenance by replacing the Child Support Agency with an effective system which encourages separated parents to work together to provide financial support for their child's everyday living costs.

Through Child Maintenance Options, we support separated parents to work together to set up family-based child maintenance arrangements and where this is not possible, we provide access to the statutory Child Maintenance Scheme to ensure separated parents contribute towards the upkeep of their children.

Around half of all separated families are likely to experience levels of conflict which are damaging to their children. Children in workless families are 3 times more likely to experience potentially damaging relationship distress than those in families where at least one parent is working. This is why we are continuing to work with parents to reduce conflict and help lift more children out of poverty.

The Reducing Parental Conflict programme runs in England only. The devolved authorities receive their own funding for family and relationship support activity.

The Reducing Parental Conflict programme aims to decrease the number of children that have to live with damaging levels of parental conflict, by giving parents access to evidenced based support to increase collaboration, whether they are together or separated.

What we've been doing

Supporting parents in relationship distress so fewer children live with conflict

We recognise that children's life chances are highly linked to family circumstances. '*Improving Lives: Helping Workless Families*', published in April 2017, announced the Reducing Parental Conflict programme, which aims to support local areas to integrate proven interventions to reduce parental conflict into mainstream services for children and families. This programme has spent £21 million over the last 2 years, and plans to spend up to £17 million in 2019-20.

31 English local authorities will be identifying and supporting parents in conflict to access face to face interventions to reduce conflict in their parental relationship. The first services were live from April 2019.

Almost all top tier local authorities in England have now accessed funding to increase their strategic capability in addressing parental conflict. We have supported 98% of local authorities to:

- develop their strategic approach to embedding parental conflict support and
- train front line practitioners to help them understand and identify relationship distress, provide initial support and to refer appropriately

Alcohol misuse can be a major contributor to parental conflict, which is why we are working with Department of Health and Social Care

(DHSC) and Public Health England (PHE) to deliver a joint £6 million package of support for alcohol dependent parents. This includes:

- a £4.5 million Innovation Fund that will operate until March 2021.The fund will finance and evaluate 9 local authorities to implement innovative, evidence informed interventions to improve outcomes for children whose parents are dependent on alcohol and affected by parental conflict. The aim is to identify sustainable models of service delivery that can be widely replicated
- £1 million to build capacity nationally to better identify and support children of alcohol-dependent parents, and tackle conflict within families, through voluntary, charitable and other not for profit organisations. This will operate until March 2020
- £0.5 million to expand national helplines for children with alcohol-dependent parents

We are also providing £2.2 million of funding to 10 organisations to test innovative ideas, including online, to reduce parental conflict, through a Reducing Parental Conflict Challenge Fund. These organisations will receive funding for initiatives that will run between April 2019 and March 2020.

Initiatives will test what works to reduce parental conflict across 3 areas:

- interventions for disadvantaged families
- what works digitally to support and maintain engagement with disadvantaged families
- what activity or interventions for separating or separated couples that reduce their need to use state funded systems such as the family court system or the child maintenance system

Until March 2019, we also let contracts with several voluntary sector suppliers of relationship support services, which have now concluded and will be replaced with the Reducing Parental Conflict programme. These contracts delivered 23.8 million online interactions with customers seeking advice or guidance and 10,675 individual counselling sessions (for both couples and individuals).

Encouraging parents to work together to agree family-based child maintenance arrangements

Children have better outcomes when parents are able to work together, whether they are together or separated, therefore a more collaborative approach when arranging child maintenance is best wherever possible. Child maintenance can make a real difference to the lives of children as it can help to pay for things like food, clothing and other essentials.

Family-based arrangements are private child maintenance arrangements which parents have agreed between themselves – these can include arrangements in kind as well as financial ones. Many separated parents successfully agree to, and maintain family-based arrangements without any help from government, but some parents can need extra support.

Child Maintenance Options provides free and impartial information to help separated parents make informed decisions about child maintenance, including what type of arrangement is best for them. They can provide advice about how to set up a family-based arrangement, or signpost to the statutory child maintenance scheme. Around half of the children in separated families experience their parents displaying distressing levels of conflict, and we know this underlying conflict can make it more difficult for parents to make a family based arrangement. Through the Reducing Parental Conflict programme, we are improving the support for separated or separating families to address this conflict.

Running an effective statutory child maintenance scheme for parents who cannot agree family-based arrangements

Our priority is for children to get the financial support they need.

Parents pay a £20 application fee to use the Child Maintenance Service (CMS), which is intended to encourage parents to pause and consider their options before making an application, although there are exemptions for some parents.

Where a child maintenance arrangement is made through the CMS, we encourage separated parents to arrange payments between themselves. We call this 'direct pay' and no collection charges or fees apply to this service. Where this is not possible, we can collect and pass on payments, enforcing non-paying arrangements where necessary. Both parents are charged for this "collect and pay" service.

671,300 children covered by CMS arrangements, an increase of **101,000** since December 2017

Using up to date income information directly from HM Revenue and Customs has reduced the time to set up a case from months to days. The calculation is reviewed annually and is only changed in year if there are significant changes in the paying parent's income. This approach provides stability to parents and children.

The latest statistics show:

- by December 2018 there were 671,300 children covered by CMS arrangements, an increase of 101,000 compared with December 2017
- in the quarter ending December 2018, £237.4 million child maintenance was arranged, an increase of 24% from the same quarter in the previous year
- in the quarter ending December 2018, 66% of collect and pay cases were paying child maintenance, up from 57% for the same period in 2017

CMS will take action if child maintenance agreed through a collect and pay arrangement is not paid and it will take action to move direct pay cases into collect and pay when a parent reports to the CMS that payments are not made. We have a range of strong enforcement powers, intended to ensure all parents fulfil their financial responsibilities to children.

New powers introduced in December 2018 enable the deduction of child maintenance from joint and business accounts, and better targeting of complex earners through taking into account notional income. Alongside this we have started issuing warning notices under our new power to disqualify non-compliant parents from holding a UK passport, and have made improvements to compliance procedures - providing more resource to the Financial Investigations Unit to tackle complex cases. These measures should help address the small number of parents who seek to reduce or evade their child maintenance liabilities.

We plan further changes to regulations to deliver greater consistency regarding the amount deducted for child maintenance from benefits, simplifying the policy and helping to collect more money for children. This will be achieved by aligning child maintenance deductions from benefit at a maximum amount per week, regardless of whether the deductions are towards on-going maintenance or arrears.

Closing the Child Support Agency (CSA) is a key element of the reforms so all cases are managed by a single efficient service. The ending of liabilities on all CSA 1993 and 2003 cases was completed as planned in December 2018. The remaining CSA cases consist of historic arrears only. From December 2018 we have been implementing our compliance and arrears strategy on cases with historic arrears accrued under the CSA system. This includes undertaking write-off action and representation action. During representation, both receiving and paying parents are given the opportunity to make written representation to us about their debt within a set timeframe. Completion of this action will enable the final closure of CSA cases. Our strategy also enables the use of increased powers to take enforcement action to address non-compliance.

Our performance

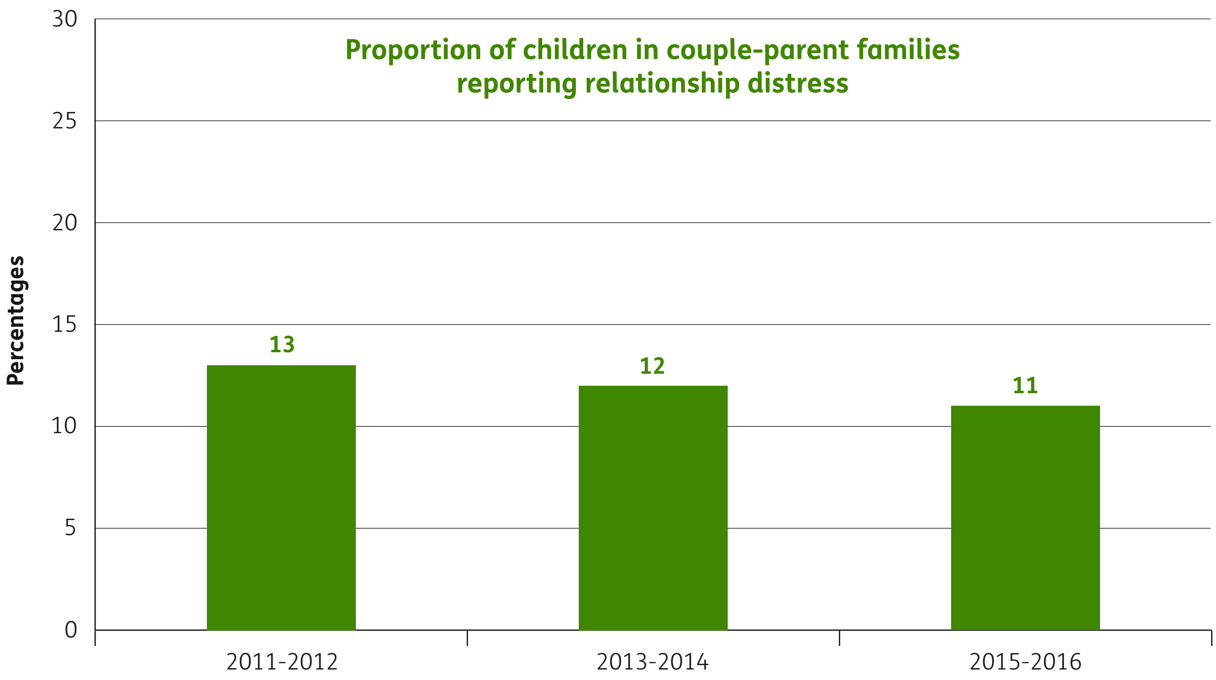
We are measuring our progress in this objective through the following 2 headline indicators:

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

The proportion of children in couple-parent families reporting relationship distress was 11% in 2015-16. This represents a fall of 1 percentage point from 12% in 2013-14 and 2 percentage points from 2011-12.

The government is committed to reducing conflict between parents - whether they are together or separated. This is why we have introduced a new Reducing Parental Conflict programme. Backed by up to £39 million, the programme will encourage councils across England to integrate services and approaches which address parental conflict into their local services for families.

Through the support from the Reducing Parental Conflict programme we would expect a reduction in levels of parental conflict over the longer term, though we do not expect significant changes in the short term. The programme itself began its implementation in April 2019 and, as such, we would not expect to see any impacts reflected in the statistics until the *2019-20 Understanding Society data collection wave* (published 2022) at the earliest.



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

Headline indicator 10: percentage of separated families with a child maintenance arrangement

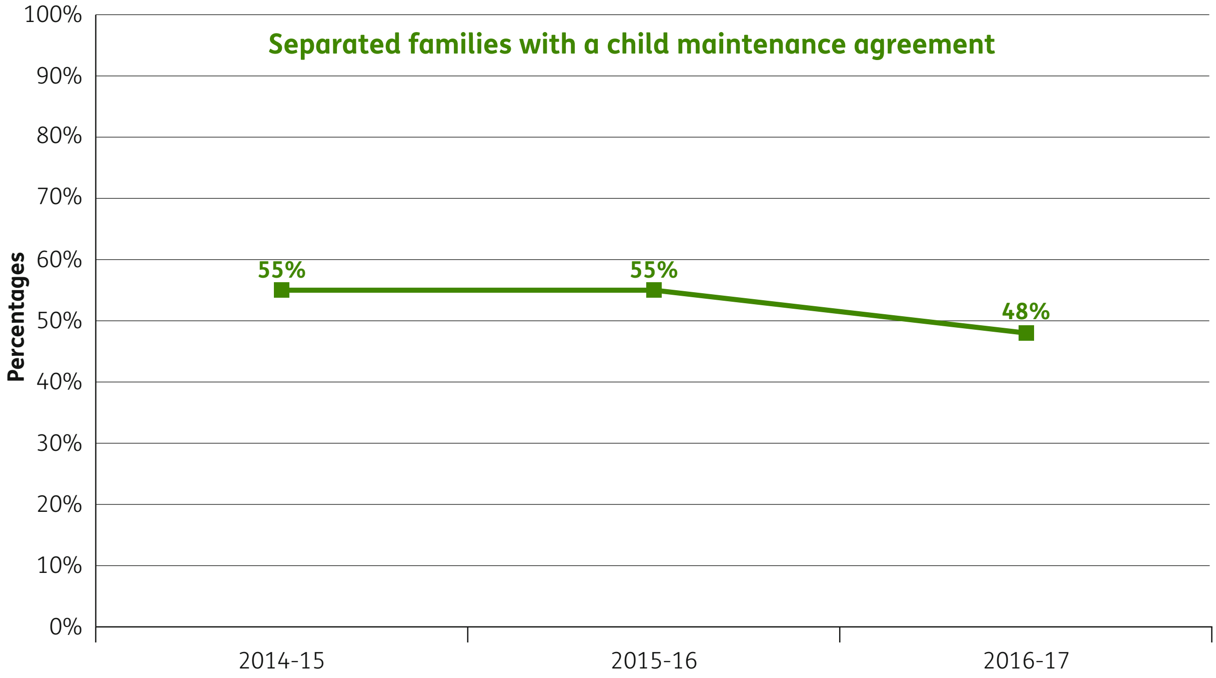
It is estimated that 48% of separated families had a child maintenance arrangement in 2016-17 (the most recent period for which data is published). This has reduced since 2014-15.

Between 2014-15 and 2016-17, statutory child maintenance moved from the Child Support Agency (CSA) to the Child Maintenance Service (CMS). Existing CSA cases started to be closed and under CMS more freedom and support was provided to enable parents to choose the arrangement that works best for them.

This reduction may in part reflect these increased freedoms under CMS where a statutory arrangement is not the default option. Parents can choose a private arrangement, a statutory CMS arrangement, or not to have an arrangement.

Our Child Maintenance Options service continues to provide information to parents so that they may make an informed choice about what child maintenance arrangement may work best for their family. We provide an effective statutory scheme with a growing caseload; customers are collaborating via the Direct Pay Service. The Collect and Pay service, where CMS collects and transfers maintenance between parents, continues to see improved compliance. During 2018-19 we also introduced new enforcement and collection powers to help ensure more money is collected for children where parents have chosen a statutory scheme arrangement.

We recognise there is more to do. We know that after a couple makes the decision to separate, conflict between parents can make it harder to agree effective child maintenance arrangements. Our new Reducing Parental Conflict programme (in England) will help to increase the availability of evidence based interventions to reduce parental conflict, so that more parents can access the help they need locally.



This indicator is based on experimental statistics and is derived primarily from Family Resources Survey data.

Strategic Objective 5: Transform our services and work with the devolved administrations to deliver an effective welfare system for citizens when they need it while reducing costs, and achieving value for money for taxpayers

We have a vision; to be a department of the future that embraces new digital technology, works across boundaries, creates a multi-functional and inclusive place to work whilst transforming our customer service experience.

In order to achieve this and to reduce our running costs, we have a multi-faceted approach including a comprehensive strategy to shape our workforce for the future, embrace and enhance digital technologies and a robust commercial contracting framework.

We are committed to further transform our customers' experience and throughout 2019-20 we are refreshing our business strategy to identify and implement changes that not only reduce costs but also improve outcomes for all of our customers.

Building a workforce for the future

We are building a smaller, more skilled and engaged workforce. We are doing this by transforming and improving our services and managing our workforce numbers to reflect the changes we have been making. In 2018-19 we spent £2.98 billion on staff, an increase of approximately 5.6% on 2017-18. This is as a result of both the pay award and changes to our departmental family i.e. increased staff numbers in Benefits and Pensions Digital Technology Services (BPDTS Ltd) and the creation of Single Financial Guidance Body (SFGB) which brought together bodies from inside and outside our department. See page 46 for more information.

Workforce resourcing

We take a strategic approach to workforce resourcing which enables us to transform the way we operate, make efficiencies and introduce major reform and react quickly to new requirements as they arise. We design our workforce plans to support the delivery of our flagship projects, such as the rollout of UC, and to make sure we have the right colleagues and resources to support our ongoing digital transformation.

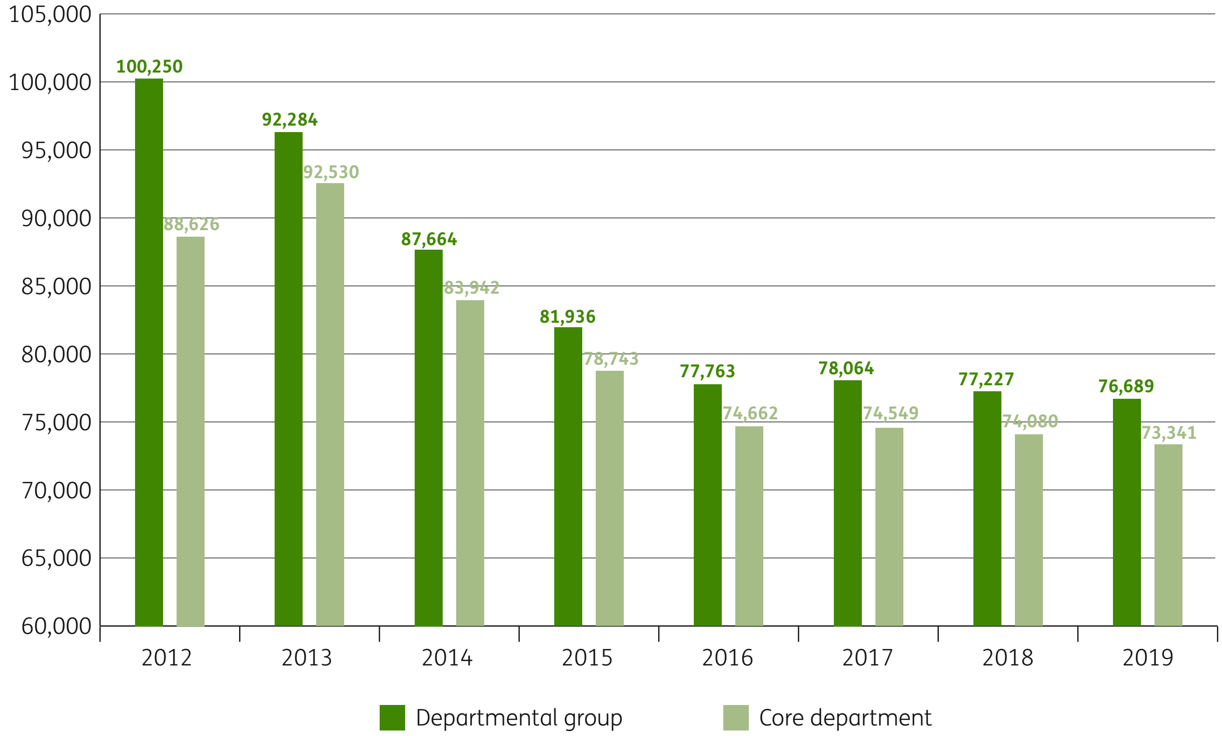
During 2018-19 the Department experienced an annual turnover rate of 6.5%. During the year 6,320 people left the Department as a result of turnover (e.g. resignations, retirements) and other planned/unplanned departures. In order to meet future needs, we have continued refreshing our workforce, bringing in new postings through recruitment and promotion.

During 2018-19 a total of 5,724 new recruits and transfers in from other government departments were brought into DWP. This recruitment has enabled us to replace leavers, handle new work and ministerial policy priorities, whilst also ensuring we have sufficient resources to continue the roll-out of UC and conduct a number of administrative exercises to review existing and past benefit claims following court judgments.

Good progress has been made against our ambition to secure leading digital services for the Department whilst optimising value for money. In a very competitive labour market there were 520 new recruits into DWP digital roles during 2018-19 which enabled us to achieve our target headcount level for our Digital function. Our dedicated IT services provider BPDTS Ltd continued to increase staffing during the year and 412 were recruited. This progress will enable us to continue to bear down on external supplier costs.

Since March 2012 we have, overall, reduced our core staffing by around 15,285 whole time equivalents.

Departmental group and core department staffing (whole time equivalents) as at 31 March[10]



During 2017-18 we reviewed our recruitment process, and in November 2018 adopted the new Civil Service Success Profile recruitment method, moving towards a more strengths based rather than competency focussed recruitment approach.

During the latter part of 2018-19 we undertook significant planning activity to ensure that our workforce plans remain affordable and enable us to stay within our Spending Review 2015 Settlement during 2019-20 - the final year of the settlement period.

We are continuing to embed the new ways of working enabled by the Employee Deal through teams working together to ensure a more consistent pattern of working hours spread across the day. We have extended our operating hours for 65,000 people to 6.30pm as well as continuing to deliver services to 8pm and on Saturdays to some of our customers.

We know there is a growing demand from people wanting to use our services outside our existing opening hours and our plans are to progressively introduce extended operating hours to 8pm Monday to Friday and on Saturdays from 9:00am to 5:00pm across more of our service lines where it is right to do so.

We are also focusing on further modernising delivery by working with colleagues to identify and implement an optimum Service Centre Delivery Model. This will support the wider future business strategy by continuing to invest in enhanced technology to help colleagues provide an enhanced customer experience via improved ways of working.

Leadership

Building our leadership and line management capability at all levels has been a key focus within our Department since 2013, and continues to be a key element of our future People Strategy. For the third year running, our People Survey showed that 88% of employees believe leadership is part of everyone's role in our Department. In terms of engagement indexes this is recognised as extremely high. In order to transform our organisation, great leadership continues to play a pivotal role.

10 The departmental group staffing numbers is as published on www.gov.uk but does not include our arm's length bodies BPDTS and TPO whole time equivalents which were 894 at 31 March 2019.

In 2018-19 we piloted and started rolling out a new Leadership and Management programme focused on key leadership behaviours to transform mind-sets. Evaluation is already showing that learning translates into positive behaviour change within 6 months. Evidence shows that:

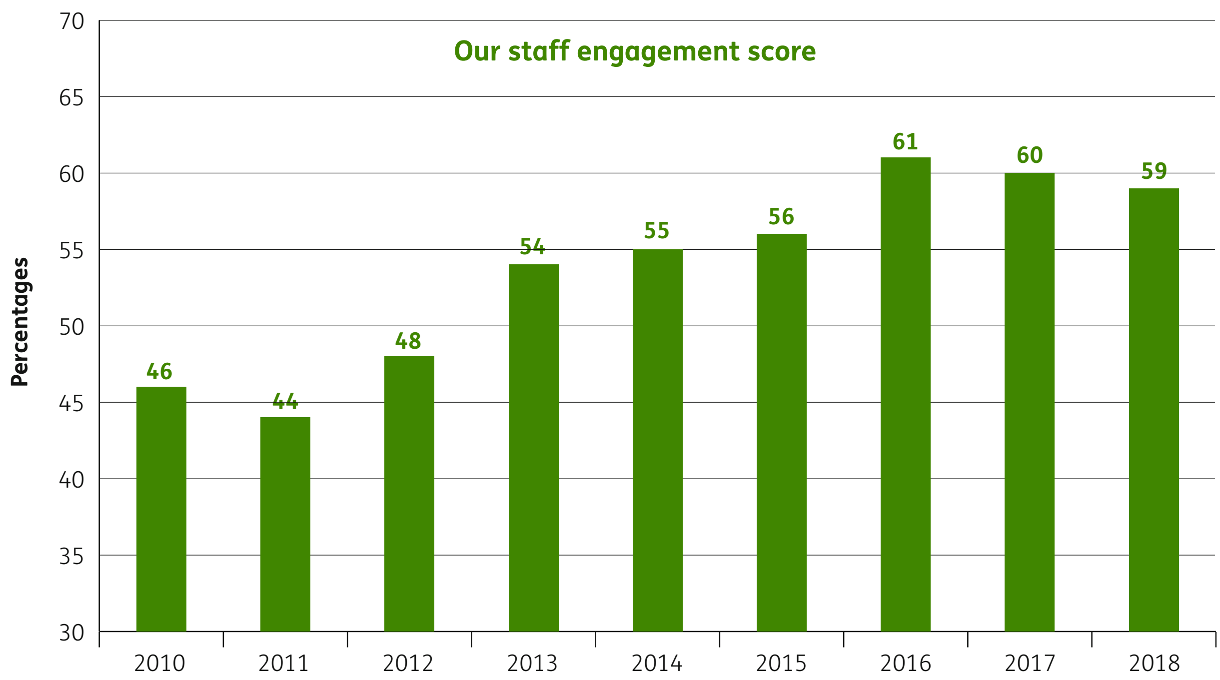
- **94%** of participants have used the knowledge and techniques to build trust and strengthen relationships
- **94%** of participants built in daily coaching activities
- **100%** of participants feel confident in dealing with challenging reactions
- **94%** have used the knowledge and techniques to help them respond when times are tough

We have also created a learning offer for our Senior Civil Servants (SCS), based on evidence and insight, which draws on events and resources from the Leadership Academy but also puts coaching at the heart of development, focusing in particular on creating time for individuals and teams to reflect on their personal impact and growth plans.

We continue to embed leadership development into key Department programmes and, as an example, have developed leadership specific training materials to support the introduction of a new People Performance system from April 2019. We continue to build employee engagement through offering a positive work environment for all our employees.

Staff engagement

In 2018, 56,636 DWP employees completed the civil service people survey to determine the measure of staff engagement with the Department. The survey is a vital means through which we listen to the voice of our colleagues. In 2018, we achieved an engagement score of 59%. This represents a small downturn of less than 1 percentage point and, given the changes the Department has faced, this is testament to our continued leadership through change.



In 2018-19 we maintained or increased our scores for 2 of the 9 main themes and we are ahead of the other largest Departments in all but the ‘My Work’ theme. Our ‘Learning and Development’ theme score, a focus for last year, has improved and despite changes in many aspects of work in the Department, our ‘Resources and workload’ theme score has been maintained.

Both the 'Bullying and Harassment' and 'Discrimination' scores have risen this year, however we are focusing our efforts to improve these. Last year we launched the DWP Diversity and Inclusion Action Plan which includes:

- implementation of enhanced processes and practice to encourage colleagues to speak up about their experiences of bullying and harassment and discrimination; and improvements to the support arrangements available to them
- amending the people performance system
- fundamentally reviewing the workplace adjustment offer and mandating workplace passports
- ensuring greater representation on recruitment panels and amending the way we recruit to ensure more inclusivity for colleagues
- rolling out Mental Health First Aiders and ensure mental health education is part of the new entrants learning pathway
- including Disability Confidence and Mental Health Awareness in mandatory learning

These changes are now in motion but will take time to filter through and have the desired effect. The proportion of those who say they reported their experiences of bullying, and harassment and discrimination has steadily increased. Evaluation of the new Fair Treatment Ambassador role and toolkit, take up of mediation support and the dedicated confidential helpline are examples of additional measures that will be used to assess reporting and resolution experiences.

People Performance

During 2018-19 we tested a new approach to People Performance with 2,000 colleagues from across the Department. This included trialling the removal of performance ratings and mid and end-year reviews, as well as embedding new team based approaches.

The test and learn illustrated positive results in terms of team collaboration, sharing of work and more holistic conversations between colleagues and line managers. The results were also seen in terms of improved engagement scores in the annual people survey;

- the engagement index increased within Stanley jobcentre from 49% in 2017 to 66% in 2018
- 'My Team' scores within test and learn teams in Finance increased from 85% in 2017 to 95% in 2018

These scores are encouraging, particularly as the new approach had only been in place for 6 months.

We will be adopting a phased approach to implementing this new performance system, with two primary tranches for roll-out. Colleagues in both tranches will stop using performance ratings from April 2019, but will start using the team based approach at different points during the year. To ensure business readiness, teams in Human Resources (HR) are working closely with Operational Excellence Directorate and Executive Teams.

Capability

Since 2014-15, our HR team has worked closely with the departmental heads of profession to review our people capability, assessing the capability we already have in place and identifying any gaps for the future. Capability plans have been developed for each profession, detailing the range of interventions we use to improve. Our professional communities within the Department, such as Project Delivery, Commercial, HR and Finance have matured, and we have focused on building pride in the Operational Delivery profession for our frontline colleagues.

Moving forward, we are focused on ensuring our development of professional expertise is rooted in delivering the departmental business strategy, whilst maintaining the progress made from developing professional communities across government. We already use a wide range of learning and development interventions to build both professional and personal capability, and we continue to ramp up our focus on social and experiential learning, to complement the formal learning interventions already in place.

The employment engagement score for the learning and development activity theme increased by 1 percentage point from 2017 to 2018 to 61% with our people specifically identifying that they are able to access the right learning and development opportunities when needed (71%, an increase of 1 percentage point) and confirming that there are opportunities for them to develop their career in the Department (61%, an increase of 2 percentage points). We already use a wide range of learning and development interventions to build both professional and personal capability, and we continue to ramp up our focus on social and experiential learning, to complement the formal learning interventions already in place. The Fundamental Learning Journey was launched across Operations in August 2018, combining professional and personal learning interventions, along with professional accreditation, to deliver a blended learning experience for our operational leaders and new joiners. Our ultimate objective is to create a culture of continuous learning in the Department.

We value the diverse talent and capability of our people, and recognise the benefits of drawing from a wide population of people, irrespective of their background. We also recognise the vital importance of maintaining a healthy, safe, resilient, engaged and motivated workforce, as the health, safety and wellbeing of our people matters to us. For more detailed information, please refer to the accountability report.

Embracing new digital technology

Digital Transformation improves experiences for our service users and makes us more effective and efficient, while also enabling us to meet policy outcomes.

This year we had 4 key goals to support our digital transformation:

Designing, delivering and evolving products and services which deliver policy intent and meet user needs

As UC rolled out nationally, we continued to make regular enhancements to the digital service based on user feedback, through weekly or fortnightly releases. 30 releases in 2018-19 simplified processes for customers, reduced administration for colleagues, and improved security.

Other significant examples of digital service delivery to support policy objectives include:

- 'Check your State Pension', which has provided 13 million instant forecasts to people who may have had to wait several weeks under the old phone and postal service. Online take up was 93.4%, and user satisfaction 86%
- 'Get your State Pension' (with 96.7% user satisfaction and 44.6% digital take up) which has halved claim times
- 'Digital fit notes', allowing Employment and Support Allowance customers to send fit notes from smartphones, improving user experience and reducing operational demand
- 'Find a job', which replaced Universal Jobmatch in July 2018, which has already supported 24.9 million job applications from 810,000 registered jobseekers and
- new technology to enable colleagues to provide an effective and efficient service to customers. For example, we've added new features to our Next Generation Content Centre (which 25,000 colleagues use to handle 90 million calls annually) and have started to replace 70,000 ageing PCs with faster, more powerful upgrades

Maximising operational performance and eliminating service downtime

We continued to reduce disruption to our digital services, with downtime (as a percentage of DWP's service hours lost) at 0.1% compared to 0.4% last year. This improvement in performance was the result of re-hosting our digital services in state of the art cloud technology, better monitoring to spot potential issues earlier, and identifying and addressing underlying issues behind multiple incidents.

Re-hosting our digital products has also increased performance and efficiency, with overnight data processing speed increasing by 30% to 80%, enabling extended hours working.

We began the major process of rebuilding many of our older digital services which continue to enable billions of pounds' worth of benefits and pensions transactions annually. Replacing decades-old technologies with modern equivalents will ensure that we can continue to support and maintain vital services for the remainder of their lifetimes.

Across multiple service lines, we tested the potential of 'intelligent automation' in automating repetitive manual or paper based processes to improve speed and accuracy, and to free up colleagues' time to support customers. Examples include automated processing of fit notes (saving 42,000 hours of human processing annually), assembly of appeals bundles on PIP (saving 22 minutes per bundle on average) and automated text messages to improve customer service for new Employment and Support Allowance claimants and reduce the need for direct contact with the Department.

Securing the Department, and protecting people, information and physical assets

Security remains paramount for the Department. We hold large amounts of personal data, not just on our own customer base but in relation to other organisations for which we deliver services.

In 2018-19, we further strengthened capabilities and maturities within the context of the Transforming Government Security (TGS) agenda. We continued to:

- implement our GDPR change programme
- enhance our skills and capacity, through recruitment, training and tooling
- develop our monitoring capabilities
- integrate our threat intelligence to inform operations and risk
- mature processes, governance and accountabilities

13 million instant Check Your State Pension forecasts accessed

The **General Data Protection Regulation (GDPR)** came into effect from 25 May 2018 as part of the new Data Protection Act. In preparation we undertook an extensive programme of work which included:

- **staff upskilling and awareness.** Upskilling over 80,000 staff through mandatory security e-learning and targeted communications
- **cultural change.** Embedding 400 data champions across our business with responsibility for maintaining a focus on data protection
- **data protection team.** The appointment of a Data Protection Officer and supporting team in order to fulfil statutory obligations and to provide a focal point for data protection second line of defence
- **personal information charter.** In order to develop trust with our service users we have published our Personal Information Charter on www.gov.uk which is available to all citizens
- **right of access requests.** The development and implementation of a process and online portal for handling right of access requests with a dedicated gateway team to manage these
- **addressing structural data protection risks.** Reviewing the purging, archiving and retention functionality of our digital systems in order that they become GDPR compliant
- **managing our data ecosystem.** Reviewing all our supplier commercial contracts and seeking assurance from our Arm's Length Bodies (ALB's) that they are also compliant

The work to achieve GDPR compliance is divided into 17 strands of work, with many strands now passed onto business as usual, as compliance has been achieved in these strands. There are a number of on-going strands of work, all progressing against plans to achieve GDPR compliance and these have been made visible to the Data Protection Officer and the Information Commissioners Office. The Governance report holds more detailed information on GDPR.

Building capability to take control of our digital future and reduce supplier overheads

We significantly strengthened our digital capability in 2018-19. We recruited hundreds of specialists into the Department and our dedicated service provider BPDTS Ltd, further reducing reliance on suppliers and contractors.

We've enhanced capability of our existing workforce through internal promotion and learning and development. Almost all digital colleagues are members of one of 8 communities of practice, supporting skills and career progression and setting clear professional standards.

Commercial contracting

Ensuring we get the best possible service and the best possible price, we continue to scrutinise and manage our commercial contracts.

In 2018-19 we delivered total savings of around £351.6 million (£264.5 million cash savings and £87.1 million efficiency savings). The following sections show where some of the savings have come from.

Commercial digital

In 2018-19, we continued to replace large, long-term, legacy technology service contracts (including dis-aggregation of our Desktop contract) with smaller and more flexible contracting models, providing increased value for money. We have also used innovative sourcing routes to contract for specific Enterprise Software agreements, resulting in significant savings.

In 2018-19 we delivered savings in this area of around £99.73 million (£56.17 million cash savings and £43.56 million efficiency savings).

We are continuing to enhance the performance, stability and security of our infrastructure to support our digital goals. We have used government commercial frameworks to deliver more flexible contracts that mitigate risks and secure continuity of supply: this helps keep us safe from external threats, as well as enabling delivery of digital products and services. We have driven further value for money from our contracts over the Spending Review period.

In line with government strategy, we have begun embedding Strategic Relationship Management across our strategic suppliers to build trusted relationships and enable closer working, and to seek joint opportunities for increasing value from these contracts.

Estates

The Telereal Trillium Prime contract was successfully exited on 31 March 2018 and the People and Locations programme closed at the end of June 2018. This has resulted in the successful implementation of the new Estates Operating Model, the mobilisation of the new estates supply chain and estates rationalisation from 960 offices to 812 offices. The Department secured the offices delivering rent free incentives totalling £43.5 million in value. Cutover to the new supply chain was achieved with no business interruption which means that the Department has been able to continue to deliver services and customers can access the support they need.

The new Estates Operating Model is expected to generate cash savings of £1.4 billion over 10 years. The new model is more flexible with discrete suppliers with whom the Department contract directly to provide the necessary services including: facilities management, security services, projects, landlord and lease management, and furniture, fittings and equipment and an independent Integrator who oversees the performance management of the suppliers. The setting up of an internal policy and compliance team within the estates function means that the Department is in a far better position to manage risks, react to changes in legislation and drive value for money.

The changes and improvements to the estate have continued through 2018-19, through divesting 57 sites (of which 51 were from the short-term contingency sites) and acquiring 8 new sites, as well as an increased level of lifecycle investment across the estate aimed at improving portfolio quality and resilience. This focus will continue for the next few years as the remaining People and Locations related projects are completed and as we actively plan the 2023 Estate Strategy.

Contracted employment support

The focus in the last year has been strategically on driving and engaging the market to meet the goals of the Department. This has emphasised our stewardship of the market, seeking to improve collaboration between the Department and its providers and between providers themselves and supplier relationship management, all in support of the contracted programmes. A number of new procurements and planned extensions were delivered all enhancing value for money for the Department. Overall for 2018-19 savings of £58 million (£34 million cash; £24 million efficiency) were delivered.

Work and Health programme

Our Work and Health programme 5 year contracts, with a total value of £400 million, went live between November 2017 and April 2018. In addition to this, over £100 million of funding was devolved to local government partners in London and Greater Manchester who have developed, procured and are delivering local versions of the Work and Health programme. Of the 4,750 starts between November 2017 and November 2018, 82% were from the health and disability group.

Quarterly joint governance board meetings are held with each local government partner, which support sharing of information and best practice. In addition, there are regular forums held with the devolved deal areas and separately with contracted providers, including providers in local government partner areas, which also facilitate the sharing of best practice, including how providers use their status as Disability Confident leaders to promote the programme in their respective areas.

The Work and Health Programme works with the resources and successful programmes available within local areas. This ensures that effective use is made of local funding streams and the expertise of local service suppliers so that participants with multiple barriers to work can receive co-ordinated and holistic support.

Health assessments

Our focus is to manage our existing contracts in order to get the best out of them, while also looking ahead to future delivery options. Overall performance across our contracts has continued to improve, and we will work with providers to continue this trajectory.

We are responsible for health assessments for people with disability or long term health conditions through the PIP contracts and the Health and Disability Assessment Services contract.

We have continued to work with the PIP assessment providers on the implementation of recommendations from the second statutory review of the PIP assessment process undertaken by an independent reviewer. This includes: looking at how to increase the number of reports written up within a day of an assessment; increases in preparation time for healthcare professionals ahead of assessments; and 'Function First' to ensure that assessments focus on gathering sufficient functional evidence. We are also delivering a pilot testing the introduction of video recording of PIP assessments. This pilot began on 26 November 2018 and the first recordings were completed during the week commencing 10 December 2018. These initiatives, along with close collaborative working, has seen continued strong performance with a focus on improving the quality of assessments.

We have 2 PIP assessment providers, we have agreed a contract extension with Independent Assessment Service (IAS), to continue delivery to 2021. We are currently in negotiations with Capita to extend their contract. These contract extensions will support the continuous improvement of the PIP service, a more stable approach in the customer journey and a successful transition to a new service in 2021.

The Health and Disability Assessment Services contract, which includes delivery of Work Capability Assessments, commenced in March 2015. Service delivery, in terms of assessment volume, quality and customer service, has improved year on year through the life of the contact to date. This improvement continued in 2018-19. In 2019-20, we will maintain our focus on delivering improvement across all areas of service delivery, to improve the efficiency of the contract.

Our Expenditure

The 2018-19 Departmental Expenditure Limit (DEL) budget (as set at the Spending Review in 2015) was £6.2 billion, this was subsequently amended to £6.4 billion. This represents a reduction of £2.7 billion compared to the Department's £9.1 billion DEL spend in 2009-10 and DEL savings of £17.8 billion cumulatively year on year since 2009-10. The savings illustrate our commitment to delivering value for money for the tax-payer. The Department has done well in achieving the savings to date, especially commercial savings in estates and IT contracts and headcount reductions.

In 2019-20 the Department faces the most stretching year of the 2015 Spending Review Settlement, with funding reducing by 5%, or £300 million from 2018-19. The Department has developed a challenging plan to deliver our objectives in line with the settlement in 2019-20 by driving further commercial savings, prioritising activity across the business to increase productivity and continuing to drive efficiencies.

Annual running costs (DEL resource) in £s million

09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19
9,060	9,152	7,624	7,496	7,606	7,145	6,473	6,161	6,108	5,967

Source: Core table 1 (unaudited)

At any one time we make benefit and pension payments to around 20 million people to support them through life events such as being out of work, retirement and disability.

DWP AME benefit expenditure summary	2018-19 expenditure £billion[11]
Benefits paid to pensioners, of which:	**121.4**
State Pension	96.6
Support for disabled people and people with health conditions	11.3
Other benefits	13.5
Benefits paid to working age people and children, of which:	**61.1**
Support for disabled people and people with health conditions	42.0
Other benefits	19.1
Total resource AME expenditure	**182.5**
Other AME[12]	(1.6)
Total AME expenditure	**180.9**

Other benefits include Housing Benefit, UC and Pension Credit.

The **welfare cap** is a limit on the amount that government can spend on certain social security benefits and tax credits.

HM Treasury sets the level of the cap and the year in which it will apply, at or before the first fiscal event of each new Parliament. At the same time HM Treasury sets a pathway for relevant welfare spending in each year running up to year of the welfare cap. HM Treasury also sets the percentage margin for the cap and pathway in each year.

The cap is formally assessed by the Office for Budget Responsibility (OBR) at the first budget or fiscal event of each new Parliament.

HM Treasury set the current welfare cap and pathway at Autumn Budget 2017, in line with the OBR's forecast for welfare expenditure at the time. This current welfare cap applies in 2022-23 with the next formal assessment to be based on the forecast at the first fiscal event of the next Parliament.

The latest OBR forecast shows that we are on track to meet the terms of the welfare cap in 2022-23 which was set by HM Treasury at Autumn Budget 2017.

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

Fraud, error and debt

We have received a qualified opinion on our accounts due to a material level of fraud and error in benefit expenditure every year since 1988-89. The Permanent Secretary has retained monetary value of fraud and error as a significant control issue. More detail is available on page 122.

Fraud and Error Levels

In 2018-19 we paid out £183.5[13] billion in benefits and pensions to millions of UK citizens. We continue to work to ensure the accuracy of each claimant's payments against their entitlement. Errors do happen in a system of this scale and complexity. Some individuals try to cheat the system and organised groups seek to exploit it. The overall level of gross overpayments (2.1% in 2017-18) now stands at 2.2%, or £4.1 billion, of total benefit expenditure.

DWP writes off very little recoverable debt and over time most of this is recovered. However, this has to be done at an affordable rate for claimants so can take time. Whilst our focus is on minimising the occurrence of overpayments, we nevertheless recovered £1.1bn in 2018-19 reducing the overall loss in the year to £3.0 billion. We estimate the gross loss on State Pension to be 0.1% against spend of £96.9 billion[14]. State Pension has relatively simple conditions of entitlement so fraud and

11 Benefits breakdowns for benefits paid to more than one group are estimates based on DWP statistical data. More detail can be found in the DWP benefit expenditure tables on www.gov.uk.
12 Other AME includes movements in provisions as a result of changes to discount rates. See note 16 in the financial report.
13 Total benefit expenditure of £183.5 billion split between State Pension expenditure of £96.9 billion and other benefit expenditure of £86.6 billion represents the latest available forecast expenditure figures for 2018-19 at the time of the fraud and error estimate published in May 2019.
14 State Pension expenditure of £96.9 billion represents the latest available forecast expenditure figures for 2018-19 at the time of the fraud and error estimate published in May 2019.

error is low. The gross overpayment level for the remaining £86.6 billion spent on benefits stands at 4.6%[15].

Underpayments totalled 1.1% or £2.0 billion of total benefit expenditure. The gross underpayment level excluding State Pension stands at 2.2%.

What we know

The national statistics are based on continuous sampling of cases throughout a 12 month period. They provide an opportunity to reflect on past performance. We use them in conjunction with other data, including quality checks, detected overpayments and testing of new 'risk rules' to better understand where things are going wrong. We know that most losses occur where the circumstances of a claimant are not properly reflected in the amount awarded. This can happen at the start of the claim but often it is because changes that happen during the lifetime of the claim are not reported.

What we measure

Not all benefits are measured. Where they are not measured we rely on assumptions to extrapolate results from earlier years. This year we have developed a more systematic and transparent approach to determine which benefits are measured, using multi criteria decision analysis to determine our programme of measurement. We have also consulted on how our statistics are used by stakeholders. As a result, we announced in December 2018 that we will review Carer's Allowance cases between April 2019 and February 2020 and that we would move to one fraud and error statistical publication per year, beginning May 2019.

Staying on track

Fraud, Error and Debt activities in the Department are governed by a director level fraud, error and debt (FED) Board, established in 2018-19. They meet quarterly and are supported by benefit level oversight groups. National statistics are reviewed in depth and benefit strategies are refreshed to take account of any new trends. For example, we supported the development of new PIP communications to help address unreported changes identified via national statistic checks. Indeed, every single FED initiative now has a clear two-way interaction with the fraud and error estimates, which ensures a prompt and clear statement of our progress.

How we are organised

2018-19 is the second full year of the Counter Fraud and Compliance Directorate (CFCD), which became Counter Fraud Compliance and Debt directorate in the last quarter of the year, when Debt Management operations joined the directorate. CFCD leads the Department's work on detecting and challenging fraud and error and recovering resulting debts, but increasingly working with other parts of DWP to prevent fraud and error from occurring.

Focusing on loss areas

CFCD uses the published fraud and error statistics to produce '**heat maps**', which provide a graphic illustration of our main loss areas, both by benefit and by cause. We combine this information with forecasts to highlight the loss areas we need to target.

As claimants move from Tax Credits to UC the demographic of the population the Department serves will include more working families with more changeable circumstances, and this is driving an upward trend in fraud and error. To maintain control, our strategy is to direct our efforts to the main areas of loss, tackling them through 6 strategic objectives:

- improving our processes and communications to make it easier for claimants to give the right information at the right time
- ensuring that everyone in DWP plays their part in reducing fraud and error, from policy design, through digital system development to work coaches in jobcentres who work with claimants every day
- getting better at understanding what works so we can deploy intervention approaches more efficiently and effectively
- building a rich understanding of the root causes of loss and the behaviours that drive them, to inform our response

15 This method deducts money recovered this year, regardless of when the overpayment occurred, from the money estimated to have been overpaid this year. Money recovered this year includes in-year figures for directly administered benefits plus Housing Benefit recovery as detailed in the Housing Benefit and Debt Recovery statistics. This figure is unaudited. Further information can be found on www.gov.uk by searching for Fraud and Error in the Benefit System 2018-19.

- optimising our use of data to tackle fraud, error and debt
- designing a connected organisation to deliver our vision.

Tackling undeclared earnings

We know that undeclared earnings from employment has been a significant problem and we have improved our response to that year on year. Real time earnings data from employers is now incorporated into UC Full Service, meaning claims can properly reflect employment earnings from the outset and that any changes feed through automatically.

For other benefits, the Verifying Earnings and Pensions service (VEPs) has introduced a common capability for a range of business users across the Department, providing access to real time earnings data through digital web services (and delivering automation of some processes) in advance of a benefit payment being made. The roll-out continued in 2018-19 with VEPs alerts going live in Pension Credit, Carer's Allowance and Housing Benefit.

Using data to identify risk

Other main causes of loss are undeclared capital and losses as a result of people failing to declare a partner who lives with them. Our Risk and Intelligence Service (RIS) was launched on 1st April 2018 and its capability is developing, building a rich understanding of these and other causes of loss and developing and testing ways to detect and prevent them. In recent weeks RIS has begun issuing threat alerts to service staff to assist them in identifying and preventing frauds.

RIS is currently testing a number of models to identify claimants who may have failed to declare who they live with and we continue to develop thinking on how our information powers could be strengthened to enhance current methods for detecting undeclared capital. In all this work we draw lessons from across government. Web enabled fraud remains a growing threat and the Department's cyber resilience capability continues to work closely with RIS colleagues.

Assessing emerging loss areas

Around 15% of earners in the UK are now self-employed, which equates to 4.75 million self-employed people in the UK. Earnings from self-employment are outside the scope of real time earnings or any other single data set. Online reporting of earnings is available to self-employed claimants in UC Full Service, making it easier for claimants to report their income. This is complemented by RIS, which is developing activities to uncover fraud and error risks as a result of self-employment, including potential earnings from the hidden economy. Identifying a high risk population of Housing Benefit claimants has led to targeted interventions, which began in September 2018.

Staying on track

Fraud, error and debt activities in the Department are governed by a director level fraud, error and debt (FED) Board, established in 2018-19. They meet quarterly and are supported by benefit level oversight groups. National statistics are reviewed in depth and benefit strategies are refreshed to take account of any new trends. For example, we supported the development of new PIP communications to help address unreported changes identified via national statistic checks. Indeed, every single FED initiative now has a clear two-way interaction with the fraud and error estimates, which ensures a prompt and clear statement of our progress.

Targeting our resource

An Operational Control Centre helps measure the effectiveness of different initiatives, which is improving our ability to deploy resources in the most effective way. Similarly, our new Counter Fraud and Error Management Service is increasingly directing fraud referrals and data matches to end users, who are in this way able to undertake tailored and informed investigations.

Debt Management

Our fraud and error activity is designed to prevent claimants incurring debt, but, where it does occur, we aim to recover it effectively whilst recognising an individual's ability to repay. Last year, DWP and Local Authorities recovered £1.1 billion in overpaid benefit.

Debt Management also recovered money from insurance companies (where people have received compensation for an accident, injury or disease having already claimed benefits) and on behalf of the NHS (where ambulance or hospital costs have been incurred in connection with an accident). The Department's recovery (excluding Housing Benefit recovered by Local Authorities) totalled £1.7 billion in 2018-19, an increase of nearly £250 million on last year.

Communications and publicity

Our Communications Directorate contribute to the successful delivery of major policy areas from UC to automatic enrolment, as well as supporting effective operational delivery. We communicate through a range of marketing, press and public relations, digital and internal channels and partnership activities that are insight driven and robustly evaluated. We engage in publicity and advertising to draw public attention to important campaigns. For example, in 2018-19 we ran a number of publicity campaigns, including 'Get to know your pensions' and the launch of the 'Universal Credit; Opening Up Work' website.

We have not entered into any sponsorship arrangements in 2018-19.

DWP and Local Authorities have recovered **£1.7 billion** in overpaid benefit

Our performance

Transforming the customer service experience

Every working day throughout 2018-19, we supported hundreds of thousands of people by helping them find work, get the help they need, and making timely decisions and payments to help customers progress with their lives.

During 2018-19 we have continued to focus on transforming our services to improve the support we offer customers and deliver an effective welfare system that meets the needs of people using our services and improves customer outcomes.

We have:

- completed the roll-out of UC Full Service for all new customers and introduced the Help to Claim service, which assists vulnerable clients to start and complete their UC claim, including digital support, and to get ready for their first payment
- built on the One Service approach, using alignment of jobcentres and service centres to ensure we drive the right behaviours and accountability for the end to end customer journey
- continued to invest and be more innovative in our approach to digital and phone services to improve the customer experience
  - For example, designing and implementing a Send Your fit note service for Employment and Support Allowance claimants which enables claimants to send their fit notes securely from a smartphone or tablet, making it easier and faster for claimants, and making payments much quicker – helping to reduce stress and anxiety for those who really need the support
- improved the way customers make a claim online to State Pension (via Get your State Pension) by simplifying the process and making it more secure for individuals to complete their claim
  - This significantly improved offer has resulted in overall improvements to ease of use and customer satisfaction with the service and a much higher percentage of all digital claims made, successfully progressing to completion. We have also widened the use of SMS messaging in State Pension and Pension Credit to help keep customers more informed about the progress of their claim

- improved the service to our international State Pension customers by successfully introducing a new International tele-claims service, which supports the assisted digital channel for Get your State Pension. The service has now been extended to those residing in Australia who are entitled to claim a UK State Pension
- supported our most vulnerable customers by introducing a number of new processes for PIP claimants to stop unnecessary claim reviews and increase their award lengths, which has enabled us to make decisions quicker and put the individuals needs first
- enhanced and improved our telephony service for our customers with children – connecting more customers with skilled teams who will help at their first points of contact. We are also:
  - delivering faster, more effective services for customers whose circumstances change, including working with HM Revenue and Customs to extend our access to automated earnings information
  - continuing to increase enforcement actions to address non-payment of child maintenance
- this focus is leading to increased levels of child maintenance being collected and arranged; improved customer service, with quicker, more accurate changes – all supporting further increases in customer outcomes and helping to improve more children's lives

Customer Feedback

We have a well-established customer complaints process and we publish details about how to complain online. Our online service also provides a complaint form for UC and Jobseeker's Allowance claimants.

In 2018-19 we received 44,751 complaints (5,223 fewer than 2017-18 when we received 49,974 complaints).

Last year we saw a large increase in complaints about changes to State Pension age, largely due to a sustained campaign. Whilst numbers have reduced substantially this year, we continued to process these complaints until December 2018. At that point, in light of the High Court decision on 30 November 2018 to grant permission for a Judicial Review to go ahead on the changes to State Pension age, DWP temporarily suspended work on any related matters until a final decision is reached by the courts. We wrote to complainants to inform them of the suspension, and we placed an update on the gov.uk website. In the event that the judicial review does not result in a ruling on the complaints, the Department will review its position and consider lifting the suspension. However, we continue to investigate complaints that are not related to State Pension age changes under the normal DWP complaints procedure.

5,223 fewer complaints received than 2017/18

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

Debt Management acted on feedback from customer surveys, to improve staff awareness about the complaints process and how they can use complaints to improve service. The training programme improved the quality of complaint referrals from customer facing staff, which resulted in a more complete response to the customer. This has contributed to a reduction in escalated complaints from 10% in April 2018 to 3% in March 2019. It also enabled the complaints team to retain their 'Compliance Plus' marking in Customer Service Excellence. The Assessors noted *'This was in recognition of the admirable work around on-going staff training and guidance with a view to investigating complaints and handling them objectively'*

- a change was made to our PIP IT system to improve recording of customers' accessibility needs and ensure that individuals who require alternative formats, including large text, receive a consistent service from the Department
- we built on a change we reported last year about investigating complaints about staff by making changes to internal guidance and processes. The new product takes account of lessons learnt from earlier reviews, and is helping to upskill staff and improve our customer service
- we have adopted a proactive approach to managing our UC customer experience by using relevant customer insight about their UC journey, along with feedback from customer support groups, to continually adjust our processes and improve the delivery of UC to an increasing number of people

Independent Case Examiner

Customers can ask the Independent Case Examiner (ICE) to investigate their complaint if they are not happy with our response. On accepting a complaint for examination, the ICE Office will initially try to broker a resolution between the relevant business area and the complainant – they aim to do so within 8 weeks of the complaint being accepted for examination. However, most cases referred to the ICE are complex and require a full investigation.

If the complaint cannot be resolved the evidence will be requested and the complaint will await allocation to an Investigation Case Manager (ICM). Following a full examination of the evidence it may be possible for the ICM to reach a settlement agreement between the complainant and the relevant business area. If this cannot be achieved the ICE will be asked to adjudicate on the merits of the complaint.

Demand for the ICE Service has been high during the last two reporting years, with the result that those complaints that did not lend themselves to the resolution process experienced delays before their complaint could be brought into investigation. However, the Office received funding for thirteen extra staff during the 2018/19 financial year, which allowed it to recruit additional staff, who are currently in training.

	2016-17	2017-18	2018-19
Complaints received by ICE about DWP	2,509	5,342	4,189
Complaints accepted by ICE about DWP	908	2,531	968
Complaints about DWP cleared by ICE	781	779	3,456

Note: The table excludes complaints about Providers because they are responsible for managing complaints about their own service, and DWP and its associate bodies play no role in considering or responding to such complaints (which escalate directly to the ICE Office).

The rise in the number of complaints received by ICE was primarily due to the campaign against the State Pension age increase. The ICE Office set up a team dedicated to investigating these complaints in October 2017 and was working through them until December 2018. The Office closed all live complaints concerning changes to women's State Pension age when they became subject to legal proceedings, as is required under its governance contract. In the event the legal proceedings fall away or there is no determination on the matters which form the basis of the complaints, the Office could consider reopening the cases at the request of the Department.

In 2018-19 ICE cleared 3,456 DWP complaints. Of these:

- 34 were withdrawn by the complainant
- 252 were resolved or settled with the agreement of the complainant
- 334 were upheld, fully or partially, by the ICE
- 324 were not upheld by the ICE
- 2,512 were closed due to legal proceedings

Productivity in the ICE office has increased by 21% in the current reporting year, with the Office having concluded 944 complaint examinations in 2018-19, compared to 779 the previous reporting year.

Complaints investigated by the Parliamentary and Health Service Ombudsman (PHSO)

Complaints investigated by the PHSO	2015-16	2016-17	2017-18
number of complaints investigated	196	131	96
% of complaints upheld	39%	29%	16%

Our upheld rate was inflated in 2015-16 and 2016-17 because PHSO investigated a group of cases about Access to Work which had not exhausted our complaints process. As a result, they found there was more we could have done, and upheld the majority of the complaints. Our upheld rate for 2017-18 (16%) is more reflective of our performance. It is also worth noting that our upheld rate has always compared favourably to the overall rate across all parliamentary departments; in 2017-18 the overall rate was 24%. The ICE upheld rate is particularly favourable. The Ombudsman acknowledged this in December 2018 in its Performance Report about DWP, when it said that it had partly upheld just 3 of the 39 complaints about ICE (8%). This figure has since reduced to just 2 (5%) after a successful challenge by the ICE.

In 2017-18, PHSO assessed 169 cases about DWP organisations, accepted 40 complaints for investigation and considered 96 complaints (24% of the total complaints investigated about government departments). The issue that saw the biggest increase in complaints made to PHSO in 2017-18 related to enforcement (either taken inappropriately or a lack of action). In 2016-17, concerns about enforcement made up less than 4% (5) of the total complaints investigated but in 2017-18 that increased to almost 17% (16 complaints). Five (31%) were fully or partly upheld by PHSO.

Complaints to the Parliamentary Ombudsman in 2017-18

Departmental business	Complaints accepted for investigation	Complaints resolved without a finding	Complaints reported on	Complaints fully or partially upheld	Complaints not upheld	Complaints discontinued	Recommendations complied with (some complaints have more than one)	Recommendations not complied with
Jobcentre Plus	1	2	9	1	5	3	5	0
Child Maintenance Service	17	0	36	8	25	3	18	0
Pension, Disability and Carers Service	1	0	0	0	0	0	0	0
Debt Management	0	0	0	0	0	0	0	0
DWP (corporate)	7	1	8	2	5	1	2	0
Independent Case Examiner	13	2	37	2*	31*	4	2	0
Pensions Protection Fund	0	0	0	0	0	0	0	0
Pensions Regulator	0	0	0	0	0	0	0	0
Atos Healthcare	0	0	0	0	0	0	0	0
Health and Safety Executive	1	0	1	1	0	0	1	0
Total	**40**	**5**	**91**	**14**	**66**	**11**	**28**	**0**

*The figure is different to the data published by PHSO. This is because the Independent Case Examiner's office successfully challenged an upheld finding.

Special payments

We make special payments to people who have incurred additional costs, losses or other effects due to our maladministration. In 2018-19 we authorised 24,175 ex-gratia payments totalling £2.496 million.

These payments exclude financial redress paid for loss of statutory entitlement (LOSE). The total cost of LOSE in 2018-19 was £329,000*. These figures also exclude any special exercises to address cases where current legislation does not allow payments which were intended by Parliament or ministers. This money is excluded as it is not an extra cost arising from maladministration but payment that should have been made anyway.

* Rounded to the nearest £thousand

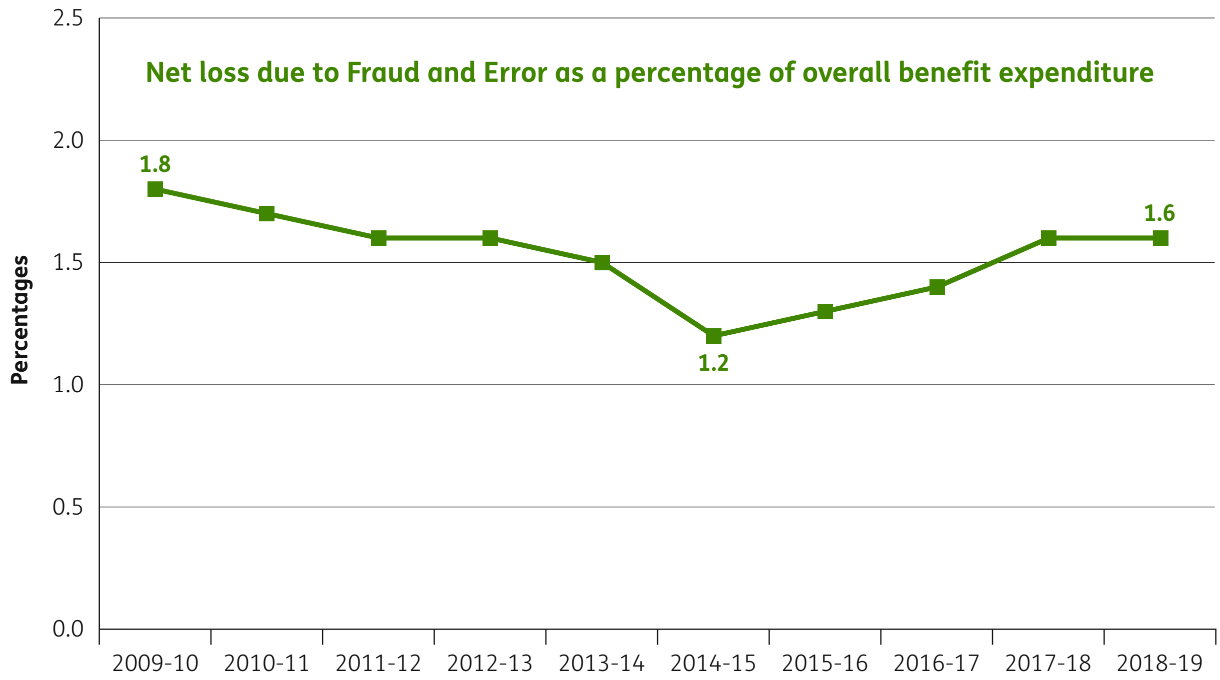
Ministerial Correspondence

We received 9,544 letters from MPs last year and responded to 60.8% of MP's letters within 20 working days.

The most common issues raised were in relation to UC, PIP, Employment and Support Allowance and the State Pension.

Headline indicator 11: net loss due to fraud and error as a percentage of overall benefit expenditure

In 2018-19 the estimated level of net loss due to fraud and error as a percentage of overall benefit expenditure arising from fraud and error, after offsetting overpaid benefit recovered, was 1.6%[16]. This is the same as the final level in 2017-18.[17]



This indicator measures the estimated value of overpayments as a percentage of benefit expenditure after overpaid benefit recovered has been offset. Only actual overpaid benefit recoveries are offset. Departmental recoveries of Social Fund loans and compensation recoveries are not included in the offsetting.

In-year recoveries may not relate to when the overpayment occurred. The fraud and error estimates are based on a sample of cases and so are subject to sampling error. A reduction denotes an improvement for this indicator. More detailed information on this indicator can be found in the DWP Technical Annexes on www.gov.uk.

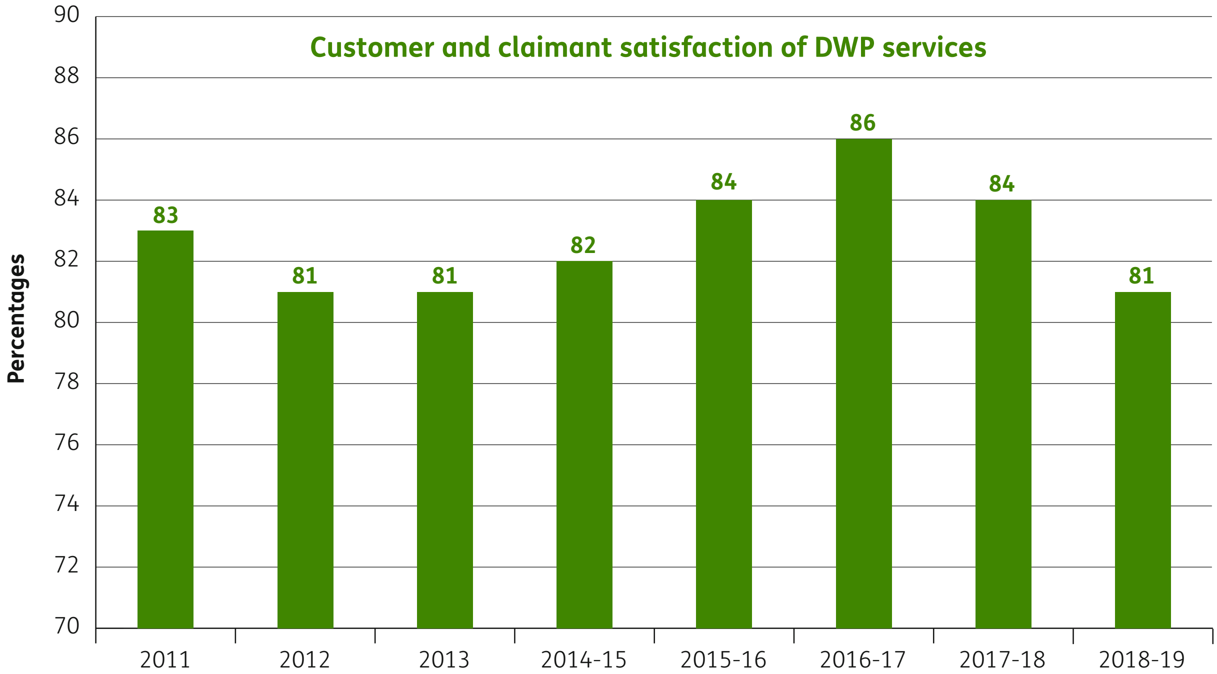
This indicator does not measure estimates of gross overpayments as a percentage of benefit expenditure included in note 18 of the financial statements and published on www.gov.uk.

16 This method deducts money recovered this year, regardless of when the overpayment occurred, from the money estimated to have been overpaid this year. Money recovered this year includes in-year figures for directly administered benefits plus Housing Benefit recovery as detailed in the Housing Benefit and Debt Recovery statistics. Housing Benefit recovery is entirely actual overpaid benefit recovered, as no estimated recoveries have been included in the data since September 2017. This indicator is unaudited. Further information can be found on www.gov.uk by searching for Fraud and Error in the Benefit System 2018-19.

17 As of May 2019, the Department publishes fraud and error estimates annually, previously this was bi-annually. The figures quoted are from the May 2019 estimates for 2018-19. These use a sample of benefit claims relating to the period October to September (August to July for Personal Independence Payment). In previous years, 'final' estimates based on a sample from April to March (February to January for Personal Independence Payment) would replace the 'preliminary' publication on www.gov.uk when published around November.

Headline indicator 12: customer and claimant satisfaction of DWP services

Latest data shows we achieved an overall customer and claimant satisfaction rating of 81% in 2018-19, a reduction of 3 percentage points on last year's score.



Source: Claimant Service and Experience conducted by a third-party research organisation and analysed by DWP (2011, 2012, 2013, 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19).

This indicator looks at Jobseeker's Allowance, Employment and Support Allowance, Income Support, Disability Living Allowance for children[18], Attendance Allowance, Carer's Allowance, State Pension, Pension Credit, Personal Independence Payment and Universal Credit[19] claimants. It measures the percentage of claimants who are either fairly or very satisfied with the service they received. As methodology and sample has changed over the years only the scores between 2014-15 and 2018-19 are directly comparable. The 3% difference between 2017-18 and 2018-19 scores is a statistically significant change.

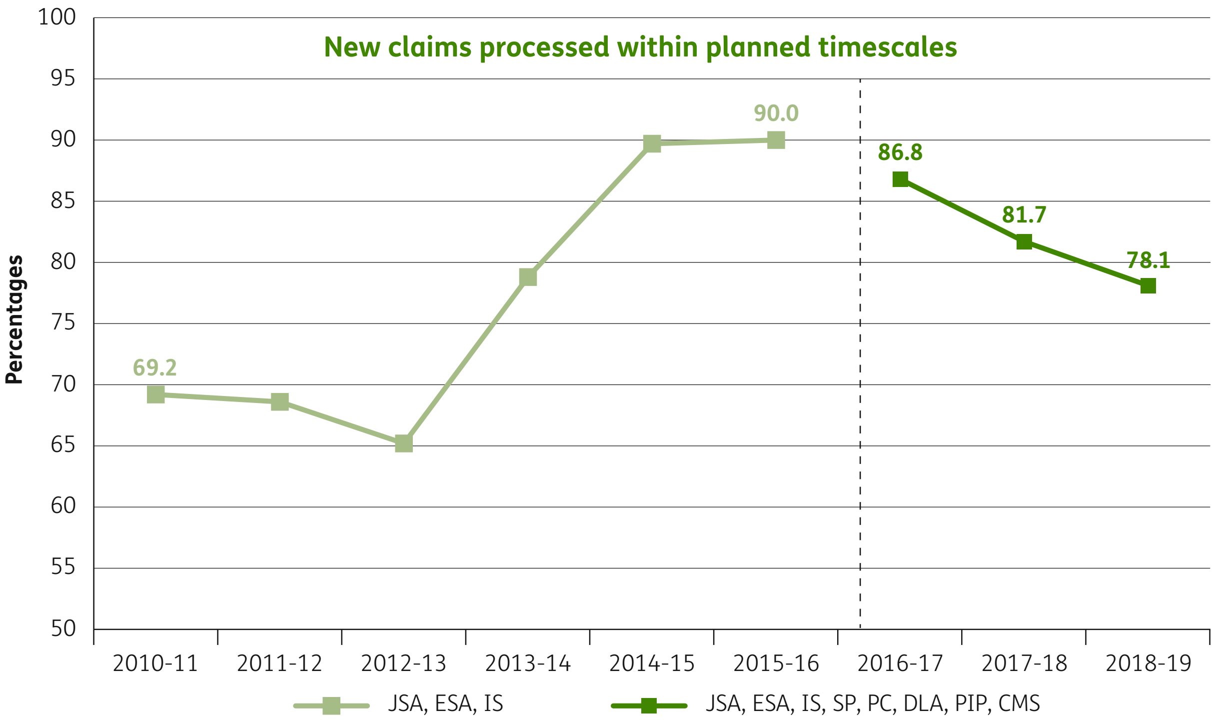
Detailed results will be made available in Autumn 2019 from the Claimant Service and Experience Survey 2018-19 on gov.uk, which will provide a greater context and insight on what is driving this fall in overall satisfaction.

18 Disability Living Allowance was included until the end of the 2017-18 period; from 2018-19 onwards only Disability Living Allowance for children has been included.

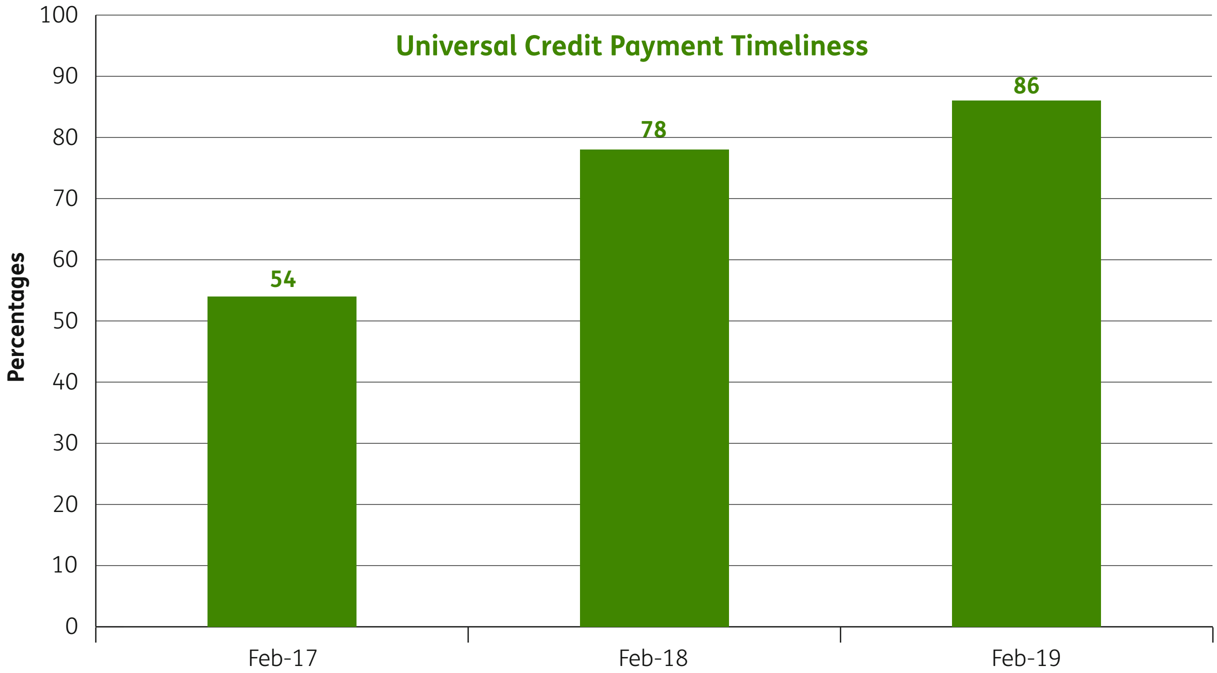
19 Until the end of the 2016-17 period only Universal Credit Live Service was included; throughout the 2017-18 period both Universal Credit Live Service and Full Service were included, and from 2018-19 onwards only Universal Credit Full Service has been included.

Headline indicator 13: new claims processed within planned timescales

In 2018-19, 78.1% of new claims for Jobseeker's Allowance, Employment and Support Allowance, Income Support, State Pension, Pension Credit, Disability Living Allowance, Personal Independence Payment and statutory child maintenance were processed within planned timescales. This is a reduction from 81.7% in 2017-18, which is due to some periods during the year when there was a drop in processing performance in a number of key products. The gateway for a range of legacy benefits began to close as the roll-out of Universal Credit began. As we did this we had to equalise the resource available to both the new and existing services and we were successful at maintaining all our services at around 80% process and payment timeliness. Now the gateway is closed and through continued investment (particularly around digital technologies) and engagement across the department we are continually improving service delivery, with performance increasing in the second half of the year.



Performance for UC Full Service has continued to improve over the year with 86% of new claims to Full Service receiving full payment on time in February 2019, an increase from 78% in February 2018. Due to the way UC measure payment performance, it is not consistent with the measures of other benefits and as such is published separately.



Data for years 2010-11 to 2015-16 is based on Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA) and Income Support (IS). Data for 2016-17 to 2018-19 includes new claims for JSA, ESA, IS, State Pension (SP), Pension Credit, PIP, Disability Living Allowance for Children, and Child Maintenance. In the current 2018-19 measure, a number of products (ESA, JSA, IS, SP, PIP) are now reported on a cohort basis - here performance is measured against the claims due to have been processed rather than those which have actually been processed. This has only a minor impact on the annual figures and the 2018-19 measure is broadly comparable to previous years. More information on this indicator can be found in the DWP technical annexes on www.gov.uk.

Supporting cross-government commitments and requirements

Devolution

For our Department, Devolution means a significant change to the way welfare and employment support is to be delivered across Great Britain as a whole.

Scotland

The Scotland Act 2016 has fundamentally changed the way social security and employment support is to be delivered, creating a new shared space between the Department and the Scottish Government. The Scotland Act 2016 means the Scottish Government now have the power to make discretionary payments, top up reserved benefits, create new benefits in the areas of devolved responsibility and set up new employability programmes in certain circumstances[20]. The Act also devolved responsibility for disability and carer benefits[21] and support currently provided through the Social Fund[22]. UC remains reserved but Scottish Ministers can make regulations for the Department for Work and Pensions to introduce flexibilities for Scottish customers relating to the frequency of payments, direct payments to landlords, housing cost calculations and split payments.

The Department for Work and Pensions Scottish Devolution programme remains fully committed to supporting the transfer of devolved benefits and employment support provided for in the Scotland Act 2016.

Over the last 12 months we have made significant progress in supporting the Scottish Government, including:

- supporting the delivery of and providing a referrals process for Fair Start Scotland (the Scottish Government's contracted employment scheme) from April 2018
- supporting the delivery of UC choices for new claims, covering frequency of payment and housing costs direct to landlords introduced in October 2017 and extended to existing Full Service claimants in December 2017
- supporting the delivery of the Scottish Government's Best Start Grant from December 2018, which replaces the Sure Start Maternity Grant for the those living in Scotland
- The Scottish Government took over executive competence for Carer's Allowance from September 2018 and with our support began payments of a Carers Allowance Supplement from that date. Our Department is providing data and access to systems to support their delivery and is now delivering the existing Carer's Allowance to people living in Scotland on behalf of the Scottish Government under an agency agreement

We will continue to be responsible for the delivery of disability and industrial injuries benefits until April 2020. The Scottish Government may want us to continue to deliver some of these benefits once they have taken over executive competence and legislation is in place to enable us to do this under 'agency agreements' until they are in a position to fully deliver them through their own delivery organisation 'Social Security Scotland'. The Social Fund will remain open to those living in Scotland until the end of March 2020.

Wales

In respect of Wales, employment and welfare continue to remain reserved to the UK Parliament. However, in accordance with the provisions in the Wales Act 2017 for the introduction of a Welsh Rate of Income Tax (WRIT) from 2019, both our IT systems and products for staff and people using our services have been updated to take account of any changes to the rate of tax in Wales.

20 The Scottish Government can provide employment support to those with a disability and those at risk of long-term unemployment and also to employers.
21 Personal Independence Payment, Attendance Allowance, Disability Living Allowance, Carer's Allowance, Severe Disablement Benefit and Industrial Injuries Benefit.
22 Sure Start Maternity Grant, Funeral Expenses Payments, Winter Fuel Payment and Cold Weather Payments.

Northern Ireland

In the absence of a Northern Ireland Executive, we have continued to legislate on behalf of Northern Ireland, delivering the regulations necessary to ensure that the Northern Ireland social security system continues to keep broad parity with the rest of the UK and supports UC rollout.

Devolution Capability and Engagement

In line with all UK government departments, DWP has a Devolution Capability and Engagement Plan which reflects the changing nature of our Departments engagement on devolved issues, particularly since the passage of the Scotland Act 2016. The plan also supports the Cabinet Office led work to improve devolution knowledge across Whitehall and its goal is to further develop policy and operational capability by:

- promoting proactive engagement with Devolved Administrations and stakeholders to support the Department for Work and Pensions and UK government priorities, including the secure transfer of welfare powers to Scotland
- increasing the knowledge of devolution settlements and what they mean for our work at the Department and
- embedding a solid understanding of devolved issues and how we need to engage with Devolved Administrations

Key activities include a continuous programme of general and tailored awareness sessions to help colleagues understand the devolution landscape and make devolution work. This also includes promoting the cross-government 'Devolution and You' campaign which includes a range of tools and training.

Devolution deals

We are funding a number of city regions and combined authorities to deliver innovative pilots to support the hardest to help in their areas. This work has continued throughout the year with the following areas: Liverpool City Region who are testing a "Households into Work" concept; Tees Valley who are testing "Routes to Work", seeking to help older workers in the area; West Midlands who are investigating the value of a local community based 'Connecting Communities' idea; Cambridge and Peterborough who are testing a new intervention to address specific skills and supply shortages in the Health and Care Sector through a 'Work Academy'; and the 'Future Bright' initiative to support career progression in West of England. The pilots, which have been funded for a maximum of three years were launched between February and early summer 2018.

The Department for Work and Pensions has supported the development of the West Midlands Employment Support Taskforce which aims to drive better coordination of employment, skills and health services and increase the number of residents moving into work. It also continues to support the development of a similar North of Tyne Employment Support Taskforce in line with the finalisation of the North of Tyne devolution deal. The Department also continues to work with Greater Manchester Combined Authority following the commitment in the 2017 Devolution Deal to explore opportunities to improve employment support for older people.

Exiting the EU

The Department continues to work closely with the Department for Exiting the European Union and other government departments to ensure consistency of plans across government as part of the UK's preparations to leave the EU. Officials continue to undertake planning for all EU exit scenarios, as is prudent for such a significant issue.

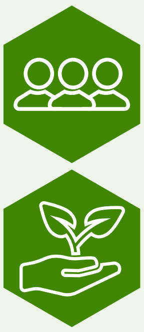
In 2018-19, we supported other government departments with planning activities to prepare for exiting the EU through staff secondments. Refer to page 141 for more information.

Sustainable Development

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

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

Our activities are wide ranging and cover the whole of the country, but a summary of some of the activities undertaken this year is provided in the table below.

Initiative	Activity in 2018-19 includes:
Mainstreaming sustainability 	• assessing the social and environmental impact of policies during the development process • delivering sustainability training during staff induction process • revitalising and relaunching a network of environmental champions across our new estate • collaborating with key suppliers to refresh DWP's Sustainable Development policies and strategies • DWP has engaged a Utilities, Energy and Sustainability Manager with our Estates Category to drive the Sustainability and Energy Agenda and collaborate with our Estates and FM Suppliers to seek performance improvements • Estates have in conjunction with Sodexo established a new energy monitoring and targeting methodology, whereby energy data is used to identify anomalous consumption patterns and then take appropriate action on-site, reducing resource usage • implementing improvements to the estate via Life Cycle Works, e.g. the provision of new and more energy efficient boilers • through the provision of appropriate recycling facilities, signage and promotional campaigns, we will continue to reduce the amount of waste we send to landfill • working with the Design Standards Team, Estates are bringing sustainability standards into new buildings and major refurbishments, including the implementation of BREEAM where appropriate

Initiative	Activity in 2018-19 includes:
Sustainable procurement	• procuring more sustainable and efficient products by improving our understanding of the supplier chain and compliance with the Government Buying standards • working towards the central government target of 33% of our expenditure with providers going to small and medium sized businesses – our validated figures for 2017-18 show we have achieved 10.7% which is a reduction from 14.4% in 2016-17. Figures for 18-19 will be available in late July 19 • DWP has revised their SME Action Plan detailing our planned efforts to increase our SME expenditure. It is published on www.gov.uk – the Action Plan provides context on our performance in 17-18 • DWP are working on a new Estates Sustainability Framework, which sets out how DWP are ensuring compliance with environmental legislation, the requirements of the Greening Government Commitments (GGC) and addressing relevant mandates and drivers. It also provides the framework for our approach to key estates related environmental issues
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, for example: • Due to the geographical area covered by Musselburgh Jobcentre in East Scotland, as Universal Credit has developed the office was finding a high number of customers were from Dunbar area. Dunbar is 24 miles from Musselburgh Jobcentre, and public transport takes over 90 minutes for customers to travel into the office. Through consultation with local stakeholders, Musselburgh set up an outreach service based in Dunbar library to assist vulnerable customers with applications and operating their Universal Credit accounts. The service has since been enhanced through partnership working with East Lothian Councils Rent team. This reduced the need for customers to travel the 90 minute journey and also positively impacted customers who have health conditions and find travelling a difficulty

Initiative	Activity in 2018-19 includes:
Biodiversity	• in addition to expanding activities reported in previous year's Annual reports and accounts we have undertaken several other projects to promote biodiversity • **Ashdown House, Hastings** have a number of biodiversity projects including a managed meadow, managed grassed banks, wildflower borders, wood from felled trees being left on site and a wildflower area created on traffic island instead of invasive scrub • **Peel Park, Blackpool** has a Site Nature Club. Two bug hotels sited along with numerous bird boxes. Reduced cutting was introduced on animal corridors and wild areas. Borders have been separated in the east car park with plans to plant lavender and buddleia as pollinators and a wildflower area planted by the pond. Great Crested Newts have also been identified in the central area
Life chances for disadvantaged people	DWP are committed to promoting life chances for the most disadvantaged of society: • DWP's has championed the Disability Confident agenda with suppliers during the creation of the Umbrella Agreement for Employment and Health Related Services and the Work and Health Programme • working with Cabinet Office, NHS, HM Revenue and Customs, Home Office, Department for Business, Energy and Industrial Strategy, Department for Transport and many other departments to develop Social Value through Procurement concept that will be realised and launched in 2019

Greening Government Commitments

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

Summary of our performance against the Greening Government Commitments

compared to a 2009-10 baseline, the government will by 2019-20:	2009-10 baseline	2016-17 performance	2017-18 performance	2018-19 performance	2020 target performance
reduce greenhouse gas emissions by 32% from the whole estate and UK business transport (bespoke targets apply to each department) (TCO2e)					
total greenhouse gas emissions	202,341[23]	113,380	99,833	81,567[24]	Exceeded
reduce the number of domestic business travel flights taken by 30%					
number of domestic flights	21,931	7,568	5,590	5,197	Exceeded
reduce waste sent to landfill to less than 10% of overall waste, continue to reduce the amount of waste generated and increase the proportion of waste which is recycled					
total volume of waste produced (tonnes)	16,626	8,896	8,523	6,805[25]	Met
volume of waste recycled (tonnes)	10,522	5,776	5,474	6,235[26]	Met
percentage of total waste to landfill	36.7%	35.1%	35.8%	8%[27]	Met
reduce the amount of paper used by 50%					
A4 reams	2,061,685	700,680	600,100	571,185	Exceeded
A3 reams	8,606	3,635	2,165	2,350	Exceeded
cost of cut paper	n/a	£1,181,630	£1,041,016	£1,058,332	-
continue to further reduce water consumption (each department will set internal targets and continue to improve on the reductions they had made in 2015-16 - 591,650 m3) - DWP has a simple reduction target.					
total water consumption (m3)	810,701	606,029	606,501	559,609	Met

23 This baseline was adjusted due to new conversion factors. It was originally 204,621.
24 Estimated Fugitive Emissions included as contractor unable to provide at time of production.
25 This figure does not contain ICT waste as it was not recorded in the baseline.
26 Our waste management costs are included in our overall facilities management fee. It is not possible to separate out the cost of waste management.
27 Significant reduction due to change in process of measurement. Landfill waste is now measured after waste is processed at the sorting centre. We are unable to retrospectively apply to previous years.

Met or **Exceeded** all Greening Government Commitments for 2018-19

Forward looking commitments

During 2018/19 we will continue to focus on activities that support the government's 25 year environmental plan and the UN Sustainability Goals. We continue to explore and develop opportunities to increase the sustainability of estates, focussing on some of the wider cross government objectives such as the reduction/ removal of consumer single use plastics from our waste stream and water efficiency. We continue to review and develop our sustainable development plan for the new estate and identifying additional opportunities to invest in reducing our carbon footprint, wastes, water usage and bio-diversity. A focus for 2018-19 will be DWP's "Road to Zero" Strategy, where we take action in support of the whole government commitment to have 25% of the government travel fleet be ultra-low emission by 2020.

Sustainable development goals

The government has committed to supporting the United Nations Sustainable Development Goals (SDGs). The 2030 Agenda for sustainable development is a historic global agreement to eradicate poverty, fight inequality and injustice whilst leaving no one behind. The agenda consists of 17 goals each of which have various sub-goals.

The Department actively supports the government in meeting several of the sustainable development goals, these include SDG 1 "end poverty in all its forms everywhere", SDG 8 "promote sustained, inclusive and sustainable economic growth, full productive employment and decent work for all" and SDG 10 "reduce inequality within and among countries".

The government is delivering SDG's through existing government frameworks, including Single Department Plans; where we have embedded the delivery of SDG's within the relevant policy areas. Throughout this performance narrative we have illustrated which policy areas are supporting the delivery of specific goals. Progress against the goals is measured through our headline indicators.

Reserves challenge

In July 2018 we had 54 employees serving as reservists in HM Armed Forces. Our reservists have undertaken many duties including deploying on training exercises and operations across the world. Our reservists supported both Armed Forces and Reserves Days which included a reception at Number 10 hosted by the Secretary of State for Defence. They demonstrated to other civil servants the transferable skills gained through reserve service during Civil Service Live and other internal events. Colleagues across the Department have also been involved in raising money for service charities. Our departmental Reserves Champion arranged a cross-Department reserves challenge event held in Manchester on 8 April 2019.

£250,000 raised for various charities via The Big Idea

Helping our local communities

We encourage volunteering and engagement with local communities. Our Community 10,000 initiative supports colleagues to get out there and volunteer or fundraise for causes important to them. We also continue to support the Big Idea. This provides a platform and support structure for colleagues fundraising ideas. The Big Ideas groups have collectively raised, across all regions, £250,000 for a variety of charities. Every year, individual colleagues do amazing things for charity, below are a few examples amongst many other fantastic activities:

- visiting officers from North East Scotland volunteered at the Dundee Therapy Gardens. Dundee Therapy Garden is a small local mental health charity working with military veterans and ex uniformed service personnel who are experiencing problems. Activities ranged from traditional weeding and hedge planting to painting of garden furniture
- Walsall and Wolverhampton Fraud and Compliance Teams volunteered at a care home that supports 35 people to live and work independently. Colleagues helped the home and residents by decorating and gardening to create a safe and homely environment
- North West Colleagues helped out with local radio station, Rock FMs "Cash for Kids" "Mission Christmas". Every Christmas Rock FM launches its Mission Christmas Cash for Kids campaign, giving local children gifts over the festive period. Last year, the appeal distributed to more than 400,000 disadvantaged youngsters across the UK – with more than 16,000 recipients in Lancashire
- Jobcentre colleagues have been working with schools to run over 12,000 sessions for young people to help prepare them for the world of work. In Merseyside, the school support team designed bespoke six week programmes for their secondary schools, making a positive impact on pupil's futures and attendance

Better Regulation

The Small Business, Enterprise and Employment Act 2015 requires the government to publish a Business Impact Target (BIT) in respect of qualifying regulatory provisions that come into force or cease to be in force during the current Parliament.

For this Parliament 2017-2022, it has been set at £9 billion. An interim target has also been set that covers the savings to be achieved from qualifying measures that come into force or cease to be in force in the first three years of this Parliament. The Government's interim target is a saving of £4.5 billion. The government is also determined to demonstrate continuing discipline in the way it regulates, as it delivers the Industrial Strategy ambition to make the UK the best place to start and grow a business. Accordingly, in this Parliament, the government's aspiration is to oversee a regulatory system that is more proportionate, optimised for UK conditions, innovation friendly and easier for businesses to deal with. The government also aims to be more transparent about the wider impacts of regulation.

The Better Regulation Executive is focused on three areas in this Parliament:

1. **Industrial Strategy:** spearheading the Industrial Strategy through our approach to regulation and help put the UK at the forefront of the industries of the future.
2. **Efficient Regulation:** promoting more efficient regulation, backed by high quality evidence, and supporting transparency and accountability for the costs and benefits of regulation to both business and wider society.
3. **International Leadership:** sustain the UK's international leadership on better regulation and collaborate with likeminded countries across the globe.

The government delivered £2.9 billion of net savings against the £9 billion BIT and £4.5 billion BIT (to be reached by 2020) during the period from 9 June 2017 to 20 June 2018, the first reporting period of the current Parliament. The Department and the Health and Safety Executive, delivered £172.4 million of those savings. More information can be found in the '2018 BIT Report' on www.gov.uk.

Anti-bribery and corruption

The Department takes a zero tolerance approach to bribery and corruption. This is set out in its Anti-Bribery Policy which describes the Department's response to the bribery and corruption threat and applies to all our employees, suppliers, contractors and business partners. DWP's Finance Director General has day to day responsibility for implementing the Anti-Bribery Policy and the policy is available to all employees via the DWP intranet. DWP's Standards of Behaviour statement covers bribery, corruption and the receipt of gifts and hospitality. Employees in commercial roles are trained on the expectations and required approach for probity and ethics through training programmes and the Department's position on inducements, bribery and corruption is articulated within its commercial agreements which include specific clauses outlining expectations from suppliers.

GIAA Counter Fraud and Investigation provides specialist counter fraud services to DWP, which include the investigation, and where appropriate prosecution, of allegations of bribery and corruption.

Human Rights

We are dedicated to meeting the UK's commitments in the Human Rights Act 1998. We work to ensure that all our decisions relating to people using our services are fully compliant with the Act and have procedures in place to address people concerned about potential human rights violations. Working in welfare reform takes the Department into Human Rights issues, including through the courts. The Department supports the implementation across its remit of the UN Convention on the Rights of Persons with Disabilities and works across government to deliver it.

The Department has been working in particular to ensure that disabled people have access to the labour market, according with the government's commitment to see one million more disabled people in work by 2027.

As part of our public sector equality duty, we ensure equality analysis is embedded into our decision making processes and equality data is used to monitor the impact of our policies and procedures.

Public Sector Equality Duty – DWP customers

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

We are committed to providing services which embrace diversity and promote equality of opportunity. We take our legal obligations seriously and following legal judgements that have altered the interpretation of descriptors within PIP, we are undertaking Administrative Exercises.

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

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

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

The Department has in place a wide range of programmes and policies to ensure we provide our customers with the service they need.

This includes:

- support for our staff including instructions, guides and awareness raising products on additional needs and reasonable adjustments
- clear procedures for carrying out equality analysis for policy changes to minimise the risk of those from the protected characteristics
- support for customers, providing a wide range of reasonable adjustments, including:
  - production of communications in a range of different formats such as braille, large print and audio
  - email as a reasonable adjustment
  - an increasing number of information videos with British Sign Language interpretation
  - an increasing number of Easy Read products
  - provision of a visiting service for vulnerable customers who are unable to use our other contact routes
  - provision of face to face British Sign Language interpretation and
  - provision of Next Generation Text and Video Relay Service within our main disability benefits. These are different ways to enable deaf people to communicate with us over the phone using text or British Sign Language translation

This support is supplemented by notes to claim forms for customers in multiple formats.

The table below sets out the availability of information on protected characteristics for each of our 2018-19 headline indicators.

SDP Objective and Indicators	Publication and (Data Source)	Availability of information on protected characteristics in 2018-19
Build a more prosperous society by supporting people into work and helping them to realise their potential		
Overall UK employment rate	Labour Market Statistics	Splits are currently published by age, gender, disability and ethnicity.
Percentage of young people (18-24) not in full time education or in employment		Splits are currently published by gender.
Percentage of children living in workless households	Working and workless households	No breakdowns are routinely published.
Improve outcomes for disabled people and people with health conditions by increasing opportunities to realise their full potential with the help of the welfare system and through the labour market		
UK employment rate of disabled people	Labour Market Statistics	Splits are currently published by gender.
The percentage of disabled people with a low income	Households Below Average Income	Splits are currently published by age band (child, working age or pensioner).
Ensure financial security for current and future pensioners by: helping people to increase their pension savings; providing information on their private and state pension provision to enable effective planning for the future and supporting older people to extend their working lives		
Number of eligible employees in a pension scheme sponsored by their employer	Workplace Pension and Trends publication	Splits are currently published by age, disability, ethnicity and gender.
Total pensions savings of eligible savers		No further splits are possible to establish with this data.
Percentage of pensioners on a low income	Households Below Average Income	Splits are currently published by age, disability, ethnicity, gender and marital status.
Increase every child's opportunity to succeed by helping separated parents agree effective child maintenance arrangements and supporting families in distress to reduce parental breakdown and separation		
Percentage of separated families with a maintenance arrangement	Family Resources Survey; Child Support Agency administrative data; Child Maintenance Service administrative data	No further breakdowns are published
Proportion of children living with parents in distress	Improving Lives evidence base (using Understanding Society) data	Splits are also available by age of child, age of youngest parent and whether a parent is ill or disabled
Transform our services and work with the devolved administrations to deliver an effective welfare system for citizens when they need it while reducing costs, and achieving value for money for taxpayers		
Net benefit overpayments as a percentage of overall benefit expenditure	Monetary Value of Fraud and Error in the Benefits System national statistics	Gross overpayment splits are currently published by age and gender.
Customer and claimant satisfaction of DWP services	DWP Claimant Service and Experience Survey	Splits are currently published by age, disability, ethnicity and gender, sexual orientation, religion and marital status.
New claims processed within planned timescales	Data by protected characteristics is not available for this indicator. Some of the data is drawn directly from the Department's MISP system which simply supplies an aggregate count of claims cleared within particular timescales. It's not therefore possible to link with any claimant characteristics and can't be disaggregated.	

Customer satisfaction

The Claimant Service and Experience Survey is designed to monitor claimant satisfaction with the Department's services and to inform improvements to the delivery and design of those services. For full figures and graphics see the CSES 2017-18 Annual Report on www.gov.uk.

A summary of findings are as follows:

Age – Over the last three years, younger (aged 16-34) and older (66+) claimants were more satisfied than those in mid-life. In 2017-18, the group with the highest satisfaction was 66-74 year olds (93%).

Gender – The differential between overall satisfaction with the Department services has remained fairly consistent over the last three years. In 2017-18, women were 3 percentage points more satisfied than men (86% women, 83% men) – in 2016-17 women were 4 percentage points more satisfied than men, and in 2015-16 women were 2 percentage points more satisfied than men.

Disability – The gap in overall satisfaction between disabled and non-disabled claimants has grown from 3 percentage points in 2015-16, to 9 points in 2017-18. Satisfaction for disabled claimants in 2017-18 was 80% whilst satisfaction for non-disabled claimants was 89%.

Ethnicity – Satisfaction among claimants who described themselves as Asian increased from 85% to 91% between 2015-16 and 2017-18, whilst for those describing themselves as Mixed it fell from 82% to 78%. In 2017-18 satisfaction for White British claimants fell to 85% - the same satisfaction level for White British claimants as in 2015-16 from 87% in 2016-17.

Religion – Overall satisfaction for those who described themselves as Christian decreased from 87% to 85% between 2016-17 and 2017-18. Those describing themselves as Hindu (91%) and Sikh (93%) showed the highest levels of satisfaction in 2017-18.

Sexual Orientation – Heterosexual claimants reported a 2 percentage point decrease in satisfaction (85% in 2017-18, from 87% in 2016-17) returning to the same level as in 2015-16 (85%). A similar pattern is observed for bisexual claimants - a decrease from 90% in 2016-17 to 80% in 2017-18, similar to the 2015-16 level of 79%.

Marital Status – Satisfaction for single, married, divorced and separated remained broadly stable year on year, although changes were observed for claimants in same sex civil partnerships (an increase from 79% in 2016-17 to 89% in 2017-18) and a steady decrease for widowed claimants (down from 91% in 2015-16 to 86% in 2017-18).

Employment

As set out in strategic objective one, we offer a range of support to help people who can work to find work along with providing more specialist help when needed.

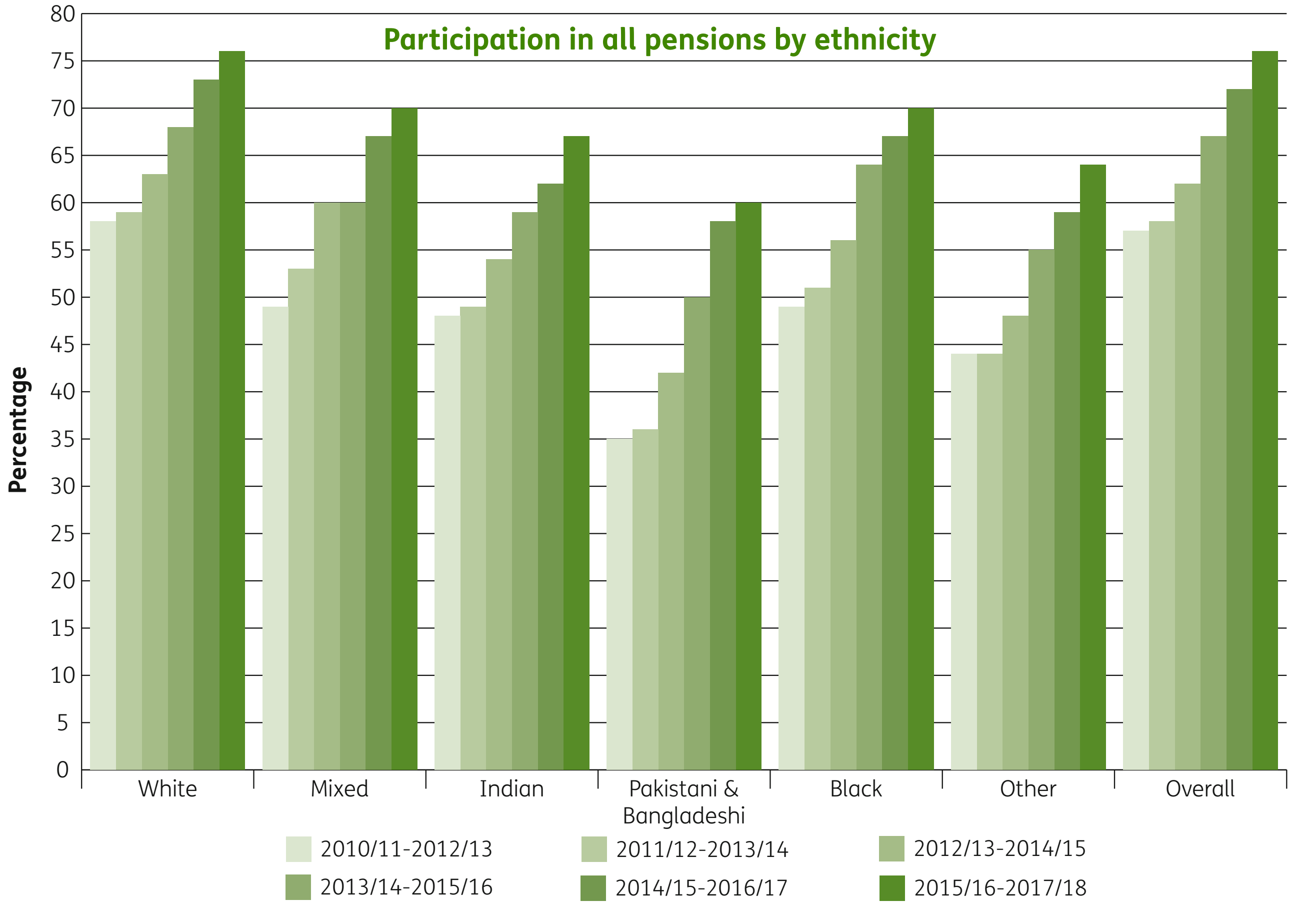
The table below sets out the latest data on employment rate gaps for 4 protected characteristics:

Characteristic	Employment Gap Jan-Mar 2019	Employment Gap Jan-Mar 2018	Change in gap (percentage points)
Gender (between males and females)	8.5ppts	8.9ppts	-0.4
Disability (between those who are declared disabled and non-disabled)	29.9ppts	30.3ppts	-0.4
Ethnicity[28] (between those who are white and those from a BME background)	10.9ppts	11.9ppts	-1.0
Age (between those 50-64 and 35-49)	12.9ppts	13.6ppts	-0.7

28 Ethnicity figure is not calculated on an annual basis, but is a seasonally adjusted item reflecting the whole year

Pension Participation

Through automatic enrolment we aim to improve equality and reduce poverty for future pensioners. Before automatic enrolment, people from ethnic backgrounds were far less likely to be participating in a pension scheme. Of note those from a Pakistani or Bangladeshi background had particularly low participation rates with just 35% of eligible people in a pension scheme in 2010-11 to 2012-13 and a gap of 23 percentage points to those from a white background. For the most recent period this gap had reduced to 16 percentage points and participation rates for those from a Pakistani or Bangladeshi background have improved to 60%.



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

Automatic enrolment is also increasing the proportion of 22 to 29 year olds with a pension scheme. In 2012, just 35% of eligible 22 to 29 year olds were participating in a pension scheme representing a 27 percentage point gap to people aged between 50 years and State Pension age. This gap reduced to 2 percentage points by 2018, with 85% of eligible 22 to 29 year olds now saving for retirement.

The participation rate of eligible female employees in the private sector has more than doubled since the introduction of automatic enrolment, from 40% in 2012 to 85% by 2018.

More Information:

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

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

Peter Schofield CB
Permanent Secretary

24 June 2019

Accountability report

Corporate governance report

Lead non-executive member's report

This has been a challenging year. Like all government departments, the Department for Work and Pensions has been both planning for potential outcomes from the UK's exit from the EU, whilst at the same time continuing to deliver a huge programme of reform to the way welfare support is structured and provided.

The Department has continued to see change within the ministerial team. The Departmental Board met on three occasions, covering areas such as preparing for the Spending Review 2019, planning for EU exit and Universal Credit stakeholder engagement. The Department has benefitted from the leadership of a new Permanent Secretary and greater stability within his senior leadership team. The four non-executives on the Departmental Board have completed their first full year as a team, providing increasing support and external perspectives and expertise to the Permanent Secretary and his executive team, to add continuity through the year.

During this past year the Department has achieved some notable successes: Universal Credit has been rolled out to every jobcentre in the UK, and now all new claims are entering into this simplified benefit structure. The focus of Universal Credit is to encourage the transition into work, and the country has reached record levels of employment, with unemployment at a record low of 3.9% (the lowest since 1975).

Beyond Universal Credit, the Department provided over 13 million Get Your State Pension online forecasts to citizens wanting to understand their future retirement provisions, reached the milestone of 10 million workers having been automatically enrolled into a workplace pension, set up a new £38 million programme to support children in families with parental conflict and doubled the number of employers who have signed up to the Disability Confident Scheme over the past year – now over 11,000.

In support of the Departmental Board, and following the 2018 review of the board's effectiveness, a new Delivery Board was created. This forum, which I chair, brings

together the non-executives and the Executive Team, who work closely on areas which support effective implementation of the Department's priority programmes as laid out in the Single Departmental Plan.

The Delivery Board sits alongside three other departmental board sub-committees: The Departmental Audit and Risk Assurance Committee, the Digital Advisory Committee and a Nominations Committee. Each of these is chaired by one of the non-executives, with particular expertise in the respective areas, and provide advice, assurance, support and challenge to the Permanent Secretary, his team and to the Departmental Board.

Key areas of focus for the Delivery Board in the past year have been: planning for the impact of EU exit, preparing for the spending review planned for later in 2019, ensuring the budgets for 2019-20 reflect the departmental priorities and provide stretch to drive enhanced efficiency, reviewing the programme of reform to simplify claimant experiences in the area of work and health, considering how to engage most effectively with employers in support of the goal to increase the number of people with disabilities in work, and preparing for the piloting of the next stage of Universal Credit roll-out, in which existing claimants will move onto the new benefit arrangements.

Non-executives have also provided considerable support to the Permanent Secretary in ensuring the senior leadership team has the right structure and blend of skills needed to continue to effectively support and implement ministerial priorities.

The first quarter of 2019-20 has seen the appointment to three critical director general positions for: work and health, chief digital and information officer, and a newly created post to head a service excellence function, which will work to establish how improved technology and simplified, shared working practices can lead to better services for claimants delivered at lower cost to the Department.

DWP is a hugely complex operation, with just over 86,000 people based in 812 locations around the country. As a non-executive, it is critical to understand the variety of roles and services DWP provides, in all the devolved administrations of the UK, and I have continued to meet with teams in operational service delivery sites and jobcentres to better understand how the Department's work is delivered.

These visits have included some of the Department's major arm's length bodies. Both the Health and Safety Executive and the Office for Nuclear Regulation are significantly impacted by the UK leaving the EU, and I met with both organisations to understand the considerable effort going in to make sure the change can be handled as smoothly as possible.

In the autumn of 2018, the Department also took on accountability for the Single Financial Guidance Body, combining the roles of the Pensions Advisory Service, the Money Advice Service and Pension Wise. This service, renamed the Money and Pensions Service in April 2019, will be an important focus for the coming year, providing support and guidance to those most needing it for everyday money management and in planning for a secure retirement.

The year ahead looks set to remain challenging, with uncertainty in the labour market likely to make DWP's role even more critical in helping people into work, and supporting those who most need our help. At the same time, there will be a continuing need to provide these services cost-effectively, through a streamlined organisation, developing the role of digital services and working closely with other government departments on areas of shared value, such as skills, housing, and health.

During this challenging time, the non-executives on the Departmental Board and its supporting committees such as the Departmental Audit and Risk Assurance Committee and the Digital Advisory Committee will bring their considerable and varied experience of leading large scale organisations through change, to support ministers and the Executive Team to continue to strengthen the welfare system to provide security, extend opportunity and promote personal responsibility to help people transform their lives.

I, together with my non-executive colleagues, am looking forward to continuing on this challenging and fulfilling journey with you all during 2019-20.

Sara Weller CBE
Lead non-executive

Our ministers

Ministers at 31 March 2019

Rt. Hon Amber Rudd MP
Secretary of State for Work and Pensions
(from 16 November 2018)

Responsible for the overall departmental strategy, financial management and planning, decision making across the whole departmental portfolio and in particular responsibility for the implementation, development and operation of Universal Credit.

Alok Sharma MP
Minister of State for Employment
(from 10 January 2018)

Responsible for Universal Credit, the employment strategy, co-ordination with the Department for Education on skills, co-ordination with Department for Business, Energy and Industrial Strategy on employment regulation, low pay and the industrial strategy, labour market interventions, work services, including Jobcentre Plus, EU and international affairs, including support to the Secretary of State on EU exit and devolution.

Guy Opperman MP
Parliamentary Under-Secretary of State for Pensions and Financial Inclusion
(from 14 June 2017)

Responsible for pensioner benefits, including the new State Pension, Winter Fuel Payment and Pension Credit, private and occupational pensions, including regulatory powers, the National Employment Savings Trust, automatic enrolment into a workplace pension, the Financial Inclusion Policy Forum and Post Office Card Accounts.

ALB responsibility: The Pensions Regulator, Pension Protection Fund, Financial Assistance Scheme, Pensions Ombudsman, and the Single Financial Guidance Body.

Justin Tomlinson MP

Parliamentary Under-Secretary of State for Family Support, Housing and Child Maintenance
(from 10 July 2018)

The cross-DWP Commons spokesperson and is responsible for child maintenance, workless families and relationship support, maternity benefits, support for disadvantaged families, childcare within Universal Credit, financial support for housing, including within Universal Credit, other social assistance, including supported accommodation, support for mortgage interest, Cold Weather Payments, bereavement benefits and the funeral expenses payment scheme, benefit cap implementation and benefit uprating.

Baroness Buscombe

Parliamentary Under-Secretary of State for Work and Pensions (in the Lords)
(from 15 June 2017)

The cross-DWP Lords spokesperson and is responsible for fraud, error and debt strategy, working with the Minister of State for Employment on EU exit related legislation. She has oversight of departmental legislative strategy, statutory instruments, departmental planning and performance management (including ministerial correspondence), departmental business, commercial contracting policy, methods of payment policy, transparency and data-sharing, research and trialing and IT security.

ALB responsibility: Social Security Advisory Committee

Minister of State for Disabled People, Health and Work

Vacant (at 31 March 2019)

Director's report

The Secretary of State for Work and Pensions, appointed by the Prime Minister, has overall responsibility for the Department.

The Permanent Secretary is responsible for the Department's leadership, management and staffing to ensure effective and efficient delivery of the Department's work to support government policies and objectives. The Permanent Secretary is also the Accounting Officer, responsible for the propriety and regularity of the Department's expenditure. Our funding sits in a number of categories and we are accountable to HM Treasury for meeting agreed funding limits in each category. Detail of outturn against these funding limits is shown in the Statement of Parliamentary Supply on page 147.

Senior decision making forums key:

DB	Departmental Board
DyB	Delivery Board
ET	Executive Team
DARAC	Departmental Audit and Risk Assurance Committee
NOMS	Nominations Committee
DAC	Digital Advisory Committee
DyB	Delivery Board Chair
ET	Executive Team Chair
DARAC	Departmental Audit and Risk Assurance Committee Chair
NOMS	Nominations Committee Chair
DAC	Digital Advisory Committee Chair

Our executives

Executives at 31 March 2019

Peter Schofield CB

Permanent Secretary
Principal Accounting Officer

Skills and experience

Peter's previous roles in government include being Director General, Finance at DWP and Director General for Housing and Planning at the Department for Communities and Local Government. Before that, Peter spent much of his career at HM Treasury, working on public spending and business-facing roles. He was Private Secretary to the Chief Secretary to the Treasury and Director of the Treasury's Enterprise and Growth Unit.

Appointment

January 2018

DB	DyB	ET	NOMS

Debbie Alder

Director General, Human Resources

Skills and experience

Before joining the civil service Debbie served 21 years in the private sector in a variety of HR roles in the UK and abroad across retail, manufacturing and consultancy. Debbie chairs the Civil Service HR Capability Board. She is a trustee of the Whitehall and Industry Group, and a steering group member of Movement to Work.

Appointment

January 2014

DyB	ET	NOMS

Neil Couling CBE

Director General, Universal Credit Programme

Skills and experience

Neil's career started in a local benefits office administering claims for Income Support. His subsequent roles have included Principal Private Secretary to the Secretary of State, and Work Services Director, where he was responsible for jobcentres across the UK and around 30,000 people.

Appointment

October 2014

DyB	ET

Jonathan Mills
Director General, Policy Group

Skills and experience

Jonathan has previously worked in director roles in the Cabinet Office, the Department of Energy and Climate Change and in HM Treasury where he worked on a wide range of public spending and growth policies and in the private office of the Chief Secretary to the Treasury.

Appointment

August 2017

DyB	ET

Susan Park
Interim Director General, Operations

Skills and experience

Susan's previous roles include Group Director for the Child Maintenance Group, having spent the previous four years as Corporate Affairs Director for a non-departmental public body. Other roles include Principal Private Secretary to four Secretaries of State.

Appointment

March 2018

DB	DyB	ET

John-Paul Marks
Interim Director General, Universal Credit Operations

Skills and experience

John-Paul's roles have included Principal Private Secretary to the Secretary of State for Work and Pensions as well as a speechwriter to the Chief Secretary to the Treasury.

Appointment

March 2018

DyB	ET

Nick Joicey
Director General, Finance

Skills and experience

Nick's previous roles include Director General Strategy, Europe and Finance at the Department for Environment, Food and Rural Affairs and Director for International Finance at HM Treasury. Other roles include Private Secretary and speechwriter to the Chancellor of the Exchequer and on secondment to the UK delegation to the International Monetary Fund and World Bank.

Appointment

July 2018

DB	DyB	ET

Susanna McGibbon
Director General, Legal Services

Susanna is a barrister and joined the Government Legal Service in 1993 after three years in private practice at the Bar.

Her previous roles include, Director of Litigation in the Government Legal Department, Legal Director in Department for Communities and Local Government.

Susanna's experience encompasses the range of government legal work – policy development, primary and secondary legislation, public inquiries, EU law, human rights and national security.

Appointment

December 2018

DyB	ET

Simon McKinnon CBE
Interim Director General, Chief Digital and Information Officer

Skills and experience

Simon has been in the civil service for 10 years having previously worked in roles including consultancy, finance and travel.

Appointment

January 2019

DB	DyB	ET	DAC

Our non-executive board members

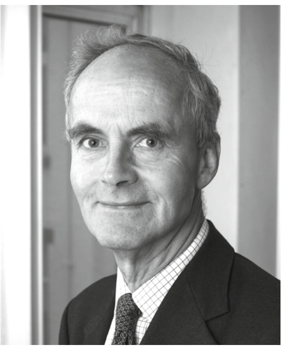
Non-executives at 31 March 2019

Sara Weller CBE
Lead non-executive

Appointment

April 2017

DB | DyB | NOMS



Lt Gen (retd) Andrew Graham CB CBE

Appointment

April 2013

DB | DyB | DARAC

Ashley Machin

Appointment DWP Board

November 2017

Appointment DARAC

December 2015

Appointment DAC

December 2015 and DAC Chair from December 2017

DB | DyB | DARAC | DAC

Hayley Tatum

Appointment

November 2017

DB | DyB | NOMS

Other non-executive members

Non-executives at 31 March 2019

Sir Robert Walmsley	Chair of the Universal Credit Programme Board Appointment July 2013
Lynne Shamwana	Departmental Audit and Risk Assurance Committee Appointment April 2013
Martin Hagen	Departmental Audit and Risk Assurance Committee Appointment April 2014
Jim Arnott	Digital Advisory Committee Appointment December 2015
John Clarke	Digital Advisory Committee Appointment November 2017
Keith Burgess	Digital Advisory Committee Appointment November 2017

Register of interests

More information about our register of directors' and ministerial board members' interests can be found on page 128 of the Remuneration and staff report.

Changes to our senior decision making forums in 2018-19

The following changes took place between 1 April 2018 and 31 March 2019:

Role	Name	Change
Ministerial changes		
Secretary of State for Work and Pensions	Rt Hon Esther McVey MP	left the Department 15 November 2018
Secretary of State for Work and Pensions	Rt Hon Amber Rudd MP	appointed 16 November 2018
Minister for Family Support, Housing and Child Maintenance	Kit Malthouse MP	left the Department 9 July 2018
Parliamentary Under Secretary of State for Family Support, Housing and Child Maintenance	Justin Tomlinson MP	appointed 10 July 2018
Minister of State for Disabled People, Health and Work	Sarah Newton MP	left the Department 13 March 2019
Non-executive level changes		
Non-executive member	Robin Johnson	stepped down from the role 31 December 2018
Executive level changes		
Director General, Digital	Mayank Prakash	left the Department on 31 December 2018
Interim Director General, Digital	Simon McKinnon CBE	appointed 1 January 2019
Director General, Legal Services	Claire Johnston	left the Government Legal Department 31 August 2018
Director General, Legal Services	Susanna McGibbon	appointed 10 December 2018
Interim Director General, Finance	Charu Gorasia	left the Department 8 July 2018
Director General, Finance	Nick Joicey	appointed 30 July 2018
Director General, Operations	Andrew Rhodes	left the Department 22 April 2018

The departmental family

As of 31 March 2019, the departmental family consists of the core Department and 13 arm's length bodies. The core Department consists of our public services and our corporate functions.

An arm's length body is an organisation that delivers a public service, but is not a ministerial government department. Our arm's length bodies consist of non-departmental public bodies and public corporations. They operate independently but are accountable to the Department. Collectively our arm's length bodies employ around 4,000 people with a net expenditure of around £400 million each year.[1]

Classification	Pension bodies	Other bodies
Public corporations	• Pension Protection Fund • National Employment and Savings Trust Corporation	• Office for Nuclear Regulation
Executive non-departmental public bodies	• The Pensions Regulator	• Health and Safety Executive • Disabled People's Employment Corporation (GB) Ltd • Single Financial Guidance Body[2]
Tribunal or advisory non-departmental public bodies	• Pensions Ombudsman • Pension Protection Fund Ombudsman	• Industrial Injuries Advisory Council • Social Security Advisory Committee
Other		• BPDTS Limited • Remploy Pension Scheme Trustees Limited

Disabled People's Employment Corporation (GB) Ltd entered members' voluntary liquidation on 7 October 2017.

The functions of The Pensions Advisory Service (TPAS) transitioned from 1 January 2019 to the newly established Single Financial Guidance Body. TPAS Limited has become a dormant company and its final set of Annual report and accounts will be laid in Parliament before summer recess 2019.

The Money Advice Service transferred to DWP from HM Treasury with effect from 1 April 2018. It subsequently transitioned, along with TPAS and Pension Wise, into the Single Financial Guidance Body from 1 January 2019. The Money Advice Service is now a dormant company, its final set of Annual report and accounts will also be laid in Parliament before summer recess 2019.

All but three of the arm's length bodies fall within our accounting boundary. The exceptions are the Office for Nuclear Regulation, the Pension Protection Fund and the National Employment and Savings Trust (NEST) Corporation.

We manage our relationships with our arm's length bodies in accordance with the Cabinet Office's Partnership between Departments and Arm's Length Bodies – Code of Good Practice which ensures a consistent approach. More information is available in the Governance Statement starting on page 110.

1 Excluding Public corporations which fall outside our accounting boundary
2 The Single Financial Guidance Body was renamed the Money and Pensions Service on 6 April 2019.

Statement of Accounting Officer's responsibilities

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

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

In preparing the accounts I have complied with the requirements of the Government Financial Reporting Manual (FReM). In particular, I have:

- observed the Accounting Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis
- ensured that I have in place appropriate and reliable systems and procedures to carry out the consolidation process
- made judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by our arm's length bodies

- stated whether applicable accounts standards, as set out in the FReM, have been followed, and disclosed and explained any material departures in the accounts
- prepared the accounts on a going-concern basis

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

HM Treasury appointed me as the Principal Accounting Officer of the Department for Work and Pensions. I have appointed the chief executive of each executive non-departmental public body and the Pensions Ombudsman as the Accounting Officer of their body. The chief executives of each DWP public corporation, whilst not accounting officers, have similar responsibilities. I remain responsible for ensuring that appropriate and reliable systems and controls are in place to ensure that monies paid to our arm's length bodies are used for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety of the grants received and the other income and expenditure of the sponsored bodies.

I confirm that this Annual Report and Accounts 2018-19 is, as a whole, fair, balanced and easy to understand. I take personal responsibility for the Annual Report and Accounts and the judgements required for the determining that it is fair, balanced and understandable.

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

Peter Schofield CB
Permanent Secretary

Governance Statement

Our Accounting Officer System Statement (AOSS), published in 2018 (and available on www.gov.uk), sets out how the Permanent Secretary, as Principal Accounting Officer, fulfils his responsibilities and describes the accountability system in place for all the expenditure of public money through the Department's Estimate, all public money raised as income, and major contracts and outsourced services. This governance statement provides assurance which he has received from his executive directors and internal audit on how the system of control described in the AOSS has operated in 2018-19. It concludes with his assessment of the effectiveness of the system of control, and sets out the control challenges which he judges to be significant.

The system of control

We are governed by:

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

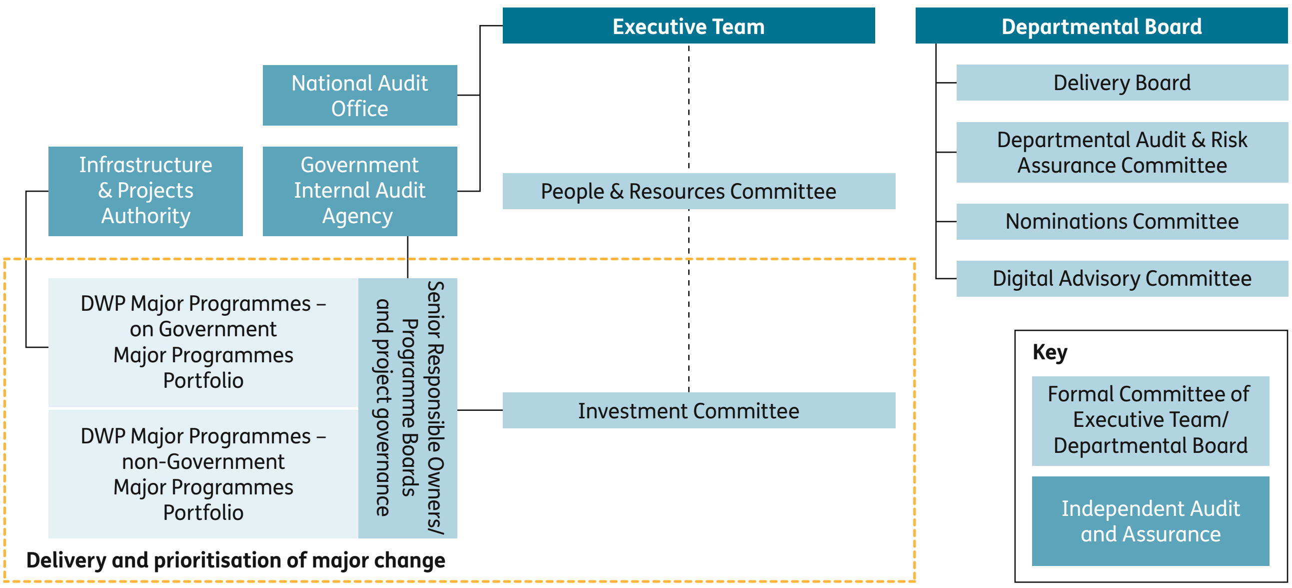
The system of control also includes the Departmental Board sub-committees, the Executive Team and its sub-committees, along with our control framework which is supported by internal and external assurance processes.

There were no ministerial directions in 2018-19.

Senior governance board structure

The chart below sets out the structure of our senior boards as at 31 March 2019 and the lines of communication so that issues are escalated to the right audience. This structure and the terms of reference and membership of boards is kept under regular review.

Departmental governance boards structure



The Departmental Board

The Departmental Board, chaired by the Secretary of State, forms the collective strategic and operational leadership of the Department and brings together the ministerial team, senior civil service leaders and senior non-executive members from outside of government. Due to changes with board membership it was only able to meet three times during 2018-19.

Sara Weller, our lead non-executive board member, on behalf of the Secretary of State, led this year's board effectiveness evaluation. The evaluation incorporated a review of the progress made against the previous year's report and recommendations, as well as gathering individual views and expectations from all board and executive colleagues as to how they feel the board has functioned during 2018–19 and how it might be improved. The key findings and recommendations were considered and endorsed by the board at their meeting on 3 April 2019. They are now in the process of being implemented, which includes aligning the respective functions of the Departmental Board and the Delivery Board ensuring that each has clarity and purpose in supporting the delivery of the Department's objectives in an effective and efficient way.

The board is satisfied that we have complied with the principles in 'Corporate Governance in Central Government Departments: Code of Good Practice'. No concerns have been raised about the quality of information received by the board or its sub-committees. Members sponsor agenda items and ensure the paperwork meets agreed standards. This ensures paperwork is of a similar quality and supports focused discussion on key issues.

The Departmental Board has four sub-committees: the newly established Delivery Board, the Departmental Audit and Risk Assurance Committee, the Nominations Committee and the Digital Advisory Committee – all of which are chaired by our non-executive board members.

- The new **Delivery Board** was established as a result of a recommendation from the last board effectiveness evaluation. Its role is to enhance the effectiveness of the Departmental Board, bringing together officials with non-executives to collectively assure delivery of the Department's objectives. In July 2018, the Departmental Board agreed the terms of reference. The first Delivery Board meeting took place on 18 September 2018. To date, the Delivery Board have considered EU exit planning, the Spending Review 2019 and the work, health and disability agenda, as well as recommendations from the recent DWP risk review, which are now being implemented.
- The **Departmental Audit and Risk Assurance Committee (DARAC)** provides an independent review of the appropriateness, adequacy, integrity and value for money of our governance, risk management and control processes. During 2018-19, DARAC discussed the Department's risk management arrangements, stewardship of our arm's length bodies, financial management and forward planning, Child Maintenance Group activity (including the client fund account), cyber security, fraud and error and Scottish devolution. DARAC receives a regular report from the Government Internal Audit Agency on their activities and a report from the National Audit Office on the delivery of their audit plan and other relevant reports.
- The **Nominations Committee** advises on identifying and developing leadership and colleagues with high potential, our incentive scheme and succession planning. During 2018-19, the Committee considered the organisational design review that would lead to a new executive leadership structure from April 2019 (including the recruitment of three directors general), the new performance management system and our succession planning.
- The **Digital Advisory Committee** continues to provide feedback on the Department's multi-year digital plan and advice and feedback from other industries to explore the potential of design, data and technology. It also guides our Digital Executive Team on its approach to accelerate transformation delivery and makes recommendations to secure the Department.

Board and committee attendance, by member, of meetings eligible to attend

Name of board or committee member	Departmental Board met three times in 2018-19	Delivery Board met three times in 2018-19	Departmental Audit & Risk Assurance Committee met five times in 2018-19	Nominations Committee met five times in 2018-19	Digital Advisory Committee met five times in 2018-19
Rt Hon Amber Rudd MP	1 of 1	–	–	–	–
Rt Hon Esther McVey MP	1 of 2	–	–	–	–
Sarah Newton MP	2 of 3	–	–	–	–
Alok Sharma MP	2 of 3	–	–	–	–
Baroness Buscombe	3 of 3	–	–	–	–
Guy Opperman MP	0 of 3	–	–	–	–
Justin Tomlinson MP	3 of 3	–	–	–	–
Kit Malthouse MP	0 of 0	–	–	–	–
Sara Weller CBE	3 of 3	3 of 3	–	5 of 5	–
Lt Gen (retd) Andrew Graham CB CBE	3 of 3	2 of 3	4 of 5	–	–
Ashley Machin	3 of 3	3 of 3	4 of 5	–	5 of 5
Hayley Tatum	2 of 3	2 of 3	–	5 of 5	–
Martin Hagen	–	–	4 of 5	–	–
Lynne Shamwana	–	–	4 of 5	–	–
Jim Arnott	–	–	–	–	5 of 5
Keith Burgess	–	–	–	–	5 of 5
Robin Johnson	–	–	–	–	2 of 3
John Clarke	–	–	–	–	5 of 5
Peter Schofield CB	3 of 3	3 of 3	–	4 of 5	–
Nick Joicey	2 of 2	3 of 3	–	–	–
Charu Gorasia	0 of 0	–	–	–	–
Susan Park	3 of 3	3 of 3	–	–	–
Andrew Rhodes	0 of 0	–	–	–	–
Simon McKinnon CBE	1 of 1	1 of 1	–	–	2 of 2
Mayank Prakash	2 of 2	2 of 2	–	–	3 of 3
Debbie Alder	–	3 of 3	–	5 of 5	–
Jonathan Mills	–	3 of 3	–	–	–
Susanna McGibbon	–	0 of 1	–	–	–
Neil Couling CBE	–	3 of 3	–	–	–
John-Paul Marks	–	3 of 3	–	–	–

Ministers   Non-executive members   Executives

The Executive Team

The Executive Team is the senior decision-making body for departmental management. They agree the organisational structure, plans and resources that will deliver the Department's agenda. The Executive Team maintains a strategic oversight of the Department's major delivery commitments. The Executive Team members have appropriate delegated financial and risk management authority.

During 2018-19, the team worked closely with HM Treasury and other government departments on the impact of a no deal exit from the EU. They also developed a new organisation design, which comes into effect for 2019-20. This reorganisation will ensure the Department can work in a more joined up way to deliver the right outcomes for our citizens. The changes aim to remove organisational boundaries and improve the way our directorates work together.

The People and Resources Committee

The People and Resources Committee is a sub-committee of the Executive Team chaired by the Permanent Secretary. Membership is the same as the Executive Team with the exception of the Director General, Legal Services who attends when relevant. The sub-committee has delegated responsibility for strategic decision-making and governance on people and financial issues. Over the past year, the sub-committee discussed our financial and workforce planning and resources for the current year, through our summer and winter planning process, and for future years. This year has also seen the development of a new people performance strategy, underpinned by the introduction of team objectives, which the Executive Team themselves are leading and role modelling.

The Investment Committee

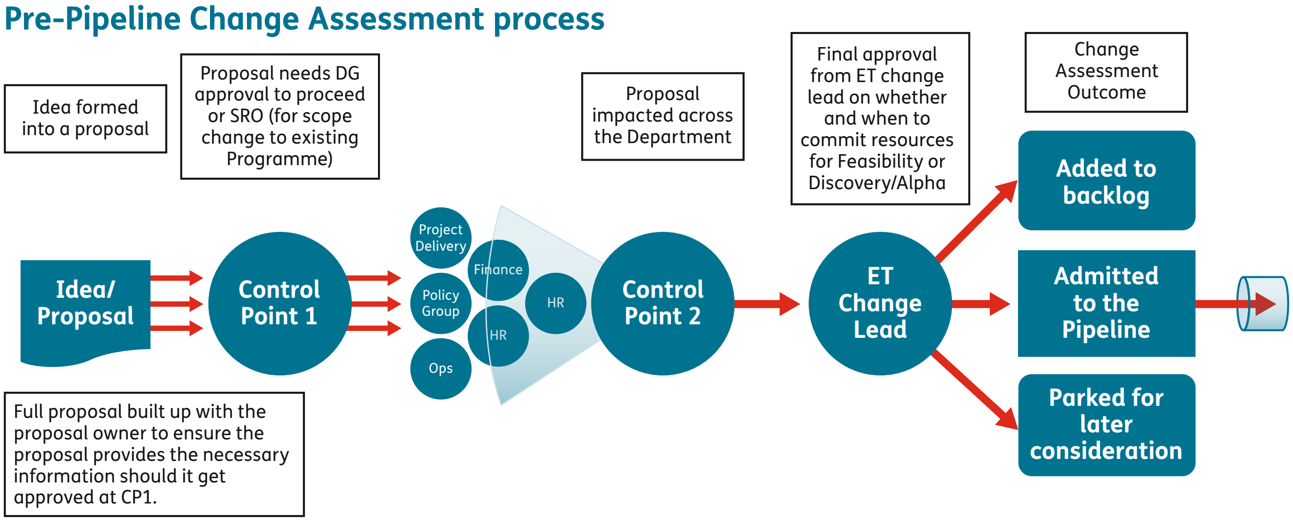
The Investment Committee, a sub-committee of the People and Resources Committee chaired by our Finance Director General, approves new change programmes and projects onto our major change portfolio. The Investment Committee has helped the Department focus on our ability to deliver strategic outcomes by realistically assessing affordability, deliverability, capacity, capability and interdependencies.

In 2018-19, the Investment Committee implemented a number of amendments to reflect feedback received from its annual review undertaken in 2017-18 to ensure it continued to operate effectively, these included:

- amendment to the financial approval limits, allowing the Investment Committee to focus on high value discussions
- development of a prioritisation criteria and assessment method to provide ongoing assurance of an initiative's priority status and assessing incoming programmes
- a transparent view of portfolio financial and delivery performance against key deliverables and resource allocations taking into account emerging portfolio risks

The Investment Committee uses the change assessment process as described below to decide if an initiative should become a formal project or programme and whether it should be added to the major change portfolio.

Pre-Pipeline Change Assessment process



Each project or programme added to the major change portfolio must have a formal senior responsible owner supported by a formal programme board. Each programme board member has clear accountabilities with appropriate authority and they provide assurance to the Investment Committee and their own director general on compliance with departmental guidance and deliverability of the project or programme.

The accountabilities of senior responsible owners are formally delegated through appointment letters issued by the Permanent Secretary. If the Project or Programme is part of the Government's Major Projects Portfolio (GMPP) the formal appointment letter is jointly issued by the Permanent Secretary and the Chief Executive of the Infrastructure and Projects Authority (available through www.gov.uk). We currently have four programmes on the GMPP: Universal Credit, Automatic Enrolment, Health Transformation and Fraud, Error and Debt programmes.

We work closely with the Infrastructure and Projects Authority and HM Treasury who provide independent assurance of our GMPP projects and programmes, including potential new programmes.

Annually Managed Expenditure

We jointly manage our annually managed expenditure (AME) with HM Treasury. HM Treasury are involved in all decisions involving DWP AME spend, and we also meet regularly throughout the year to monitor AME spend.

Within the Department, the Director General for Policy Group is the senior responsible owner for AME. He is supported in this role by the internal AME Board, and by the Senior Welfare AME Group which has membership from within DWP and HM Treasury. The groups oversee all departmental activity related to management of AME spend, including the monitoring of all risk to AME spend.

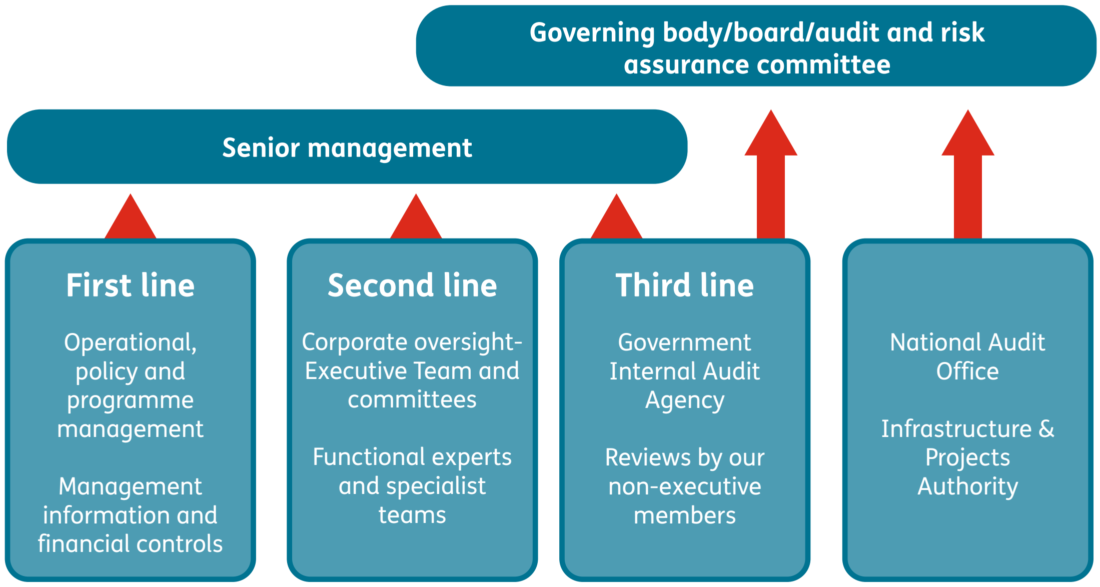
In addition to these groups, we have also established a LEAP (Legal Entitlement Administrative Practices) governance board, chaired by the Finance Director General, to monitor and actively manage LEAP activity across the Department. It has senior representation from all our business areas.

LEAP is a special exercise we undertake to review benefit claims to ensure that our customers receive their full legal entitlements. Presently we have six exercises that are planned or currently underway including exercises to rectify Employment and Support Allowance underpayments and implement the Personal Independence Payment judicial review. Detail of these two specific instances and their impact on AME expenditure are set out in the benefit provisions note on page 211.

Risk management

We have continued to operate the three lines of defence model within the Department. We have secured assurance on the effectiveness of risk management in a number of ways including, risk management maturity assessments, representation on key change programme and senior boards along with observations and positive challenge.

Three lines of defence model



The risk management framework is applied across the Department which means risks to DWP, project and/or local objectives will be regularly identified and managed using our four step cycle. That means that new risks may be identified, old risks managed out, and mitigating actions taken throughout the year.

The four key steps in the Department's risk management approach

During 2018-19 we have undertaken risk management maturity assessments within the operational and digital areas of the business and regular reporting on the management of risks to our objectives has taken place at our senior boards. The Department's Arm's Length Body Partnership team's annual assurance assessment risk based approach is tailored, proportionate and flexible enough to react to external factors. External bodies, such as the National Audit Office and the Infrastructure and Projects Authority, continue to give us independent external assurances which complement internal and other external assurance activity.

Looking to continuously improve, PwC undertook a review of risk management in the Department this year. Many areas of good practice were highlighted along with recommendations to further enhance the effectiveness of the management within the Department. As a result, we have made changes to the focus of risk management within some of our governance bodies to support greater engagement and assurance. Our Risk Assurance Board is now part of our formal governance and is being held monthly. The Executive Team have taken steps to identify the strategic risks facing the Department and more work is expected to ensure that risks are being effectively mitigated and to agree interventions where more action is required to bring the risks within the Department's risk tolerance and appetite limits.

We appointed a new Chief Risk Officer and our second line risk management and compliance function is restructuring to support delivery of a new assurance model from April 2019. Our new approach will gather assurances from across the Department against a set framework, to better support a more integrated governance statement. We will also be developing and making greater use of key risk indicators to inform risk based decisions and implementing other changes to ensure risk management continues to be effective throughout the Department.

Security and information management

Departmental security is managed and overseen by the Chief Security Officer (CSO) who chairs the Departmental Security Oversight Board. The CSO reports to the Department's Finance Director General.

We continue to improve our system of protective monitoring capabilities, we have developed our security risk management significantly and we are trialling strategic security solutions across our physical estate. We have undertaken a wide range of personnel security risk assessments across all business areas, which will inform a programme of work to increase our personnel security maturity.

We have worked closely with Cabinet Office colleagues to support a cross-government view and building of security capabilities, which enables the Department, its arm's length bodies and the other departments to which it provides services to adhere to minimum government security standards and raise maturity levels across all areas of security.

The Permanent Secretary continues to be an active member of the Government's Security Programmes Steering Group, which is overseeing the continuing growth of the government security function and the implementation of cross-government security projects and programmes.

Our newly appointed Data Protection Officer (DPO) and team focused on ensuring key products and arrangements were in place for the General Data Protection Regulation (GDPR), which came into force on 25 May 2018. These included a new personal information charter, public facing points of contact for the DPO and a data protection impact assessment (DPIA) process for the Department. Post GDPR, the DPO's priorities have been dealing with questions from citizens and employees, advising colleagues on data protection issues which have arisen, running the DPIA process and monitoring overall compliance, including the residual issues mentioned above.

The work to achieve GDPR compliance is divided into 17 strands of work, with many strands now passed onto business as usual, as compliance has been achieved in these strands. There are a number of ongoing strands of work, all progressing against plans to achieve GDPR compliance and these have been made visible to the DPO and the Information Commissioner's Office.

In 2018-19, the DPO team has dealt with 227 DPIAs. One personal data incident was formally reported to the Information Commissioner.

Service provider management

Our commercial governance and Cabinet Office pipeline controls processes are now fully embedded with Government Internal Audit Agency and Cabinet Office assurances, supporting our view that we have successfully increased the level of scrutiny, challenge and control of commercial transactions. We have continued to embed the eight standards contained within the Government Commercial Operating Standards framework with strong progress on each, and will transition to version three during 2019-20. This new iteration has been updated to include seven realigned and more focused commercial standards.

Throughout 2018-19, we have continued to focus on contract and supplier management improvements, including implementation of the Cabinet Office led Operational Supplier Management and Supplier Relationship Management transformation programmes. Both programmes bring significant improvement to the way we commercially and operationally manage our contracts and suppliers through the application of professional standards, increased capability and consistent frameworks and guidance. Continuous improvement of contract and supplier management will continue to be a priority throughout 2019-20.

We have recently completed an exercise to re-assess all live contracts in line with the Cabinet Office Gold/Silver/Bronze risk segmentation criteria, enabling us to reaffirm senior accountability for our highest risk contracts and ensuring that the appropriate level of commercial and operational capability is allocated to the management of those contracts during live running.

Our Commercial Directorate continues to operate a second line assurance function, focused on ensuring compliance with commercial policy and process and working closely with Government Internal Audit Agency to support their third line assurance activity.

Shared Services Connected Ltd

Shared Services Connected Ltd (SSCL) was created as a joint venture in 2013, to provide shared finance, HR and procurement services to the public sector.

To facilitate the delivery of these shared services, SSCL is also responsible for the build and implementation of the Single Operating Platform (SOP) as well as SOP hosting, infrastructure management support, application management support, contact centres, service management and performance management. SSCL uses Fujitsu as a key subcontractor to provide the associated IT services.

Government Shared Services (GSS), a part of the Cabinet Office, is responsible for managing the overarching framework agreement with SSCL on behalf of departmental customers such as the DWP and provides an annual Letter of Assurance (LoA) to all customers based upon the overall SSCL audit and assurance programme.

The GSS LoA covering SSCL shared service provision to the Department incorporates content from various sources:

- the independent ISAE 3402 report prepared by PwC, which provides an industry standard on the design and effectiveness of key controls operated by SSCL
- a programme of reviews jointly agreed by the SSCL Audit Committee and GSS also delivered by PwC, and
- the Cabinet Office Framework level review work provided by the Government Internal Audit Agency (GIAA)

In completing the 2018-19 ISAE 3402 report, PwC found governance, risk management and control to be generally satisfactory with some improvements required in SSCL. The improvements relate to three qualified or part qualified control objectives and their relevant controls, and six controls where exceptions were noted but where the associated control objective was still met.

The GIAA recently completed the Government Shared Services: ISSC2 Internal Audit Annual Report 2018-19 summarising the activity undertaken by the GIAA in support of the ISSC2 during 2018-19. The report is based on the underlying SSCL internal audit programme of work and having noted the qualifications and exceptions included in the ISAE 3402 report, the GIAA concludes that none of these are likely to have an impact on customer financial accounts.

GIAA has also completed a DWP specific commissioned review: DWP – Shared Services Connected Limited Assurance 2018-19, in which GIAA indicates, having reviewed the available sources of assurance, ‘no fundamental weaknesses or impacts on the Department’s finance statements’.

Overall, taking account of these various sources of assurance we can conclude that the control findings raised by PwC relating to SSCL have had no material impact on the DWP’s Annual Report and Accounts 2018-19.

Analytical Models Management

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

Our Policy Costings and Forecast Scrutiny Committee scrutinise our fiscal costings and forecasts for each Autumn Budget and Spring Statement. This improves quality, and provides ongoing feedback and learning to analysts.

The Office for Budget Responsibility (OBR) continues to examine our forecasts and costings for all benefits. We continue to work closely with the OBR, involving them in the steering group overseeing the development of a new Universal Credit dynamic micro-simulation model to be added to INFORM, our principal dynamic Working Age benefit model. The Head of the Department’s Model Development Division also chairs an inter-departmental working group on the quality assurance of analytical models which shares good practice across government.

Assurance about the operation of the system of control

Assurance from executives

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

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

- exiting the EU, departmental contingency planning and support for other government departments
- leadership, talent and succession planning specifically on increasing digital capability
- an interruption to European Social Fund funding from the EU

Assurances covering our arm's length bodies (ALBs)

The Policy Group Director General provides assurance on the governance and control arrangements for the 13 ALBs, which deliver outcomes on our behalf. The ALB Partnership Division is responsible for holding our ALBs to account and ensuring that they work to the high standards expected of them.

Working collaboratively with its stakeholders the ALB Partnership Division is developing a three-year strategy through which it will enhance both the support and challenge it provides to our ALBs. The strategy will ensure that our engagement is proportionate and focused on securing the best outcomes for the taxpayer.

We continue to deliver our programme of ALB tailored reviews covering issues of governance, efficiency and function. During 2018-19, we undertook a Tailored Review of the Health and Safety Executive (HSE), in accordance with the Cabinet Office Tailored reviews: guidance on reviews of public bodies.[3] The review concluded that there was a continuing need for HSE, with its current form and functions.

Following the reviews, we have taken the opportunity to consider the process and have developed a suite of products in consultation with lead reviewers and ALBs to enhance the process going forward. We continue to develop our engagement with the ALBs to share best practice, for example through shadowing, newsletters and at meetings. We ensure our Departmental Board continues to receive regular updates and assurance on ALB performance through a performance dashboard.

The ALBs are responsible for ensuring that their risks are dealt with appropriately. Our risk management approach is written into the framework documents that govern our relationship with most of the ALBs. While it would not be appropriate for us to direct independent bodies to undertake specific risk management activity, we do ensure they have appropriate risk management arrangements in place, and monitor their financial and operational performance on an ongoing basis through regular dialogue with our ALB Partnership Division.

We conducted the third annual assurance assessment (AAA) to assess the relationship with each body and the risks and opportunities posed to the Department, and reported the results to the Departmental Audit and Risk Assurance Committee. To ensure that we derive maximum value from the annual assurance assessment we are conducting a review of the process in conjunction with our ALB partners. The review will ensure that the AAA continues to be fit for purpose. The Cabinet Office / Institute for Government conducted their annual survey to judge the extent of the

3 Available at www.gov.uk.

Department's compliance with the Cabinet Office Code of Practice. Our results were, as in last year's survey, very positive, further endorsing the effective relationship with our ALBs.

We have a centralised public appointments team, within the ALB Partnership Division, which conducts all our recruitment for ALB public appointments exercises (typically ALB non-executive directors). The public appointments team collates statistics and information from each recruitment campaign to enable the Permanent Secretary to provide formal annual assurance to the Commissioner for Public Appointments that all public appointments made by our ministers are fully compliant with the Cabinet Office governance code on public appointments.

The quarterly security forum and ongoing support measures to assist our ALBs in identifying and addressing security capability requirements has continued throughout the last year. This recognises the strengthened security assurance process put in place by Cabinet Office through the Transforming Government Security Programme and requiring more evidenced assurance from ALBs in the new Departmental Security Health Check.

We have also established a series of General Data Protection Regulation (GDPR) compliance workshops and have supported our ALBs in moving towards full GDPR compliance. We have worked closely with our ALBs to ensure that they have identified and addressed any potential data issues which may arise in the event of a no deal EU exit.

Assurance opinion of the DWP Group Chief Internal Auditor

Our Group Chief Internal Auditor (GCIA) provides independent assurance to our Permanent Secretary and the Departmental Board, (via the Departmental Audit and Risk Assurance Committee (DARAC)). Their assurance opinion is derived from a risk based plan of work which has been agreed with the Executive Team and approved by DARAC.

The Group Chief Internal Auditor's (GCIA) Annual Opinion Report to DARAC takes account of all audit assignments completed during the year, any observations from active involvement in the organisation (for example, through participating in meetings and forums), reports from other assurance providers, ad hoc support and advice and follow-up activity in respect of recommendations previously made.

The GCIA has provided 'moderate' assurance on the strength of risk, control and governance arrangements in 2018-19, observing that "Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control".

The GCIA records that the Department continues to embed and, where necessary, enhance its governance arrangements via the operation of the Delivery Board and the launch of a new organisational design. She considers that measures being put in strengthen the risk management framework, including the appointment of a Chief Risk Officer in April 2019, are a positive step towards ensuring that our principal risks are being appropriately managed.

The majority of the corporate systems and processes reviewed by Internal Audit in year have been rated 'moderate' or better. They have however issued 'limited' rated audit reports including recommending improvements in respect of management of the Apprenticeships Scheme, in its approach to contracting with small and medium enterprises, and in the further development of the Fraud, Error and Debt Management Service.

The Department's change portfolio is generally being well managed with the majority of audit reports providing 'moderate' or 'substantial' assurance. The GCIA recognises that development and delivery of Universal Credit is particularly complex and that the business continues to face a range of challenges in doing this. She has concluded that effective and proportionate governance and risk management arrangements are in place, both within the Universal Credit Programme and Universal Credit operations and acknowledges the significant progress which has been made over the last 12 months to deliver programme aims (a key success being the roll-out of Universal Credit to every jobcentre in the UK). Audit recommendations have been made in relation to monitoring developer resource capacity; to closely managing the scaling of the service and to obtaining a sustainable solution for the identity verification of claimants, the absence of which could significantly impact moving cases to Universal Credit activity.

The key area of ongoing control weakness relates to the management of digital technology and information security where the GCIA has stressed the importance of addressing these as a matter of priority to ensure the continued operation of the Department's core business of supporting people into work and the payment of benefits and pensions. In response to audit work completed, the Department is:

- continuing to address significant security risks relating to patching, protective monitoring, management of privileged users and access controls. Progress has been made in improving the control and management of risks arising from a range of threats, but vulnerabilities remain. The GCIA sees that migration of services to digital group's on-site premises hosting facility is a key risk mitigation activity for these vulnerabilities but reports that the pace of migration of services has however been below that expected during 2018-19
- further developing disaster recovery/business continuity arrangements, covering business critical systems. Such arrangements are not sufficiently well developed in the event that multiple payment and benefit systems fail. This could mean that the Department is not able to stand up alternative systems to maintain critical services in order to pay claimants in a sufficiently timely manner
- strengthening processes and practises relating to information security and continues to work to strengthen the arrangements to work towards compliance with General Data Protection Regulation. The Department is also focused on improving required response rates for right of access requests as the target is not currently being met

Whistleblowing

We have encouraged employees to speak up about alleged wrongdoing, whether that is over a personal matter (via the grievance policy) or over a public interest concern (as whistleblowing). This year the range of ways they can do this expanded, underpinned by a cast-iron guarantee of confidentiality and, where necessary, anonymity.

The number of concerns raised as whistleblowing in 2018-19 decreased compared to the previous year but is broadly comparable. There were 56 cases compared to the previous year's 65 cases. As previously, most of these were raised via DWP's 'Whistleblowing Hotline', which is a dedicated line that enables any employee to report a public interest concern for independent investigation.

A recent example of whistleblower activity and our approach is covered in the NAO report of their 'Investigation into overpayment of Carer's Allowance', which arose in part due to whistleblower concerns. The NAO report showed how the Department responded to the concerns raised including the commissioning of a number of internal audit reports and management acting on the recommendations from these. These actions included allocation of further resource to address backlogs.

However, most concerns raised related in fact to employees' personal treatment rather than to public interest 'protected disclosures' covered by whistleblowing legislation. Every report was taken seriously and, where possible, appropriately investigated and the data on issues raised was analysed to inform future policy development.

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

From the developments recorded above in the system of control, and the assurances I have received, I share the Group Chief Internal Auditor's view that the controls continue to provide moderate assurance.

Within the overall system of control there continue to be four control challenges which I regard as significant. Each of these, and the action we are taking, is described below.

My continuing significant control challenges are:

1. monetary value of fraud and error
2. keeping our systems and data safe
3. delivering Universal Credit
4. embed and continuously improve our reform programme

I no longer assess as significant the challenge reported last year on maintaining IT services. This year has seen us make significant progress in transforming all our lines of business and refreshing our aging IT infrastructure while delivering sustained service availability.

Monetary value of fraud and error

Control challenge

This continuing control challenge is to protect the annual spend on benefits and pensions against fraud and error. We have received a qualified opinion on our accounts due to a material level of fraud and error in benefit expenditure every year since 1988-89.

What we have done

We have a fraud, error and debt strategy that is based on a clear understanding of where we lose most money and why. Six strategic objectives now focus all of our activity on these key loss areas across all benefits.

For example, we know that earnings are a major cause of loss. Real time earnings (RTE) data informs Universal Credit payments and we have applied this same principle to other benefits via our Verifying Earnings and Pensions Service (VEP) which went live in Pension Credit, Carer's Allowance and Housing Benefit during 2018-19.

Following our commitment last year, the Risk and Intelligence Service (RIS) was launched on 1 April 2018. RIS is using increasingly sophisticated data and analytical tools to uncover cases of undeclared capital and failing to declare a partner (living together) with threat alerts now helping our service staff identify and prevent fraud.

We analysed our approach to fraud and error measurement in 2018 to ensure we were checking the right benefits. We consulted stakeholders and the wider public and as a result we announced in December 2018 that we will review Carer's Allowance cases, beginning April 2019.

My assessment

The latest fraud and error estimates published on 9 May 2019, showed that fraud and error overpayments are at 2.2% (£4.1 billion) of overall benefit expenditure (£183.5 billion). These figures have increased marginally on the previous year (2.1% / £3.8 billion). Along with local authorities, we recovered an estimated £1.1 billion of benefit overpayments last year, resulting in an estimated net loss to the taxpayer of 1.6% (£3.0 billion).

The estimates show that underpayments have risen to 1.1% (£2.0 billion), which is a marginal increase from the level reported last year of 1.0% (£1.7 billion).

The detail on fraud and error is covered in the performance analysis section on page 21 and in the Incorrect Payments Note on page 218.

Reducing the levels of fraud and error remains a priority for the Department and my assessment is that while the overall estimate is not significantly different to previous years, this continues to be a significant control challenge.

Plans for 2019-20

Our focus will be on fraud prevention. We will continue to:

- develop RIS to transform the way we use data and understand risk, including debt and financial vulnerability
- invest in established projects, such as the Counter Fraud and Error Management service, Verifying Earnings and Pensions (VEP) service, and the Digital Debt service Project, and
- we will review existing policy, understand our claimants better and consider how we can incentivise them to disclose changes

Additionally, we will carefully consider the National Audit Office report and Work and Pensions Select Committee's recommendations on Carer's Allowance overpayments. As part of this approach, we will look at the way different benefits interact, how we communicate with people claiming Carer's Allowance and the way we calculate recoverable overpayments. Going forward, our VEP service is presenting earnings and employment data to nominated Carer's Allowance staff via an automated alerts service, which is allowing benefit awards to be updated far more quickly.

Keeping our systems and data safe

Control challenge

The challenge remains ongoing. We hold large amounts of personal data that we must continue to keep secure, and we are required to implement security structures and capabilities to enable the Department to be compliant with the minimum government security standards established from 2018.

What we have done

We have continued to implement our GDPR change programme in line with the requirements of the GDPR regulations which came into force on 25 May 2018. We have appointed a Data Protection Officer who has established our new organisational and governance structures, including the GDPR Risk Review Board.

We continue to build capability through increasing organisational maturity, up-skilling in the security profession through a blended programme of formal learning and development, and professional accreditation. Our overall security maturity is trending upwards and our 2018 People Survey results showed that engagement scores in the Security and Resilience team were up 14 percentage points on the previous year, with learning and development provision up to 71%, a 29 percentage point increase.

We are implementing a comprehensive "three lines of defence" model for all security areas, including cyber, allowing us to provide first line of defence capabilities for the Department, with clear accountabilities and processes. We continue to develop our approach to protective monitoring of our technology systems and are working to ensure that our security responses are automated where it is risk-appropriate to do so.

My assessment

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

Plans for 2019-20

We are working across all DWP business areas to minimise the cyber, technology, physical and personnel security risks. We are planning to progress a DWP wide programme of personnel security risk mitigations involving multiple functions.

We will continue to develop processes, governance, technical skills and organisational resilience. The challenges are not diminishing and we will need to increase our departmental security capabilities to ensure that minimum security standards are met and that the full range of risks is being managed across the technology and physical estates.

Delivering Universal Credit

Control challenge

This control challenge continues to focus on the safe and secure delivery of Universal Credit and is underpinned by a number of significant challenges which include consolidation of the Universal Credit Full Service and Move to Universal Credit formerly known as Managed Migration.

What we have done

We have successfully delivered the planned milestones for 2018-19, this includes:

- completing the roll-out of Universal Credit, which made the service available in every jobcentre across the UK, and
- the closure of the Universal Credit live service at the end of March 2019, whereby all live service claimants were successfully transferred to the Universal Credit Full Service

In June 2018 the National Audit Office concluded a review of the Universal Credit Programme and their report made four recommendations as follows:

1. improve the tracking and transparency of progress towards Universal Credit's intended benefits
2. ensure that operational performance and costs improve sustainably before increasing caseloads through managed migration
3. work with delivery partners to establish a shared evidence base for how Universal Credit is working in practice
4. make it easier for third parties to support claimants

We have been working proactively to implement the four recommendations and have gathered a wealth of detailed evidence of the action we have taken, which we intend to share with NAO officials shortly. All progress is being overseen by our Universal Credit Programme Board.

We have worked closely with HM Treasury colleagues and stakeholders across the Department to continuously improve our ability to track Universal Credit benefits and develop effective measurement frameworks, underpinned by sound governance. We have also published the Universal Credit business case and the methodology used to calculate benefits.

We have also undertaken extensive stakeholder engagement (including via conferences and workshops) over the last eight months to seek feedback on how the service was working and we have been collecting data from a range of organisations. This has, in turn, been fed back to the service design team to support development of service improvement, orientation and communication products. In addition, we have established a partnership arrangement with Citizens Advice to deliver a new and improved Universal Support service which launched in April 2019.

In October 2018, the Chancellor announced a package of measures worth £4.5 billion to support the safe and secure roll-out of Universal Credit, and on 11 January 2019 the Secretary of State announced further measures that will provide increased support for Universal Credit claimants. We have responded to these changes and continue to make improvements whilst maintaining steady delivery.

My assessment

Recent progress and the developments in train give me confidence about the ability to deliver Universal Credit safely and securely; however, it remains an ongoing challenge due to the sheer scale and complexity of this major transformation programme. Therefore, my assessment is that this remains a significant control challenge.

Plans for 2019-20

Our focus over the next 12 months will be to deliver the 2019-20 Operational Plan. This includes plans to increase our caseload to circa 3 million and increase the average caseload per case manager to circa 745 by March 2020. This is in line with the planning assumptions for the service as set out in the digital cost model.

An Infrastructure and Projects Authority (IPA) review has recently been undertaken on the 2019-20 Operational Plan. It substantiated our confidence that the plan can be delivered although recognised that it will be challenging. The IPA made five recommendations as follows:

- expand on the work we have been doing to develop contingency and scenarios to build and test a Contingency playbook to lay out responses to agreed scenarios, including layered risks, such as EU Exit and further Industrial action
- further build and test the Contact strategy to take account of Operational experience and further evidence as the caseload builds
- continue and accelerate the work to define more balanced measures of productivity, to reflect the growth and changing nature of the caseload
- ensure that expectations of the Citizens Advice “Help to Claim” service are managed and that the “test and learn” approach is embedded across the UK, and
- build a plan to accelerate the work around data strategy

Additionally, in July 2019 we are planning to begin the pilot of moving up to 10,000 legacy claimants over to Universal Credit.

Embed and continuously improve our reform programme for health and disability benefits

Control challenge

This control challenge focuses on delivering on the existing, complex health and disability benefits system and improving it for the future.

What we have done

We have continued to deliver a number of improvements to services, including moving people on Disability Living Allowance to Personal Independence Payment (PIP). As a relatively new benefit, PIP has been open to some judicial interpretation which we are acting on. In 2018-19 we began an administrative exercise to identify people who may be entitled to more support under PIP following a judicial review.

We have amended legislation to reflect the policy intent to ensure regularity in payments for those income-based Jobseeker's Allowance customers also in receipt of PIP/Armed Forces Independence Payment.

In March 2018, the National Audit Office published a report into historic underpayments in Employment and Support Allowance (ESA) and in October we responded positively to a number of subsequent recommendations made by the Public Accounts Committee.

We continue to review the claims of individuals who were underpaid on transfer to ESA, and have increased the number of staff working on putting these cases right to approximately 1,200. By 12 May 2019, we had paid arrears of £456 million to 86,000 people and completed action on 296,000 cases.

We have committed to reforming the Work Capability Assessment (WCA), and have been gathering views and insight from disabled people, charities, think tanks and academics to inform our approach.

My assessment

This area remains a significant control challenge for the Department, but in comparison to previous years there are now fewer outstanding legal challenges to be decided, and substantial progress has been made in correcting cases where administrative errors have been made in the past.

Plans for 2019-20

On 5 March 2019 we announced changes to better support people with health conditions and disabilities into work where they can and to live independently:

- we will no longer undertake regular reviews of PIP awards for claimants at or above State Pension age unless they tell us their needs have changed
- we will integrate the services that deliver PIP assessments and Work Capability Assessments from 2021
- we will also be undertaking a feasibility test to establish whether we can simplify the assessment process even further for our customers through a single assessment to determine eligibility for both ESA/Universal Credit and PIP
- we will be exploring whether we can enhance the mandatory reconsideration process to gather further evidence from claimants and make more accurate decisions

We have established the Health Transformation Programme to deliver a new integrated service for PIP and Work Capability Assessments and transform the PIP end to end process. This is a complex transformation of critical services upon which millions of customers with disabilities and health conditions rely, and we recognise the importance of getting the service design right. We will be building up the new service slowly, testing as we implement, and seeking stakeholder input to ensure that the new service is one that works for customers, as well as delivering value for money for taxpayers. The Health Transformation Programme is unlikely to present control challenges in 2019-20 given the early stage of delivery.

Following the announcement in July 2018, in respect of the ESA underpayments exercise to pay cases back to the point of conversion, we are required to review an additional 250,000 cases. The Department estimates that in total around 600,000 cases require review and that by the end of the exercise around 210,000 arrears payments totalling £920 million will have been made.

We will continue to engage and work closely with a wider variety of stakeholders, including charities and Disabled Person's Organisations, to better understand the needs of people with health conditions and disabilities.

Peter Schofield CB
Principal Accounting Officer

24 June 2019

Remuneration and staff report

Remuneration policy

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

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

Appointment of directors

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

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

Salary

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

Bonuses

Bonuses are non-consolidated variable performance related payments awarded to our highest performing civil servants at the end of the year. Bonus payments are normally paid in July for performance in the preceding financial year, therefore payments made in 2018-19 relate to performance between 1 April 2017 and 31 March 2018.

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.

Conflict of interest

We keep a register of our directors' interests. This contains details of company directorships and other significant interests held by those members. None of our directors held directorships that conflicted with their management responsibilities in 2018-19. Copies of the register are available on request.

None of our ministers held directorships that conflicted with their management responsibilities in 2018-19. A list of ministerial board members interests can be viewed online at www.gov.uk.

Remuneration and pension entitlements for ministers and executive directors

Ministers' pay

(This information is subject to audit)

	2018-19					2017-18			
Ministers	Salary £	Full year equivalent £	Severance payments £	Pension benefits to nearest £1,000[4]	Total to nearest £1,000[5]	Salary £	Full year equivalent £	Pension benefits to nearest £1,000[3]	Total to nearest £1,000[4]
Rt Hon Amber Rudd MP from 16 November 2018	25,314	67,505	–	7,000	33,000	–	–	–	–
Rt Hon Esther McVey MP from 9 January 2018 to 15 November 2018	42,191	67,505	16,876	14,000	74,000	15,425	67,505	4,000	20,000
Alok Sharma MP from 10 January 2018	31,680	31,680	–	7,000	39,000	7,154	31,680	2,000	10,000
Kit Malthouse MP from 10 January 2018 to 9 July 2018	6,135	22,375	–	1,000	7,000	5,052	22,375	2,000	7,000
Justin Tomlinson MP from 10 July 2018	16,240	22,375	–	4,000	20,000	–	–	–	–
Guy Opperman MP from 14 June 2017	22,375	22,375	–	5,000	27,000	17,838	22,375	5,000	23,000
Baroness Buscombe from 15 June 2017	105,076	105,076	–	–	105,000	45,194	105,076	–	45,000
Sarah Newton MP from 9 November 2017 to 13 March 2019	30,147	31,680	7,920	6,000	45,000	12,496	31,680	4,000	16,000

The Prime Minister has determined that government Ministers should receive salaries set at the same rate as that claimed by equivalent Ministers under the previous government (2015 to 2017). This rate is less than what the Ministerial and Other Salaries Act 1975 entitles Ministers to. The table above shows salaries actually received and not salaries entitled to.

The salary disclosed for Baroness Buscombe includes Lord Office-holders Allowance of £36,366 for 2018-19. She joined DWP on 15 June 2017 as an unpaid Parliamentary Under Secretary of State and did not receive any salary until being appointed as a paid Parliamentary Under Secretary of State on 27 October 2017. The salary disclosed in 2017-18 is for the period 27 October 2017 to 31 March 2018. Included in that figure is Lord Office-holders Allowance of £15,641 (FYE £36,366).

Government departments bear only the cost of the additional ministerial salary. Salaries for services as MPs (£77,379 from 1 April 2018)[6] and other allowances are borne centrally.

No minister received any benefit in kind.

4 To calculate the pension benefits accrued during the year, we first take the real increase in pension and multiply it by 20. Then we subtract the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
5 Totals may not sum due to rounding on pension and totals columns.
6 www.theipsa.org.uk

Executive directors' pay

(This information is subject to audit)

	2018-19					2017-18				
Executive directors	Salary £000	Bonus payments £000	Benefit in kind £	Pension benefits £000[7]	Total £000	Salary £000	Bonus payments £000	Benefit in kind £	Pension benefits £000	Total £000
Peter Schofield CB from 18 July 2016	175-180	–	–	23	200-205	150-155 (FYE 175-180)	–	–	137	290-295
Debbie Alder from 1 January 2014	135-140	–	–	53	185-190	125-130	–	300	49	175-180
Neil Couling CBE from 1 October 2014	145-150	5-10	–	44	200-205	145-150	0-5	–	42	190-195
Mayank Prakash from 17 November 2014 to 31 December 2018	150-155 (FYE 200-205)	–	–	–	150-155	195-200	–	–	–	195-200
Andrew Rhodes from 28 March 2016 to 22 April 2018	5-10(FYE 145-150)	–	1,500	4	10-15	145-150	–	30,500	75	250-255
Jonathan Mills from 29 August 2017	130-135	–	–	119	245-250	70-75 (FYE 115-120)	–	–	93	160-165
Charu Gorasia from 16 January 2018 to 8 July 2018	30-35 (FYE 125-130)	–	–	24	55-60	25-30 (FYE 125-130)	–	–	18	40-45
Susan Park from 12 March 2018	145-150	10-15	100	124	285-290	135-140	10-15	100	121	265-270
John-Paul Marks from 12 March 2018	125-130	10-15	–	83	220-225	5-10 (FYE 110-115)	–	–	5	10-15
Nick Joicey from 30 July 2018	95-100 (FYE 145-150)	–	–	125	220-225	–	–	–	–	–
Simon McKinnon CBE from 1 January 2019	35-40 (FYE 140-145)	–	–	14	45-50	–	–	–	–	–

All pension benefits are quoted gross and do not take account of any actual or potential reduction to amounts received resulting from taxation which may be due when pension benefits are taken in excess of the lifetime allowance.

Peter Schofield was appointed Permanent Secretary on 16 January 2018. Prior to this he was the Finance Director General from 18 July 2016. He opted out of PCSPS from 31 May 2018.

Peter Schofield and Charu Gorasia's pension benefits for 2017-18 have been re-stated due to a change in service history.

Claire Johnston (appointed 12 January 2015, left 31 August 2018) and Susanna McGibbon (appointed 10 December 2018) hold the role of Director General Legal Services and our senior legal adviser. Our legal services are provided by the Government Legal Department (GLD) and as such, their remuneration is disclosed in GLD's Annual report and accounts for 2018-19.

7 To calculate the pension benefits accrued during the year, we first take the real increase in pension multiplied by 20, plus the real increase in any lump sum less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decreases due to a transfer of pension rights.

Fair pay disclosure

(This information is subject to audit)

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

The banded remuneration of our highest-paid director in the financial year 2018-19 was £175,000 to £180,000 (2017-18: £195,000 to £200,000). This was 6.78 (2017-18: 7.91) times the median remuneration of the workforce, which was £26,199 (2017-18: £24,976).

	Pay band of highest paid executive director	Median total pay	Ratio
2018-19	£175,000 – £180,000	£26,199	6.78:1
2017-18	£195,000 – £200,000	£24,976	7.91:1

In 2017-18 and 2018-19, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £17,000 – £17,500 to £175,000 - £180,000 (2017-18: £16,000 – £16,500 to £195,000 – £200,000).

Total remuneration 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.

The reduction in the ratio is due to an increase in the median pay, arising from year 3 of our Employee Deal and the departure of the director who was the highest paid in 2017-18.

Non-executive directors' fees

(This information is subject to audit)

Non-executive directors	Board	Fees 2018-19 to the nearest £000	Benefit in kind 2018-19 to the nearest £00	Fees 2017-18 to the nearest £000	Benefit in kind 2017-18 to the nearest £00
Sara Weller CBE from 20 April 2017	Departmental Board, Nominations Committee and Delivery Board	20,000	1,400	19,000	1,600
Lynne Shamwana from 1 April 2013	DARAC	15,000	–	15,000	–
Lt Gen (retd) Andrew Graham CB CBE from 1 April 2013	Departmental Board, DARAC and Delivery Board	20,000	–	20,000	1,200
Sir Robert Walmsley from 29 July 2013	Universal Credit Programme Board	15,000	–	15,000	100
Martin Hagen from 1 April 2014	DARAC	15,000	100	15,000	900
Jim Arnott from 15 December 2015	Digital Advisory Committee	15,000	–	15,000	–
Ashley Machin from 15 December 2015	Departmental Board, DARAC, Digital Advisory Committee and Delivery Board	17,000	–	15,000	–
Robin Johnson from 1 January 2016 to 31 December 2018	Digital Advisory Committee	11,000	–	15,000	–
Hayley Tatum from 13 November 2017	Departmental Board, Nominations Committee and Delivery Board	15,000	300	6,000	300
John Clarke from 13 November 2017	Digital Advisory Committee	15,000	–	6,000	–
Keith Burgess from 13 November 2017	Digital Advisory Committee	15,000	–	6,000	–
Total		**173,000**	**1,900**	**146,000**	**4,000**

Totals may not sum due to rounding of individual figures.

Ministers' and executive directors' pensions

(This information is subject to audit)

Ministers	Total accrued pension at age 65 as at 31 March 2019 £000	Real increase in pension at age 65 £000	Cash equivalent transfer value at 31 March 2019 £000	Cash equivalent transfer value at 31 March 2018 £000	Real increase in cash equivalent transfer value £000
Rt Hon Amber Rudd MP	5-10	0-2.5	78	70	4
Rt Hon Esther McVey MP	0-5	0-2.5	51	36	8
Alok Sharma MP	0-5	0-2.5	19	11	4
Kit Malthouse MP	0-5	0-2.5	3	1	–
Justin Tomlinson MP	0-5	0-2.5	8	5	1
Guy Opperman MP	0-5	0-2.5	20	14	3
Baroness Buscombe	–	–	–	–	–
Sarah Newton MP	0-5	0-2.5	26	18	4

The opening values for cash equivalent transfer value don't match the closing values stated last year. This is because the factors used to calculate them were amended by the Government Actuary's Department in November 2018.

Where a minister left our Department part way through the year, the 'cash equivalent transfer value' column refers to those dates and not 31 March.

Executive directors	Accrued pension at pension age as at 31 March 2019 £000	Real increase in pension and related lump-sum at pension age £000	Cash equivalent transfer value at 31 March 2019 £000	Cash equivalent transfer value at 31 March 2018 £000	Real increase in cash equivalent transfer value £000
Peter Schofield CB	55-60 plus a lump sum of 140-145	0-5 plus a lump sum of 0-2.5	1,022	890	13
Debbie Alder	25-30	2.5-5	360	286	30
Neil Couling CBE	60-65 plus a lump sum of 175-180	2.5-5 plus a lump sum of 0	1,318	1,165	25
Mayank Prakash	–	–	–	–	–
Simon McKinnon CBE	30-35	0-2.5	562	548	11
Andrew Rhodes	30-35	0-2.5	358	355	1
Nick Joicey	40-45 plus a lump sum of 85-90	5-7.5 plus a lump sum of 10-12.5	722	574	89
Susan Park	70-75 plus a lump sum of 220-225	5-7.5 plus a lump sum of 17.5-20	1,732	1,463	125
Jonathan Mills	30-35 plus a lump sum of 70-75	5-7.5 plus a lump sum of 7.5-10	495	359	69
John-Paul Marks	30-35	2.5-5	363	265	40
Charu Gorasia	30-35	0-2.5	435	403	12

All pension benefits are quoted gross and do not take account of any actual or potential reduction to amounts received resulting from taxation which may be due when pension benefits are taken in excess of the lifetime allowance.

Where an executive director leaves or joins our Department part way through the year, the 'cash equivalent transfer value' column refers to the value at the date of joining or leaving.

Peter Schofield opted out of PCSPS from 31 May 2018. He has voluntarily agreed the disclosure of his preserved pension figures, for which the latest estimates are shown in the table above. The real increase columns reflect the cost of living increases (adjusted for inflation) applied each year until his pension comes into payment. He opted into a partnership pension scheme from 1 June 2018; his 2018-19 partnership pension employer contributions were £22,100 (rounded to nearest £100).

Peter Schofield's and Charu Gorasia's CETVs at 31 March 2018 have been restated due to a change in service history.

Mayank Prakash was opted into a partnership pension scheme; his 2018-19 employer contributions were £25,200 (rounded to nearest £100).

Ministerial pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available at: www.mypcpfpension.co.uk

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

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

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

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

Executive directors' pensions

Pension benefits are provided through the civil service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has 4 sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the 2 schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump-sum equivalent to 3 years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the 2 schemes, but note that part of that pension may be payable from different ages.)

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

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

(This information is subject to audit)

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 is all their time as a minister, not just their current employment. For executive directors, that is all the time they've been a member of that pension scheme, not just the time they were in a senior role.

The figures include the value of any pension benefit in another scheme or arrangement, which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are 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 that may be due when pension benefits are taken.

Real increase in the value of the CETV

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

Average staff numbers and composition[8]

(This information is subject to audit)

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

					2018-19	2017-18
					Number	Number
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Number of staff	74,615	3,859	6	2	78,482	78,495
Staff engaged on capital projects	81	–	–	–	81	67
Total	**74,696**	**3,859**	**6**	**2**	**78,563**	**78,562**
Of which:						
Core department	70,711	3,697	6	2	74,416	74,794
Arm's length bodies	3,985	162	–	–	4,147	3,768
Total	**74,696**	**3,859**	**6**	**2**	**78,563**	**78,562**

Senior Civil Servants

Our executive directors are all Senior Civil Servants. In total there were 217 individual Senior Civil Servants, totalling 211.9 whole-time equivalents, as at 31 March 2019. This is 15 more than last year.

Senior Civil Servant headcount by pay band		March 2015	March 2016	March 2017	March 2018	March 2019
Permanent Secretary	£150,000-£200,000	1	1	1	1	1
SCS3	£111,500-£208,100	7	8	6	6	5
SCS2	£90,500-£162,500	47	49	42	38	43
SCS1	£68,000-£117,800	158	163	158	157	168
Total		**213**	**221**	**207**	**202**	**217**

Staff expenditure

(This information is subject to audit)

	Permanently employed staff	Others	Ministers	Special Advisers	2018-19 Total	2017-18 Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,189,319	144,959	304	125	2,334,707	2,201,659
Employers' National Insurance	210,464	317	31	15	210,827	201,393
Superannuation and pension costs	429,835	9	–	25	429,869	416,828
Total	**2,829,618**	**145,285**	**335**	**165**	**2,975,403**	**2,819,880**
Less recoveries in respect of outward secondments	(1,861)	–	–	–	(1,861)	(1,332)
Total net costs	**2,827,757**	**145,285**	**335**	**165**	**2,973,542**	**2,818,548**

8 The figures in the table above show the average number of whole time equivalent people employed during the year, in the performance report and the accountability report we disclose both the number of whole time equivalent people employed at the end of the year (as at 31 March) and the number of actual people (rather than whole time equivalents).

Ministers' wages and salaries include severance payments of £16,876 made to the Rt Hon Esther McVey MP and £7,920 made to Sarah Newton MP.

Special Adviser wages and salaries include a severance payment of £12,000 made to one of our Special Advisers.

	Charged to staff budgets £000	Charged to Capital budgets £000	Total £000
Core department	2,721,592	3,955	2,725,547
ALBs	253,811	–	253,811
Total	**2,975,403**	**3,955**	**2,979,358**

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

For 2018-19, we paid employer contributions of £425.1 million to the PCSPS (2017-18: £414.4 million). These were at one of 4 rates in the range 20.0% to 24.5% of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions of £45.2 million (2017-18: £43.8 million) were payable to the Civil Superannuation Vote at 31 March 2018 and are included in trade payables and other liabilities (see note 14).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In total we paid employers contributions of £3.7 million (2017-18: £2.4 million) to 3 appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. We also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0.1 million, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump-sum benefits on death in service or ill health retirement of these employees.

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

In 2018-19, 93 people (2017-18: 90 people) retired early on ill-health grounds. The total additional accrued pension liabilities in the year were £77,000 (2017-18: £80,000).

Reporting of civil service and other compensation schemes – exit packages

(This information is subject to audit)

Table 1: 2018-19

	Core department			Departmental group		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
< £10,000	1	70	**71**	1	70	**71**
£10,001-£25,000	–	278	**278**	1	286	**287**
£25,001-£50,000	–	478	**478**	2	490	**492**
£50,001-£100,000	–	54	**54**	2	61	**63**
£100,001-£150,000	–	2	**2**	2	2	**4**
£150,001-£200,000	–	–	**–**	–	1	**1**
Total number of exit packages	**1**	**882**	**883**	**8**	**910**	**918**
Total cost £000	**5**	**26,374**	**26,379**	**546**	**27,526**	**28,073**

Table 2: 2017-18

	Core department			Departmental group		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
< £10,000	1	93	**94**	1	96	**97**
£10,001-£25,000	2	303	**305**	2	316	**318**
£25,001-£50,000	2	243	**245**	2	258	**260**
£50,001-£100,000	–	59	**59**	–	64	**64**
£100,001-£150,000	–	7	**7**	–	7	**7**
£150,001-£200,000	–	4	**4**	–	4	**4**
Total number of exit packages	**5**	**709**	**714**	**5**	**745**	**750**
Total cost £000	**113**	**19,230**	**19,343**	**113**	**20,294**	**20,407**

We have 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 have agreed early retirements we, not the Civil Service Pension Scheme, meet the additional costs. Ill-health retirement costs are met by the pension scheme and are not included in the table.

From 22 December 2010, new civil service compensation terms were introduced for Early Release schemes. All voluntary exit costs payable by us are now made in the form of lump-sum payments. Payments made in respect of schemes prior to this date were made as both lump-sum payments and annual compensation payments. The liability in respect of these annual payments is included in other provisions in note 16.

Reporting the tax arrangements of public sector appointees

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

We have reviewed the way we employ appointees to ensure our processes are robust. We have the right to request assurances, and do so, from the appointees. We can terminate the individual's contract if these assurances are not provided. The tables below outline the off-payroll arrangements for 2018-19.

Table 1: All existing off-payroll engagements, as at 31 March 2019, that were paid more than £245 per day and that lasted longer than 6 months

	Core department	ALBs	Departmental group
No. of existing engagements as of 31 March 2019	**632**	**79**	**711**
Of which:			
No. that existed < 1 year	309	34	343
No. that have existed for between 1 and 2 years	190	21	211
No. that have existed for between 2 and 3 years	76	24	100
No. that have existed for between 3 and 4 years	34	–	34
No. that have existed for 4 or more years	23	–	23

Table 2: All off-payroll engagements that were new or reached a length of 6 months between 1 April 2018 and 31 March 2019, where they were paid more than £245 per day

	Core department	ALBs	Departmental group
No. of new engagements, or those that reached 6 months in duration, between 1 April 2018 and 31 March 2019	**509**	**89**	**598**
Of which:			
No. assessed as caught by IR35	17	24	41
No. assessed as not caught by IR35	492	65	557
No. engaged directly (via PSC contracted to Department) and are on Departmental Payroll	–	–	–
No. of engagements reassessed for consistency/assurance purposes during the year	15	61	76
No. of engagements that saw a change to IR35 status following consistency review	2	–	2

- Following a change to the Intermediaries legislation on 6 April 2017, the Department and its ALBs now undertake IR35 assessments for all off-payroll workers that are engaged via an intermediary.
- IR35 assessments are undertaken by the civil servant closest to the working practices of the off-payroll worker. Assessments are subject to assurance to ensure they have been undertaken in line with HM Revenue and Customs guidance. In the core Department this is undertaken by the Tax Centre of Excellence and includes risk based assurance and random sampling.
- In addition to the 15 engagements reported as assured in Table 2, the Department has assured the IR35 status of a further 34 engagements in the year which are not reported in the table due to lasting less than 6 months or having reached 6 months engaged in a previous financial year.

Table 3: Board members and senior officials with significant financial responsibility between 1 April 2018 and 31 March 2019

Number of individuals who are board members and/or senior officials with significant financial responsibility	Core department	Arm's length bodies	Departmental group
on-payroll	42	13	55
off-payroll	–	–	–

These are our most senior officials who hold the highest levels of delegated financial authority.

Consultancy and temporary staff

(This information is subject to audit)

We occasionally use professional service providers to help with specialist work – including consultancy and contingent labour where it is necessary and prudent to do so. This year we spent £28.5 million on consultancy compared with £45.3 million last year.

Consultancy (£m)	2018-19	2017-18
Core department	17.0	34.9
Arm's length bodies	11.5	10.4
Departmental group	**28.5**	**45.3**

Temporary (off-payroll) staff (£m)	2018-19	2017-18
Core department	114.1	67.1
Arm's length bodies	14.8	10.7
Departmental group	**128.9**	**77.8**

Departmental group whole time equivalent off-payroll staffing as at 31 March	March 2019	March 2018
Core department	713	512
Arm's length bodies	72	39
Departmental group	**785**	**551**

The departmental group whole time equivalent off-payroll staff numbers relate to the position at the end of the year.

A number of projects that were using consultancy support reached maturity towards the end of 2017-18 and therefore consultancy in 2018-19 decreased. Digital moved to a new delivery model during 2017-18 which required us to grow our internal capability and capacity, alongside an increase in the scope of delivery activity, using a resource mix of civil servants and BPDTS Ltd. However, the ramp up of capacity and capability took longer than expected and Digital have had to bridge the gap in 2018-19 with specialist or time limited temporary resource.

Sickness absence

We recognise the costs associated with high levels of employee sickness absence. Our approach to managing sickness absence is supportive and work-focused. We aim to minimise sickness absence through absence prevention, while supporting employees who are absent to return to work. Our average number of working days lost (AWDL) due to sickness is 7.3 as at March 2019.

Mindful that AWDL by itself is not a sufficient indicator of employee health and wellbeing, this year we have developed a new set of positive metrics against which we can measure the success of our approach. This is discussed in more detail in the Performance report.

Trade union facility time

DWP Facility time	
Number of trade union representatives	1,210
Number of representatives with trade union facility time (between 1% and 50% of contracted hours)	1,210
Total time spent (hours)	33,911
Cost of facility time	£0.267 million
Total pay bill	£2.569 billion
Facility time as a percentage of the Department's annual pay bill	0.01%

The number of trade union representatives is the total of general representatives, health and safety representatives and union learning representatives. Each representative could have multiple roles with associated facility time covering general, health and safety and learning responsibilities.

Some facility time hours are spent on unpaid trade union activities. We are still developing the functionality to be able to record these hours separately and provide them as a percentage of the facility time.

HSE Facility time	
Number of trade union representatives	65 (63.5 FTE)
Number of representatives with trade union facility time (between 1% and 50% of contracted hours)	65
Total time spent (hours)	7,976
Cost of facility time	£0.156 million
Facility time as a percentage of the Department's annual pay bill	0.11%
Time spent on paid trade union activities as a percentage of total paid facility time hours	5.12%

Operation Yellow Hammer

Operation Yellow Hammer relates to cross-government contingency planning for the possibility of a no-deal exit from the European Union. The Department had eight people on secondment to other departments to support Operation Yellow Hammer, six HEO grade and two SEO grade. These people all commenced their secondment on 27 February 2019 with an average length of secondment in the reporting year of one month. In line with guidance on short secondments the Department covered the costs of salaries.

Diversity and inclusion (including Public Sector Equality Duty – employees)

We are committed to the civil service ambition to become the UK's most inclusive employer. We are dedicated to building a diverse workforce that respects and celebrates differences regardless of race, ethnicity, sex, age, nationality, disability, sexual orientation, religion or belief, social background, working pattern, caring responsibilities or any other grounds.

We are committed to increasing the representation of under-represented groups to make the Department more diverse, and building an inclusive environment where colleagues are able to be themselves at work and feel supported, empowered, valued, respected, fairly treated and able to achieve their full potential. Our goal is to ensure these commitments are embedded in our daily working practices with all our customers, colleagues and partners.

Our campaign called 'I Can Be Me in DWP' is designed to help build an inclusive culture throughout the Department. This campaign was promoted by our departmental champions and aimed to support all managers to hold conversations within their teams, help teams to do things differently to be more inclusive, encouraged the sharing of personal stories about what makes them feel included and celebrated the actions managers were taking with the aim of helping others to learn from their experiences. Our evaluation highlighted a strong awareness of the campaign (85%), with evidence that colleagues are embedding inclusion in their day to day activity. Future work will centre on helping more colleagues take part in the campaign, a greater emphasis on team inclusion and the expansion of the 'I Can Be Me' resource centre.

Additionally, our focus has been on improving the provision of workplace adjustments and increasing mental health awareness and support, making improvements to our recruitment methods and talent offer, closing gaps around inclusive outcomes in promotion, performance, bullying and harassment and embedding inclusive leadership. A key challenge remains attracting greater diversity into the Senior Civil Service where we are under-represented in terms of women, ethnic minorities and disabled people. We have set targets for these groups in order to meet the requirements of the Civil Service Diversity and Inclusion Strategy.

We will continue work on these important areas and our shared civil service ambition of becoming the most inclusive employer by 2020.

Some of our key achievements as an employer in 2018-19 include:

- setting new entrant Senior Civil Servant representation targets to 2025 for ethnic minorities (13.0%), disabled people (12.0%) and women (50.0%)
- 965 mental health first aiders trained and enhancements made to our workplace adjustment guidance and support provision
- implemented success profile recruitment practices which focus on behaviours and strengths, and maintained increased diversity on senior civil service and Grade 6 and 7 selection panels
- improved senior civil service representation levels comparable to that of the civil service, and achieved the Times top 50 Employers for Women status
- piloted a new team based people performance system with a strong emphasis on wellbeing – to be implemented nationally during 2019-20
- implemented a bullying, harassment and discrimination toolkit that pulls together a range of information, case studies and sources of support for colleagues, and piloted an ACAS trained fair treatment ambassador role which will be expanded nationally during 2019-21
- continuing the 'I Can Be Me in DWP' campaign helping people to talk about inclusion, share their individual and team stories and understand what being included feels like for different people

We continue to encourage individuals to voluntarily share their personal diversity information and promote the benefits of gathering this data. However, not every member of staff is willing to share their details and the tables below only include colleagues who have done so. We are taking further action to create an environment where more of our people feel content to indicate their sexual orientation and religious beliefs. (Information on marriage and civil partnership is also captured via a central recording system, but no information on gender assignment is currently captured).

Staff diversity by gender (core department)		**March 2016**	**March 2017**	**March 2018**	**March 2019**
Workforce	Women %	68.4	67.3	67.0	66.8
Senior Civil Servants	Women %	38.9	39.2	40.0	44.4
Ministers	Women %	33.3	33.3	50.0	40.0
Non-executive members	Women %	25.0	25.0	30.0	30.0
Executive team	Women %	22.2	33.3	40.0	33.3

The proportion of women within the DWP senior civil service is comparable to the civil service average for the senior civil service grade (44.6% as of December 2018).

DWP continue to offer flexible working options and a broad range of working patterns to enable parents to fit their family responsibilities with their employment, encouraging an equal representation of women in the Department.

Staff diversity by declared disability (core department)		March 2016	March 2017	March 2018	March 2019
Workforce	Disabled %	7.0	8.7	7.5	11.3
Senior Civil Servants	Disabled %	3.0	6.1	6.0	8.6

As at 31 March 2019, the proportion of employees who had shared information about their disability was 89.9%.

At senior civil service grade DWP is significantly above the December 2018 civil service average of 4.6%, and above the civil service all grade average of 10.0%. DWP is recognised as a Disability Confident Leader demonstrating the departmental commitment to attracting, recruiting and retaining disabled people and supporting them in achieving their full potential.

Staff diversity by declared ethnicity (core department)		March 2016	March 2017	March 2018	March 2019
Workforce	Ethnic minority %	11.6	12.2	12.7	13.2
Senior Civil Servants	Ethnic minority %	5.4	4.9	5.2	4.4

As at 31 March 2019 the proportion of employees who had shared information about their ethnicity was 79.2%.

The proportion of ethnic minority staff is above the December 2018 civil service average of 12.0%. The numbers fall in grades higher executive officer to senior civil servant grade. At senior civil service grade, DWP are lower than the civil service average of 6.0%.

Percentage of DWP workforce by age range	March 2019
16-24	2.9%
25-34	11.9%
35-44	20.5%
45-54	35.0%
55-64	27.6%
65+	2.1%
Total % of headcount	**100%**

In the 2018 annual People Survey, 18% of respondents told us they care for children, 19% reported they care for family, friends or neighbours and 10% of respondents told us they are 'sandwich carers' and care for both.

We continue to offer a range of support and working pattern options to enable staff to meet their personal responsibilities whilst still achieving a fulfilling career in the Department. The Department has a carers' charter in place and all staff have access to a carer's passport and toolkit, as well as membership of Carers UK.

We take our responsibilities under the **Public Sector Equality Duty** very seriously. Equality analysis is embedded into all our decision making processes and equality data is used to monitor the impact of our policies and procedures.

This data can be found on www.gov.uk.

The **gender pay gap** figures for all large UK employers were published for the first time in December 2017. These publications provide unprecedented transparency of the difference between men's and women's average earnings, generate debate and encourage employers to work to close the pay gap.

In DWP, we have mechanisms in place to ensure that men and women are paid equally for the same jobs, but a mean gender pay gap exists as a result of our historical pay structure and the composition of our workforce. We employ significantly more women than men, (67.1% women and 32.9% men at 31 March 2018) but we have a higher representation of men in senior roles. This is something that we are conscious of and taking steps to address, which are discussed below.

In 2018 our mean gender pay gap reduced to 4.9% from 5.3% in 2017 with the median remaining at 0.0%. DWP's position compares very favourably with that of the wider civil service and the national average but we still have more work to do. For the majority of our employees (grades AA to EO) the pay gap is in favour of women, however, the more senior grades show the balance the other way, resulting in an overall pay gap in favour of men. We are taking steps to have a more inclusive approach and our diversity and inclusion action plan outlined key actions for 2017-18. So far we have:

- commissioned a gender parity survey to investigate the barriers women face in reaching senior roles
- updated guidance to promote gender-neutral language, name-anonymised recruitment and female representation on selection panels
- delivered training on diverse panels which has virtually eliminated all-male panels for senior civil servant posts and limited the impact of unconscious bias in selection exercises
- provided mentoring, shadowing and coaching to promote progression and improved female representation at senior grades through the DWP Positive Action Pathway programme

More detailed information is available in the DWP Gender Pay Gap report 2018 on www.gov.uk.

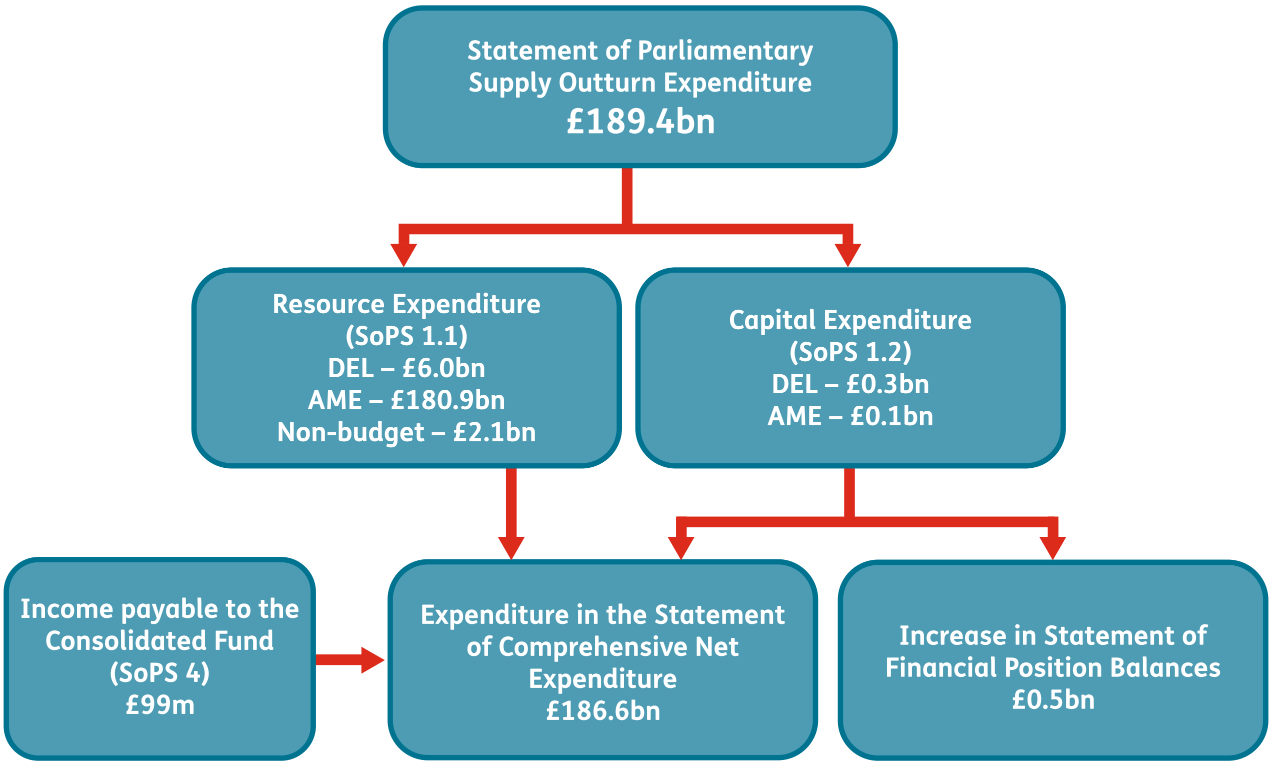
Parliamentary accountability and audit report

Introduction

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

This introduction presents further information on the control totals presented in the SoPS, which were set in the Supplementary Estimate. These budgets follow the international standards of the European System of Accounts. This allows HM Treasury to produce compliant National Accounts capable of international comparison. The financial statements apply international reporting standards as adapted for government by the FReM.

The graphic below shows how total spending in the SoPS relates to the Consolidated Statement of Comprehensive Net Expenditure and the Consolidated Statement of Financial Position. A more detailed reconciliation between resource expenditure in note SoPS 1.1, and net operating expenditure in Consolidated Statement of Comprehensive Net Expenditure, can be found in SoPS 2.



Totals may not sum due to rounding

DEL Estimate Row	Main Expenditure Streams
Operational Delivery	Costs associated with the provision of frontline services. The majority of expenditure in Operational Delivery is staff-related.
Health and Safety Executive (Net)	Costs incurred by DWP as the sponsor of the Health and Safety Executive (HSE).
European Social Fund (ESF)	Relates to DWP's role as a managing authority for the 2014 to 2020 ESF programme. DWP's role is to procure and contract-manage provisions aimed at improving employment opportunities, promoting social inclusion and helping people to fulfil their potential.
Executive Arm's Length Bodies (Net)	DWP's EALBs are shown on page 107.
Employment Programmes	Expenditure on delivery of DWP's employment programmes, including The Work Programme, Work Choice, Access to Work and Work and Health Programme.
Support for Local Authorities	The funding that DWP provides to local authorities to subsidise the administration of Housing Benefit.
Other Programmes	• Costs associated with DWP's loan to the National Employment Savings Trust – a workplace pension scheme that can be used by any UK employer to meet its duties as set out in the Pensions Act 2008 • Grant funding provided to the Office for Nuclear Regulation as a public corporation of DWP • Grant funding, netted against levy income, provided to the Pension Protection Fund as a public corporation of DWP
Other Benefits	The funding that DWP provides to local authorities to subsidise the administration of Discretionary Housing Payments.
Departmental Operation Costs	Essential infrastructure and business services, including IT, estates and staff costs for enabling functions and the cost of delivering Change Programmes.
National Insurance Fund	The costs recharged to HM Revenue and Customs for the delivery of benefits funded by the National Insurance Fund.
Expenditure incurred by the Social Fund	Sure Start Maternity Grants and Funeral Expense Payments.

Statement of Parliamentary Supply

Summary of resource and capital outturn 2018-19

								2018-19	2017-18
			Estimate				Outturn	Voted outturn compared with Estimate: saving/ (excess)	
	SoPS Note	Voted	Non-voted	Total	Voted	Non-voted	Total		Outturn Total
		£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit									
- Resource	1.1	5,531,179	512,463	6,043,642	5,451,536	515,347	5,966,883	79,643	6,108,036
- Capital	1.2	335,406	40,000	375,406	289,818	44,308	334,126	45,588	432,385
Annually Managed Expenditure									
- Resource	1.1	79,324,947	104,956,271	184,281,218	76,794,890	104,082,558	180,877,448	2,530,057	177,252,282
- Capital	1.2	298,580	(29,027)	269,553	215,580	(80,764)	134,816	83,000	(36,563)
Total budget		**85,490,112**	**105,479,707**	**190,969,819**	**82,751,824**	**104,561,449**	**187,313,273**	**2,738,288**	**183,756,140**
Non-budget									
- Resource	1.1	2,534,544	–	2,534,544	2,081,317	–	2,081,317	453,227	2,121,907
Total		**88,024,656**	**105,479,707**	**193,504,363**	**84,833,141**	**104,561,449**	**189,394,590**	**3,191,515**	**185,878,047**
Total resource budget		**84,856,126**	**105,468,734**	**190,324,860**	**82,246,426**	**104,597,905**	**186,844,331**	**2,609,700**	**183,360,318**
Total resource non-budget		2,534,544	–	2,534,544	2,081,317	–	2,081,317	453,227	2,121,907
Total capital		633,986	10,973	644,959	505,398	(36,456)	468,942	128,588	395,822
Total		**88,024,656**	**105,479,707**	**193,504,363**	**84,833,141**	**104,561,449**	**189,394,590**	**3,191,515**	**185,878,047**

		2018-19 £000	£000	2018-19 £000	2017-18 £000
	SoPS Note	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement 2018-19	3	**89,037,444**	**86,224,015**	**2,813,429**	**81,928,834**

	2018-19 £000	2018-19 £000	2018-19 £000	2017-18 £000
	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Administration costs 2018-19	**844,672**	**779,903**	**64,769**	**799,385**

Explanations of variances between Estimate and outturn are given on page 155.

SOPS 1. Analysis of net outturn

SOPS 1.1. Analysis of net resource outturn by section

										2018-19	2017-18
							Outturn			Estimate	Outturn
			Administration			Programme		Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net	Total				
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Spending in Departmental Expenditure Limit											
DEL Voted:											
A Operational Delivery	7,449	(3)	7,446	2,111,626	(44,644)	2,066,982	2,074,428	2,087,889	13,461	13,461	1,968,860
B Health and Safety Executive (net)	53,269	–	53,269	70,703	–	70,703	123,972	124,526	554	554	123,504
C European Social Fund	–	–	–	602,159	(601,995)	164	164	10,077	9,913	9,913	6,420
D Executive Arm's Length Bodies (net)	13,913	–	13,913	176,282	–	176,282	190,195	181,261	(8,934)	–	91,342
E Employment Programmes	–	–	–	324,453	(39,618)	284,835	284,835	219,224	(65,611)	–	383,683
F Support for Local Authorities	–	–	–	238,353	–	238,353	238,353	238,389	36	36	261,415
G Other Programmes	–	–	–	36,527	(108,530)	(72,003)	(72,003)	(73,989)	(1,986)	–	(65,995)
H Other Benefits	–	–	–	147,791	–	147,791	147,791	145,527	(2,264)	–	170,893
I Departmental operating costs	732,248	(26,973)	705,275	1,856,113	(97,587)	1,758,526	2,463,801	2,598,275	134,474	55,679	2,684,581
Total DEL Voted	**806,879**	**(26,976)**	**779,903**	**5,564,007**	**(892,374)**	**4,671,633**	**5,451,536**	**5,531,179**	**79,643**	**79,643**	**5,624,703**
DEL Non-voted:											
J National Insurance Fund	–	–	–	490,568	(43)	490,525	490,525	490,556	31	31	457,733
K Expenditure incurred by the Social Fund	–	–	–	24,822	–	24,822	24,822	21,937	(2,885)	(2,885)	25,600
L Repayment of CF Advance	–	–	–	–	–	–	–	(30)	(30)	(30)	–
Total DEL Non-voted	**–**	**–**	**–**	**515,390**	**(43)**	**515,347**	**515,347**	**512,463**	**(2,884)**	**(2,884)**	**483,333**

											2018-19	2017-18
							Outturn			Estimate	Outturn
			Administration			Programme		Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net	Total				
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Annually Managed Expenditure											
Voted:											
M Severe Disablement Allowance – Inside Welfare Cap	–	–	–	97,159	–	97,159	97,159	104,928	7,769	7,769	119,586
N Industrial Injuries Benefits Scheme – Inside Welfare Cap	–	–	–	838,000	–	838,000	838,000	853,996	15,996	15,996	840,415
O Universal Credit – Inside Welfare Cap	–	–	–	5,935,344	–	5,935,344	5,935,344	6,690,354	755,010	324,732	1,930,269
P Employment and Support Allowance – Inside Welfare Cap	–	–	–	10,535,057	–	10,535,057	10,535,057	10,634,286	99,229	99,229	10,641,567
Q Income Support – Inside Welfare Cap	–	–	–	1,842,269	(2,907)	1,839,362	1,839,362	1,811,799	(27,563)	–	2,138,700
R Pension Credit – Inside Welfare Cap	–	–	–	5,139,877	–	5,139,877	5,139,877	5,109,400	(30,477)	–	5,367,648
S Financial Assistance Scheme – Inside Welfare Cap	–	–	–	(1,636,130)	–	(1,636,130)	(1,636,130)	(1,394,100)	242,030	242,030	494,726
T Attendance Allowance – Inside Welfare Cap	–	–	–	5,675,551	–	5,675,551	5,675,551	5,689,383	13,832	13,832	5,529,318
U Personal Independence Payment – Inside Welfare Cap	–	–	–	10,634,572	–	10,634,572	10,634,572	11,021,135	386,563	386,563	8,645,683
V Disability Living Allowance – Inside Welfare Cap	–	–	–	8,126,218	–	8,126,218	8,126,218	8,067,482	(58,736)	–	9,379,593
W Carer's Allowance – Inside Welfare Cap	–	–	–	2,884,042	–	2,884,042	2,884,042	2,874,609	(9,433)	–	2,830,015
X Housing Benefit – Inside Welfare Cap	–	–	–	19,112,341	–	19,112,341	19,112,341	19,379,480	267,139	267,139	20,248,522
Y Statutory Maternity Pay – Inside Welfare Cap	–	–	–	2,587,000	–	2,587,000	2,587,000	2,586,595	(405)	–	2,421,000

										2018-19	2017-18
							Outturn			Estimate	Outturn
			Administration			Programme		Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net	Total				
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Z Non-Contributory Christmas Bonus – Inside Welfare Cap	–	–	–	32,414	–	32,414	32,414	32,957	543	543	33,167
AA Other Expenditure – Inside Welfare Cap	–	–	–	6,221	(157)	6,064	6,064	(535)	(6,599)	–	–
AB Jobseeker's Allowance – Outside Welfare Cap	–	–	–	1,145,046	(37)	1,145,009	1,145,009	1,148,709	3,700	3,700	1,442,719
AC Universal Credit – Outside Welfare Cap	–	–	–	2,195,264	–	2,195,264	2,195,264	1,901,334	(293,930)	–	1,391,531
AD TV Licences for the over 75s – Outside Welfare Cap	–	–	–	468,438	–	468,438	468,438	468,000	(438)	–	654,753
AE Housing Benefit – Outside Welfare Cap	–	–	–	1,066,126	–	1,066,126	1,066,126	1,180,577	114,451	114,451	1,438,767
Annually Managed Expenditure											
Voted:											
AF Other benefits – Outside Welfare Cap	–	–	–	116,183	–	116,183	116,183	115,335	(848)	–	108,070
AG Other Expenditure – Outside Welfare Cap	–	–	–	(2,791)	–	(2,791)	(2,791)	1,051,282	1,054,073	1,054,073	(83,885)
AH Other Expenditure EALBs (net) – Outside Welfare Cap	–	–	–	(210)	–	(210)	(210)	(2,059)	(1,849)	–	6,428
Total AME Voted	**–**	**–**	**–**	**76,797,991**	**(3,101)**	**76,794,890**	**76,794,890**	**79,324,947**	**2,530,057**	**2,530,057**	**75,578,592**
Non-voted:											
AI Incapacity Benefit – Inside Welfare Cap	–	–	–	(1,286)	–	(1,286)	(1,286)	330	1,616	1,616	8,929
AJ Employment and Support Allowance – Inside Welfare Cap	–	–	–	4,562,864	–	4,562,864	4,562,864	4,588,604	25,740	25,740	4,711,328

										2018-19	2017-18
							Outturn			Estimate	Outturn
	Administration			Programme				Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net	Total				
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
AK Expenditure incurred by the Social Fund – Inside Welfare Cap	–	–	–	2,053,902	–	2,053,902	2,053,902	2,508,786	454,884	454,884	2,157,352
AL Maternity Allowance – Inside Welfare Cap	–	–	–	427,645	–	427,645	427,645	431,605	3,960	3,960	427,424
AM Bereavement Benefits – Inside Welfare Cap	–	–	–	463,260	–	463,260	463,260	461,990	(1,270)	(1,270)	502,552
AN Other Contributory Benefits – Inside Welfare Cap	–	–	–	(208,943)	–	(208,943)	(208,943)	(80,150)	128,793	128,793	(53,987)
AO Jobseeker's Allowance – Outside Welfare Cap	–	–	–	154,896	(10)	154,886	154,886	191,201	36,315	36,315	224,265
AP State Pension – Outside Welfare Cap	–	–	–	96,630,230	–	96,630,230	96,630,230	96,853,905	223,675	223,675	93,695,827
Total AME Non-voted	**–**	**–**	**–**	**104,082,568**	**(10)**	**104,082,558**	**104,082,558**	**104,956,271**	**873,713**	**873,713**	**101,673,690**
Total AME	**–**	**–**	**–**	**180,880,559**	**(3,111)**	**180,877,448**	**180,877,448**	**184,281,218**	**3,403,770**	**3,403,770**	**177,252,282**
Non-budget resource											
Voted:											
AQ Cash paid in to the Social Fund	–	–	–	2,081,317	–	2,081,317	2,081,317	2,534,544	453,227	453,227	2,121,907
Total Non-budget	–	–	–	2,081,317	–	2,081,317	2,081,317	2,534,544	453,227	453,227	2,121,907
Total Resource	**806,879**	**(26,976)**	**779,903**	**189,041,273**	**(895,528)**	**188,145,745**	**188,925,648**	**192,859,404**	**3,933,756**	**3,933,756**	**185,482,225**

SOPS 1.2. Analysis of net capital outturn by section

						2018-19	2017-18
			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	867	10	877	3,154	2,277	2,277	113
B Health and Safety Executive (net)	6,588	–	6,588	6,700	112	112	8,709
D Executive arm's length bodies (net)	974	–	974	1,627	653	653	664
G Other programmes	93,000	–	93,000	121,932	28,932	28,932	83,600
I Departmental operating costs	191,718	(3,339)	188,379	201,993	13,614	13,614	302,305
Total DEL Voted	**293,147**	**(3,329)**	**289,818**	**335,406**	**45,588**	**45,588**	**395,391**
Non-voted:							
K Expenditure incurred by the Social Fund	44,468	(160)	44,308	40,000	(4,308)	(4,308)	36,994
Total DEL Non-voted	**44,468**	**(160)**	**44,308**	**40,000**	**(4,308)**	**(4,308)**	**36,994**
Total DEL	**337,615**	**(3,489)**	**334,126**	**375,406**	**41,280**	**41,280**	**432,385**
Spending in Annually Managed Expenditure							
Voted:							
O Universal Credit – Inside Welfare Cap	135,931	–	135,931	167,213	31,282	25,455	39,879
W Carer's Allowance – Inside Welfare Cap	12,892	(12,892)	–	–	–	–	–
AC Universal Credit – Outside Welfare Cap	50,276	–	50,276	44,449	(5,827)	–	25,495
AG Other Expenditure – Outside Welfare Cap	29,653	(280)	29,373	86,918	57,545	57,545	–
Total AME Voted	**228,752**	**(13,172)**	**215,580**	**298,580**	**83,000**	**83,000**	**65,374**
Non-voted:							
AK Expenditure incurred by the Social Fund – Inside Welfare Cap	(80,764)	–	(80,764)	(29,027)	51,737	51,737	(101,937)
AN Other Contributory Benefits – Inside Welfare Cap	163,952	(163,952)	–	–	–	–	–
Total AME Non-voted	**83,188**	**(163,952)**	**(80,764)**	**(29,027)**	**51,737**	**51,737**	**(101,937)**
Total AME	**311,940**	**(177,124)**	**134,816**	**269,553**	**134,737**	**134,737**	**(36,563)**
Total Capital	**649,555**	**(180,613)**	**468,942**	**644,959**	**176,017**	**176,017**	**395,822**

SOPS 2. Reconciliation of outturn to net operating expenditure

Total resource outturn in Statement of Parliamentary Supply		SoPS Note	2018-19 Outturn £000	2017-18 Outturn £000
	Budget	1.1	186,844,331	183,360,318
	Non-budget	1.1	2,081,317	2,121,907
	Total resource		**188,925,648**	**185,482,225**
Add:	Capital Grants		(150,207)	(43,032)
	Capital Research and development		2,775	2,203
	Service Concessions Adjustment		(2,642)	39,324
Less:	Income payable to the Consolidated Fund	4	(99,373)	(15,500)
	Cash paid to the Social Fund – Voted Non-budget		(2,081,317)	(2,121,907)
Net operating costs in Consolidated Statement of Comprehensive Net Expenditure			**186,594,884**	**183,343,313**

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

	SoPS Note	Estimate £000	Outturn £000	2018-19 Net total outturn compared with Estimate: saving/(excess) £000
Net resource outturn	1.1	192,859,404	188,925,648	3,933,756
Capital	1.2			
Adjustment for capital outturn		644,959	468,942	176,017
Accrual adjustments:				
Non-cash items		(205,490)	188,967	(394,457)
Changes in working capital other than Cash		1,000,000	521,359	478,641
Utilisation of provisions		216,646	695,484	(478,838)
Adjustments for arm's length bodies				
Voted resource and capital		(312,055)	(321,519)	9,464
Cash grant in aid		313,687	306,583	7,104
Adjustment of non-voted budget		(105,479,707)	(104,561,449)	(918,258)
Net cash requirement of core department		**89,037,444**	**86,224,015**	**2,813,429**

SOPS 4. Income and excess funds payable to the Consolidated Fund

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

		Outturn 2018-19		Outturn 2017-18
	Income	*Receipts*	Income	*Receipts*
	£000	*£000*	£000	*£000*
Income outside the ambit of the estimate	99,373	*98,511*	15,500	*23,641*
Excess cash surrenderable to the Consolidated Fund	–	*–*	65,000	*65,000*
Total amount payable to the Consolidated Fund	**99,373**	***98,511***	**80,500**	***88,641***

Consolidated Fund income and receipts shown above includes £81 million in respect of pension levies received by our ALBs - Money Advice Service and Single Financial Guidance Body in 2018-19 and are to be paid over in 2019-20.

Consolidated Fund income shown above does not include any amounts we collect from the Financial Assistance Scheme (FAS) while acting as agent of the Consolidated Fund rather than as principal.

Details of income collected as agent from the Consolidated Fund were, in previous years, disclosed in a FAS Trust Statement and formed part of our Annual report and accounts, but as the revenue is no longer material to DWP the need to produce a Trust Statement no longer exists, this information is disclosed in full in the Pension Protection Fund Annual report and accounts.

FAS does however still hold a number of illiquid assets, mainly annuity policies, transferred from FAS qualifying pension schemes, and continues to collect the income arising from those assets and pay the resulting cash over to the Consolidated Fund. In the year to 31 March 2019, FAS collected income totalling £42.8 million, consisting of annuity and other income of £10.8 million and further scheme transfer income of £32 million. (2017-18: £106.8 million, consisting of annuity and other income of £9.3 million and scheme transfer income of £97.5 million). Cash totalling £66.8 million was paid over to the Consolidated Fund during the year (2017-18: £48.5 million). As at 31 March 2019, FAS illiquid assets were valued at £161.7 million (2017-18: £131.4 million) and FAS held cash awaiting transfer to the Consolidated Fund of £1.7 million (2017-18: £50.2 million).

Variances

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

	Limit	Outturn	Variance (Over)/ Under	Explanation of variance
Estimate Line	**£'000**	**£'000**	**£'000**	
Voted Expenditure DEL				
Employment Programmes – Resource	219,224	284,835	(65,611)	Within 2018-19 there was a major change in the Employment Programmes operated by DWP. Eventual full-year outturn applied to this subhead was higher than the limit applied at the time of the Supplementary Estimate due to the difficulty in forecasting for complex new programmes.
Other Programmes – Capital	121,932	93,000	28,932	NEST Loan requirements have reduced due to achieving a higher than forecast revenue from NEST pension scheme members. Efficiencies have also been achieved by increased use of online services for employers and members. In addition, DWP has maintained its full SR15 funding limit against this category at the Supplementary Estimate in recognition of uncertainty over Capital outturn during 2018-19.
Voted Expenditure AME				
Financial Assistance Scheme – Resource	(1,394,100)	(1,636,130)	242,030	The process for calculating the impact of discount rates associated with FAS changed during 2018-19. This, combined with inherent uncertainty over the forecast of cash flows at the time of the Supplementary Estimate, meant DWP applied a margin to the value of the provision calculation in the Supplementary Estimate.
Universal Credit Inside Welfare Cap – Resource	6,690,354	5,935,344	755,010	At the Supplementary Estimate allocation of expenditure between inside and outside the welfare cap was based on an estimation, this has been revised leading to a reduction in the amount recorded inside the cap and an increase in the amount outside the cap.
Universal Credit Outside Welfare Cap – Resource	1,901,334	2,195,264	(293,930)	
Universal Credit Inside Welfare Cap – Capital	167,213	135,931	31,282	At the Supplementary Estimate allocation of expenditure between inside and outside the welfare cap was based on an estimation, this has been revised leading to a reduction in the amount recorded inside the cap and an increase in the amount outside the cap.
Universal Credit Outside Welfare Cap – Capital	44,449	50,276	(5,827)	
Other Expenditure – Outside Welfare Cap – Resource	1,051,282	(2,791)	1,054,073	At the time of the Supplementary Estimate, anticipated accounting provisions for liabilities relating to benefit expenditure were recorded on this line.
Other Expenditure – Outside Welfare Cap – Capital	86,918	29,373	57,545	Support for Mortgage Interest which changed from a benefit to a loan from 1 April 2018. Data was not available to accurately predict outturn at the time of the Supplementary Estimate.
Non-voted Expenditure AME				
Expenditure Incurred by the Social Fund – Resource	2,508,786	2,053,902	454,884	The main reason is due to the expenditure on Cold Weather Payments being lower than provision. The weather is inherently difficult to predict therefore provision always includes a margin.
Expenditure Incurred by the Social Fund – Capital	(29,027)	(80,764)	51,737	Recoveries of Social Fund loans higher than anticipated.
Other Contributory Benefits – Resource	(80,150)	(208,943)	128,793	The variance represents an adjustment to the impairment for Tax Credits transferred in 2018-19. Debt was transferred at a higher rate of impairment than the rate we impair at, which is representative of rates of recovery for our benefit overpayment receivables. This adjustment was not agreed at the time of the Supplementary Estimate.
Jobseeker's Allowance – Resource	191,201	154,886	36,315	Outturn is lower than forecast due to lower unemployment and a greater impact of Universal Credit.
Voted Expenditure Non-budget				
Cash Paid into the Social Fund – Resource	2,534,544	2,081,317	453,227	Cold Weather Payments were lower than anticipated at the time the funding was finalised in the Supplementary Estimate and loan recoveries were higher than expected. Consequently, there was a reduced cash requirement to be paid into the fund.

Core Tables

(This information is not subject to audit)

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

	2014-15 Outturn £million	2015-16 Outturn £million	2016-17 Outturn £million	2017-18 Outturn £million	2018-19 Outturn £million	2019-20 Plans £million
Resource DEL						
Section A: Operational Delivery	2,188	1,814	1,862	1,969	2,074	1,995
Section B: Health and Safety Executive (net)	136	135	133	124	124	134
Section C: European Social Fund	–	18	(2)	6	–	20
Section D: Executive Arm's Length Bodies (net)	429	231	179	190	190	197
Section E: Employment Programmes	954	760	572	384	285	226
Section F: Support for Local Authorities	536	329	290	261	238	225
Section G: Other Programmes	50	(20)	(36)	(66)	(72)	(49)
Section H: Other Benefits	206	157	163	171	148	133
Section I: Departmental operating costs	2,146	2,571	2,606	2,665	2,464	2,405
Section J: National Insurance Fund	547	526	443	458	491	432
Section K: Expenditure incurred by the Social Fund	33	30	28	26	25	23
Total Resource DEL	**7,225**	**6,551**	**6,237**	**6,187**	**5,967**	**5,740**
Of which:						
Staff costs	2,787	2,722	2,800	2,843	2,976	2,834
Purchase of goods and services	2,474	2,329	2,111	1,906	2,092	1,637
Income from sales of goods and services	(189)	(194)	(206)	(190)	(245)	(56)
Current grants to local government (net)	724	485	457	474	508	430
Current grants to persons and non-profit bodies (net)	505	343	267	277	874	1,920
Current grants abroad (net)	(282)	(348)	4	(19)	(602)	(604)
Subsidies to private sector companies	–	–	–	–	–	(93)
Subsidies to public corporations	111	42	46	42	47	64
Rentals	652	668	640	677	170	1
Depreciation [3]	176	183	156	187	206	155
Change in pension scheme liabilities	–	–	9	80	23	–
Other resource	267	322	(47)	(89)	(82)	(550)
Resource AME [4]						
Section M: Severe Disablement Allowance – Inside Welfare Cap	735	470	234	120	97	94
Section N: Industrial Injuries Benefits Scheme – Inside Welfare Cap	908	892	861	840	838	848
Section O: Universal Credit – Inside Welfare Cap	56	34	634	1,930	5,935	15,246
Section P: Employment and Support Allowance – Inside Welfare Cap	8,726	9,815	10,143	10,642	10,535	4,582
Section Q: Income Support – Inside Welfare Cap	2,893	2,539	2,232	2,139	1,839	1,183
Section R: Pension Credit – Inside Welfare Cap	6,576	6,079	5,666	5,368	5,140	4,899
Section S: Financial Assistance Scheme – Inside Welfare Cap	688	2,675	261	495	(1,636)	57
Section T: Attendance Allowance – Inside Welfare Cap	5,422	5,490	5,483	5,529	5,676	5,890
Section U: Personal Independence Payment – Inside Welfare Cap	1,571	3,012	5,168	8,646	10,635	12,755
Section V: Disability Living Allowance – Inside Welfare Cap	13,798	13,233	11,514	9,380	8,126	7,346

	2014-15 Outturn £million	2015-16 Outturn £million	2016-17 Outturn £million	2017-18 Outturn £million	2018-19 Outturn £million	2019-20 Plans £million
Section W: Carer's Allowance – Inside Welfare Cap	2,319	2,545	2,667	2,830	2,884	2,973
Section X: Housing Benefit – Inside Welfare Cap	23,742	21,793	21,308	20,249	19,112	16,580
Section Y: Statutory Maternity Pay – Inside Welfare Cap	2,391	2,532	2,152	2,421	2,587	2,642
Section Z: Non-contributory Christmas Bonus – Inside Welfare Cap	33	36	33	33	32	35
Section AA: Other Expenditure – Inside Welfare Cap	–	–	–	–	6	(2)
Section AB: Jobseeker's Allowance – Outside Welfare Cap	2,696	2,004	1,611	1,443	1,145	295
Section AC: Universal Credit – Outside Welfare Cap	–	457	951	1,392	2,195	3,137
Section AD: TV Licences for the over 75s – Outside Welfare Cap	612	622	628	655	468	247
Section AE: Housing Benefit – Outside Welfare Cap	–	1,808	1,571	1,439	1,066	729
Section AF: Other Benefits – Outside Welfare Cap	107	98	103	108	116	122
Section AG: Other Expenditure – Outside Welfare Cap	(13)	28	40	(84)	(3)	–
Section AH: Other Expenditure EALBs (net) – Outside Welfare Cap	(1)	(4)	5	6	–	–
Section AI: Incapacity Benefit – Inside Welfare Cap	245	62	15	9	(1)	1
Section AJ: Employment and Support Allowance – Inside Welfare Cap	4,101	4,457	4,687	4,711	4,563	8,112
Section AK: Expenditure incurred by the Social Fund – Inside Welfare Cap	2,125	2,004	2,087	2,157	2,054	2,142
Section AL: Maternity Allowance – Inside Welfare Cap	417	441	436	427	428	448
Section AM: Bereavement benefits – Inside Welfare Cap	571	569	557	503	463	423
Section AN: Other Contributory Benefits – Inside Welfare Cap	125	128	126	(54)	(209)	125
Section AO: Jobseeker's Allowance – Outside Welfare Cap	369	310	264	224	155	301
Section AP: State Pension – Outside Welfare Cap	86,428	89,275	91,481	93,696	96,630	98,718
Total Resource AME	**167,639**	**173,400**	**172,921**	**177,252**	**180,877**	**189,928**
Of which:						
Staff costs	–	–	–	–	–	–
Purchase of goods and services	–	–	13	16	6	–
Current grants to local government (net)	23,740	23,600	22,880	21,687	20,178	17,308
Current grants to persons and non-profit bodies (net)	142,225	146,422	148,917	153,525	161,590	172,496
Depreciation [3]	(82)	(123)	(15)	(200)	(118)	–
Take up of provisions	796	2,631	287	1,512	(923)	58
Release of provision	(184)	(301)	(203)	(229)	(703)	(219)
Change in pension scheme liabilities	–	7	7	(78)	(16)	–
Other resource	1,144	1,164	1,036	1,021	862	285
Total Resource Budget	**174,864**	**179,952**	**179,158**	**183,440**	**186,844**	**195,668**
Of which:						
Depreciation [3]	93	60	141	(14)	88	155
Capital DEL						
Section A: Operational Delivery	12	4	1	–	1	–

	2014-15 Outturn £million	2015-16 Outturn £million	2016-17 Outturn £million	2017-18 Outturn £million	2018-19 Outturn £million	2019-20 Plans £million
Section B: Health and Safety Executive (net)	8	9	11	9	7	–
Section D: Executive Arm's Length Bodies (net)	3	2	5	1	1	1
Section E: Employment Programmes	(4)	(3)	(1)	–	–	–
Section G: Other Programmes	94	67	80	84	93	107
Section I: Departmental operating costs	95	75	158	302	188	77
Section K: Expenditure incurred by the Social Fund	44	40	38	37	44	42
Section L: Consolidated Fund Extra Receipts	–	(4)	–	–	–	–
Total Capital DEL [5]	**251**	**188**	**292**	**433**	**334**	**227**
Of which:						
Staff costs	2	2	2	2	2	–
Purchase of goods and services	1	1	–	–	1	–
Capital grants to persons and non-profit bodies (net)	–	–	–	–	–	–
Capital grants to private sector companies (net)	(2)	–	–	–	1	–
Capital support for public corporations	–	67	80	84	93	–
Purchase of assets	116	98	179	339	197	227
Income from sales of assets	(2)	(19)	(6)	(30)	(4)	–
Net lending to the private sector and abroad	40	37	36	37	44	–
Other capital	94	1	2	1	–	–
Capital AME [5]						
Section O: Universal Credit – Inside Welfare Cap	–	–	–	40	136	261
Section AC: Universal Credit – Outside Welfare Cap	–	–	–	25	50	69
Section AG: Other Expenditure – Outside Welfare Cap	–	–	–	–	29	106
Section AK: Expenditure incurred by the Social Fund – Inside Welfare Cap	(124)	(148)	(87)	(102)	(81)	–
Total Capital AME [5]	**(124)**	**(148)**	**(87)**	**(37)**	**135**	**436**
Of which:						
Net lending to the private sector and abroad	(124)	(148)	(48)	8	299	436
Other capital	–	–	(39)	(44)	(164)	–
Total Capital Budget	**126**	**40**	**205**	**396**	**469**	**662**
Total Departmental Spending	**174,897**	**179,932**	**179,221**	**183,850**	**187,226**	**196,176**
Of which:						
Total DEL	7,300	6,556	6,372	6,433	6,095	5,812
Total AME	167,597	173,375	172,849	177,416	181,131	190,364

1. These tables are not reported on the same basis as the financial statements disclosures, with differing categories and headings.

2. This table represents DEL for resource and capital, set for each year in the Spending Review process (amended to incorporate transfers of functions to and from other government departments as they have arisen).

3. Depreciation includes impairments.

4. AME limits are set as part of the Spring Statement and Autumn Budget process.

5. Expenditure on tangible and intangible fixed assets net of sales.

6. 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.

7. Table 1 is produced automatically from the HM Treasury System (Online System for Central Accounting and Reporting (OSCAR)) which is used by all central government departments to record their spending and plans. At 31 March 2019, OSCAR reflects the position agreed at the Spring Statement 2019. In the event of structural changes or Machinery of Government transfers this may not match the outturn in previous years' financial statements and some spending may also appear on different lines.

8. Expenditure is stated net of income from sales of goods and services.

9. Totals may not sum due to rounding.

10. Section letters may not match the SoPS section letters due to additional line items appearing in the SoPS.

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

	2014-15 Outturn £million	2015-16 Outturn £million	2016-17 Outturn £million	2017-18 Outturn £million	2018-19 Outturn £million	2019-20 Plans £million
Resource DEL						
Section A: Operational Delivery	192	41	21	6	7	18
Section B: Health and Safety Executive (net)	81	82	83	77	53	52
Section D: Executive arm's length bodies (net)	19	28	10	9	14	14
Section I: Departmental operating costs	596	684	766	706	705	731
Total administration budget	**888**	**835**	**880**	**799**	**780**	**815**
Of which:						
Staff costs	448	384	441	414	422	403
Purchase of goods and services	361	390	379	351	367	347
Income from sales of goods and services	(54)	(47)	(59)	(75)	(90)	5
Current grants to local government (net)	–	–	–	–	1	20
Current grants to persons and non-profit bodies (net)	–	–	–	–	–	2
Rentals	55	86	83	67	46	–
Depreciation	55	29	19	32	28	76
Other resource	22	(8)	15	10	5	(38)

1. These tables are not reported on the same basis as the financial statements disclosures, with differing categories and headings.

2. This table represents DEL administration expenditure, set for each year in the Spending Review process (amended to incorporate transfers of functions to and from other government departments as they have arisen).

3. Depreciation includes impairments.

4. 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 2019, OSCAR reflects the position agreed at the Spring Statement 2019. In the event of structural changes or Machinery of Government transfers this may not match the outturn in previous years' financial statements and some spending may also appear on different lines.

5. Totals may not sum due to rounding.

6. Section letters may not match the SoPS section letters due to additional line items appearing in the SoPS.

Regularity of expenditure

(This information is subject to audit)

We are custodian of taxpayers' funds and have a duty to Parliament to ensure the regularity and propriety of our activities and expenditure. We manage public funds in line with HM Treasury's Managing Public Money[9].

The importance of operating with regularity and the need for efficiency, economy, effectiveness and prudence in the administration of public resources to secure value for public money, is the responsibility of our Accounting Officer whose responsibilities are also set out in Managing Public Money. They include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable.

To discharge this responsibility and ensure our control totals are not breached the following activities are in place:

- formal delegation of budgets
- detailed monitoring of expenditure
- monthly management reporting against control totals

In addition, we operate the 3 lines of defence model, which is included in our risk management framework. We have provided details of this in our Governance Statement on page 110.

9 Available at www.gov.uk

In 2018-19, we did not breach any of our control totals, details are provided in the Statement of Parliamentary Supply on page 147.

The Comptroller and Auditor General has qualified his opinion on our accounts since 1988-89 due to a material level of irregular benefit expenditure, arising from fraud and error. More details on this control issue can be found in our Accounting Officer's assessment of the system of control and the significant control challenges on page 121.

Parliamentary accountability disclosures

Losses and special payments[10]

(This information is subject to audit)

	2018-19				2017-18			
	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	430,502	431,697	1,038,184	1,038,930	434,268	435,498	1,083,249	1,084,810
Special Payments	4,458	4,517	26,369	26,405	5,228	5,443	6,650	6,662

Overpayments due to fraud and error are not considered losses until recovery options have been exhausted, for more information please see note 1.12.

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

	2018-19 £000
Non-recoverable benefit overpayments	**332,721**
Where overpayments are non-recoverable we have no legal right to pursue them. These may be overpayments where we are trying to recover under 'common law' or may be official error overpayments that fall under the small overpayments category. As soon as these are identified they are scheduled for write-off as we have no authority to pursue.	
Customer fraud	**7,148**
We write-off overpayments resulting from customer fraud once we have exhausted our debt recovery processes.	
Universal Credit overpayments	**5,383**
Due to system issues we made overpayments of approximately £5.4 million to around 16,000 claimants. We haven't sought to recover these overpayments as recovery would not be cost effective.	
Social Fund	**67,995**
We make low-cost funeral expense payments to people who receive (or whose partners receive) a qualifying benefit or Tax Credit. These are recoverable from the estate of the deceased, but we write most of them off as often there aren't enough assets in the estate.	
This year we wrote off 28,193 of these payments, with a total value of £41.3 million.	
Budgeting and Crisis Loans which can't be recovered are written off subject to strict criteria. This year we wrote off 31,535 of these loans, with a total value of £3.4 million.	
We also wrote off 6,578 irrecoverable overpayments amounting to £1.3 million. This year we also wrote off historic non recoverable Cold Weather Payment overpayments amount to £22.0 million.	

(ii) Cash losses

	2018-19 £000
Incorrect Child Maintenance payments	**963**
This is where maintenance is paid to the wrong parent. It normally happens where the paying parent is associated with more than one receiving parent. We don't recover these payments but we do make the payment to the correct parent.	
Flexible Support Fund Losses	**616**
Flexible Support Fund is used to provide funds to some claimants to buy items to help them 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.	
New Enterprise Allowance (NEA)	**6,393**
Up to 2015 the NEA made provision for self-employed individuals to apply for a loan of up to £1,000 to help get their business started. Final repayment of these loans was due in 2017. Recovery was deemed unachievable in some cases and with HM Treasury approval we've written off the remaining £6.4 million of loans outstanding.	

10 Categories of Losses and special payments are explained in HM Treasury's Managing Public Money annexes 4.10 and 4.13 available on www.gov.uk.

(iii) Claims waived or abandoned

	2018-19 £000
Health and Safety Executive	**1,193**
These losses represent receivables written off where companies have gone into liquidation or administration.	

(iv) Constructive losses

	2018-19 £000
Personal Independence Payment Assessment Tool (PIPAT)	**7,291**
PIPAT Mobile was a digital solution developed by DWP to allow PIP assessments to take place offline. An asset was developed and has been in use by a small number of supplier staff since 2016 and was due to be incorporated into a new solution to be used by all providers. A subsequent review of PIPAT Mobile determined it to be insufficiently scalable and a decision was taken to stop the project and fully impair the asset.	

(v) Special payments – ex gratia payments

	2018-19 £000
Support for Mortgage Interest (SMI)	**1,675**
Support for Mortgage Interest (SMI) benefit was due to cease by 7 May 2018. The Department was unable to remove all SMI benefit recipients by that date resulting in continuation of payments to these individuals. HM Treasury approved these payments to be made as ex gratia up to 31 August 2018.	

(vi) Other accountability issues

	2018-19 £000
Fraud	
Investigations into suspected fraud or abuse by employees are conducted by the Counter Fraud and Investigation team, a dedicated national resource within the Government Internal Audit Agency.	
The following all relate to fraud cases where all avenues of recovery have been exhausted.	
A total of 19 internal fraud investigations into salary, expenses and other non-benefit losses proved fraud of £84,000.	
12 internal fraud investigations into non-contributory and contributory benefits where fraud was proven of £176,000.	
12 investigations of fraud by contractors. The total value of these cases was £260,000.	
Serious and organised fraud	
The Fraud Investigation Service investigates organised and systematic abuse of the benefits system. It concluded 21 investigations with a value of £209,000 in 2018-19.	

Remote contingent liabilities

(This information is subject to audit)

These are remotely possible obligations that arise from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within DWP's control.

National Employment Savings Trust (NEST)

The Pension Schemes Act 2017 introduced the definition of a Master Trust and the introduction of a robust new authorisation and supervision regime to ensure that Master Trusts being used for automatic enrolment are safe for the nearly 10 million people now saving in these schemes. To be able to operate in the pensions market as a Master Trust, schemes, of which NEST is one, are required to meet 5 authorisation criteria prescribed in the Pension Schemes Act 2017.

One of the criteria is that the scheme must be financially sustainable and that in the event of a triggering event, an event that would put the scheme at risk of needing to wind up, the scheme must hold sufficient financial reserves to cover its gradual closure without putting these additional costs onto the scheme members. Due to the nature of its financial arrangements with government, NEST is unable to build up the financial reserves needed to meet that aspect of the financial sustainability criteria, specifically running costs for 24 months and any one off costs associated with scheme closure. If a triggering event was to occur, then the maximum size of the contingent liability required to be made available to NEST would be £329 million. This is the amount estimated by NEST and accepted by The Pension Regulator during a pre-authorisation readiness review. The Department for Work and Pensions has estimated that the risk of full crystallisation as remote (at £16.45 million (5%)). The contingent liability is comprised of 24 months of operational costs and the fees required to comply with the triggering event to completion as prescribed in regulations.

The contingent liability is required as a consequence of needing to provide a 'Letter of Comfort' in order that NEST can secure Master Trust status.

New Fair Deal Pension arrangements affecting Logistics 17 contracts

During 2017-18, we entered into a new contract for the provision of office services. Following the re-tender exercise, 21 staff, who have previously been departmental employees, were determined to be within scope of the New Fair Deal, second generation transfer regulations, requiring that the contactor provides access to a Public Service Pension scheme. Under the terms of the scheme admission agreement, the Department is required to indemnify the pension scheme against any failure by the contractor to meet their obligations under the scheme. The Department considers that the probability of an outflow of cash to discharge the liability is remote and does not therefore meet the requirement for disclosure as a contingent liability in accordance with IAS 37.

The liability is unquantifiable because of its enduring nature and the variety and uncertainty surrounding the events that may lead to crystallisation of any remote obligation.

Other parliamentary disclosures

In July 2018, the UK government announced an extension of its guarantee of European Union (EU) funded projects after the UK has left the EU. The guarantee was originally announced in 2016. The guarantee now covers the following:

a. The full Multiannual Financial Framework allocation for structural and investment funds over the 2014 to 2020 funding period, with payments to beneficiaries made up to the end of 2023

b. The payment of awards where UK organisations successfully bid directly to the European Commission (EC) on a competitive basis for EU funding projects while we remain in the EU (for example before Exit day), for the lifetime of the project

c. The payment of awards where UK organisations successfully bid to the EC on a competitive basis to participate as a 3rd country after Exit, and until the end of 2020, for the lifetime of the project

The financial settlement was agreed in principle by both the UK and EU, as set out in the draft Withdrawal Agreement of 25 November 2018. The guarantee will therefore only be called in the event that the Withdrawal Agreement is not ratified in the case of 'no deal', and UK organisations are unable to access EU funding. As a result, and due to the EU funding an unquantifiable contingent liability is disclosed.

Peter Schofield CB
Permanent Secretary

24 June 2019

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

Opinion on financial statements

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 2019 under the Government Resources and Accounts Act 2000. 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 2019. 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

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 2019 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 regularity

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

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded; and
- the income and expenditure 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 the qualified opinion on regularity

The Statement of Comprehensive Net Expenditure records benefit expenditure of £183.0 billion in 2018-19.

Within note 18 to the accounts the Department estimates:

- overpayments excluding State Pension of £4.1 billion (4.6% of related expenditure); and
- underpayments excluding State Pension of £1.9 billion (2.2% of related expenditure).

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

For State Pension the Department estimates:

- overpayments of £90 million (0.1% of related expenditure); and
- underpayments of £120 million (0.1% of related expenditure).

I consider these levels of overpayments and underpayments to be immaterial to my opinion on the accounts. I have therefore qualified my opinion on the regularity of benefit expenditure other than State Pension because of:

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

My report, which follows on pages 168 to 181, provides further detail of my qualified audit opinion on regularity.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Department for Work and Pensions in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Department for Work and Pensions' ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Department for Work and Pensions' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and

I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Gareth Davies
Comptroller and Auditor General

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

27 June 2019

Report by the Comptroller and Auditor General

Fraud and error in benefit expenditure

Introduction

1 The Department for Work & Pensions' (the Department's) total expenditure on benefits in 2018-19 was £183.0 billion.[11] Of this £162.3 billion was for benefits paid directly by the Department and £20.7 billion was for Housing Benefit paid on its behalf by Local Authorities. Benefit expenditure represents 98% of the Department's 2018-19 total operating expenditure of £187.8 billion, as recorded in the Department's Annual Report and Accounts.

2 Fraud and error are a significant problem in benefit expenditure. Benefit payments are susceptible to both deliberate fraud and unintended error by claimants and the Department. The Department relies on claimants providing timely and accurate information, particularly when their circumstances change, and the complexity of benefits can cause confusion and genuine error. Overpayments arising from fraud and error increase costs for taxpayers and reduce the public resources available for other purposes. When the Department recovers overpayments, this can lead to problems for claimants who face deductions from their income. Underpayments mean that households do not get the support they are entitled to. Even where payment errors are later corrected, this can lead to additional administrative work, uncertainty and other challenges for claimants.

3 This report sets out:

- the reasons and context for my qualified audit opinion;
- the trends in fraud and error;
- how the Department is developing a more structured approach to addressing fraud and error, based on a more detailed understanding of the underlying causes; and
- the challenges in managing increasing benefit debt.

Key findings

4 **I have qualified my opinion on the regularity of the Department's financial statements due to the material level of fraud and error in benefit expenditure.** I exclude State Pension from my qualified opinion as the estimated level of fraud and error is much lower than in other benefits (£0.2 billion of estimated State Pension expenditure of £96.9 billion) (paragraphs 14 to 17, figure 1).

5 **Benefit overpayments, excluding State Pension, are at their highest estimated rate.** The estimated level of overpayments has increased to 4.6% (£4.0 billion) of estimated related benefit expenditure (£86.6 billion), from 4.4% (£3.7 billion) in 2017-18. This is the highest rate since the Department introduced its current method for estimating fraud and error in 2005-06 (paragraph 19, figures 1 and 2).

6 **Estimated overpayments of Universal Credit are the highest of currently measured benefits at 8.6%.** This is the highest estimated overpayment rate since 2003-04 when overpayments of Tax Credits (administered by HM Revenue & Customs (HMRC)) were 9.7%.

11 Audited total expenditure on benefits in 2018-19 was £183.0 billion, as reflected in the Statement of Consolidated Expenditure. Note 18 to the Department's accounts sets out estimated total expenditure on benefits of £183.5 billion, which represents the latest available forecast for 2018-19 at the time the Department produced the fraud and error estimates.

These statistics include both simpler live service cases and more complex cases paid through full-service (those cases that include elements previously paid in the form of Housing Benefit or Tax Credits) (paragraphs 21, 43 and 46, figure 3).

7 **£1.1 billion of estimated benefit overpayments was due to claimants failing to declare their income and earnings correctly and within reasonable time.** This was the largest cause of overpayments across the Department's benefits, including for Universal Credit where it accounts for some 30% of overpayments (paragraphs 30 and 45, figure 5).

8 **The Department uses data-matching to prevent and detect income and earnings.** It compares the information that the claimant provides about their income and earnings with information provided to HMRC by employers and occupational pension schemes. This cannot detect the misreporting of self-employment earnings and other income (paragraphs 31 and 32, figure 5).

9 **Benefit underpayments, excluding State Pension, are also at their highest estimated rates.** The estimated level of underpayments has increased to 2.2% (£1.9 billion) of estimated related benefit expenditure (£86.6 billion), from 2.0% (£1.7 billion) in 2017-18 (paragraph 19, figures 1 and 2).

10 **Personal Independence Payment has the highest recorded level of underpayments for any measured benefit, at 3.8% of expenditure.** The primary cause of both overpayments and underpayments in Personal Independence Payment remains claimants not reporting changes in functional need due to either deterioration or improvement in their medical condition (paragraphs 22 and 49, figure 3).

11 **The Department has developed a new strategy for tackling fraud, error and debt.** This focuses on understanding the causes of fraud and error that lead to overpayments and underpayments, so it can address them. This is in line with past recommendations from the NAO. Our recent reports, *Investigation into errors in Employment and Support Allowance*,[12] and *Investigation into overpayments of Carer's Allowance*,[13] highlighted the importance of understanding and addressing the individual systemic causes of fraud and error (paragraphs 25, 26 and 32).

12 **The Department forecasts that the value of overpayments across all benefits will continue to rise over the next four years.** The Department expects overpayments to increase from £4.1 billion in 2018-19 to £5.4 billion by 2024-25, an increase of £1.3 billion, mainly because of the expansion of Universal Credit (paragraph 37).

Recommendations

13 The Department should:

- make better use of its data on income from other benefits to identify misreporting of benefit income and eradicate this cause of overpayments and underpayments;
- better understand the causes of official error and how it can reduce the resulting overpayments and underpayments, through feedback to staff, training and revised instructions;
- continue work to understand the reasons for the fraud and error rates for Universal Credit, including how the causes of fraud and error compare with those for other benefits and use this to determine its fraud and error strategy for Universal Credit;

12 Comptroller and Auditor General, *Investigation into errors in Employment and Support Allowance*, Session 2017–2019, HC 837, National Audit Office, March 2018.
13 Comptroller and Auditor General, *Investigation into overpayments of Carer's Allowance*, Session 2017–2019, HC 2103, National Audit Office, April 2019.

- further analyse the causes of fraud and error due to misreporting of income and earnings in Universal Credit, including whether Real Time Information data are accurately identifying misreporting of employment and occupational pensions income;
- explore how it can enable Personal Independence Payment claimants to provide accurate and timely information, by increasing claimant awareness of what information to provide when applying and when and how to report changes in condition when a claim is in payment; and
- raise awareness among Housing Benefit claimants of the change in the 'abroad' eligibility rule to reduce this cause of fraud and error, learning from the reduction achieved in Pension Credit.

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

14 I have qualified my opinion on the regularity of the 2018-19 financial statements of the Department for Work & Pensions (the Department) 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.

15 Under the Government Resources and Accounts Act 2000, I am required to obtain sufficient evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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

17 In my opinion the overall value of overpayments and underpayments due to fraud and error in benefits other than State Pension remains material by reference to related expenditure, and the qualification of my audit opinion reflects that. Although the Department's accounts have been qualified on regularity every year since 1988-89, due to a material level of overpayments and underpayments in benefit expenditure, the nature and reasons for this headline level vary year on year and my regularity qualification should not be seen as business as usual.

The estimated level of fraud and error in benefit expenditure

18 The Department sets out its estimate of benefit overpayments and underpayments due to fraud and error in 2018-19 in note 18 to the accounts. These estimates are based on sampling exercises or rolling forward previous data from sampling exercises. **Figure 1** summarises the Department's results and shows the impact of removing fraud and error in the State Pension from the Department's statistics. **Figure 2** shows the overpayment and underpayment rates as a percentage of benefit expenditure since 2008-09, both with and without State Pension.

Figure 1

Overpayments and underpayments in benefit expenditure due to fraud and error 2018-19 compared to 2017-18

The levels of overpayments and underpayments, as a percentage of benefit expenditure, have increased in 2018-19, other than for State Pension overpayments

	2017-18 (£bn)	2018-19 (£bn)	Change (£bn)	2017-18 (%)	2018-19 (%)	Change
Total overpayments	3.8	4.1	0.3	2.1	2.2	0.1
Total underpayments	1.7	2.0	0.3	1.0	1.1	0.1
State Pension overpayments	0.1	0.1	0.0	0.1	0.1	0.0
State Pension underpayments	0.0	0.1	0.1	0.0	0.1	0.1
Overpayments excluding State Pension	3.7	4.0	0.3	4.4	4.6	0.2
Underpayments excluding State Pension	1.7	1.9	0.2	2.0	2.2	0.2

Notes

1 Fraud and error figures quoted in this report are central estimates (or 'mid-points') within a 95% confidence interval.

2 The 2018-19 mid-points are from the range reported by the Department in *Fraud and error in the benefits system: 2018/19 estimates*, 9 May 2019. The reported range reflects the uncertainty in the Department's fraud and error estimates. The reporting of statistically significant movements in the publication does not automatically translate to the analysis of movements shown in this figure.

3 The 2017-18 comparatives used here, in the Comptroller and Auditor General's certificate and disclosed by the Department in note 18, are taken from *Fraud and error in the benefit system: financial year 2017/18 preliminary estimates*, 17 May 2017, which were the latest available when the 2017-18 accounts were published. The Department published its final estimates for 2017-18 on 6 December 2018. This showed total overpayments of 2.2% (£3.8 billion) and total underpayments of 1.1% (£1.9 billion).

4 In May 2019 the Department moved to one annual publication of estimated fraud and error in the benefit system.

5 State Pension underpayments of £30 million round to £0.0 billion and 0.0% for 2017-18.

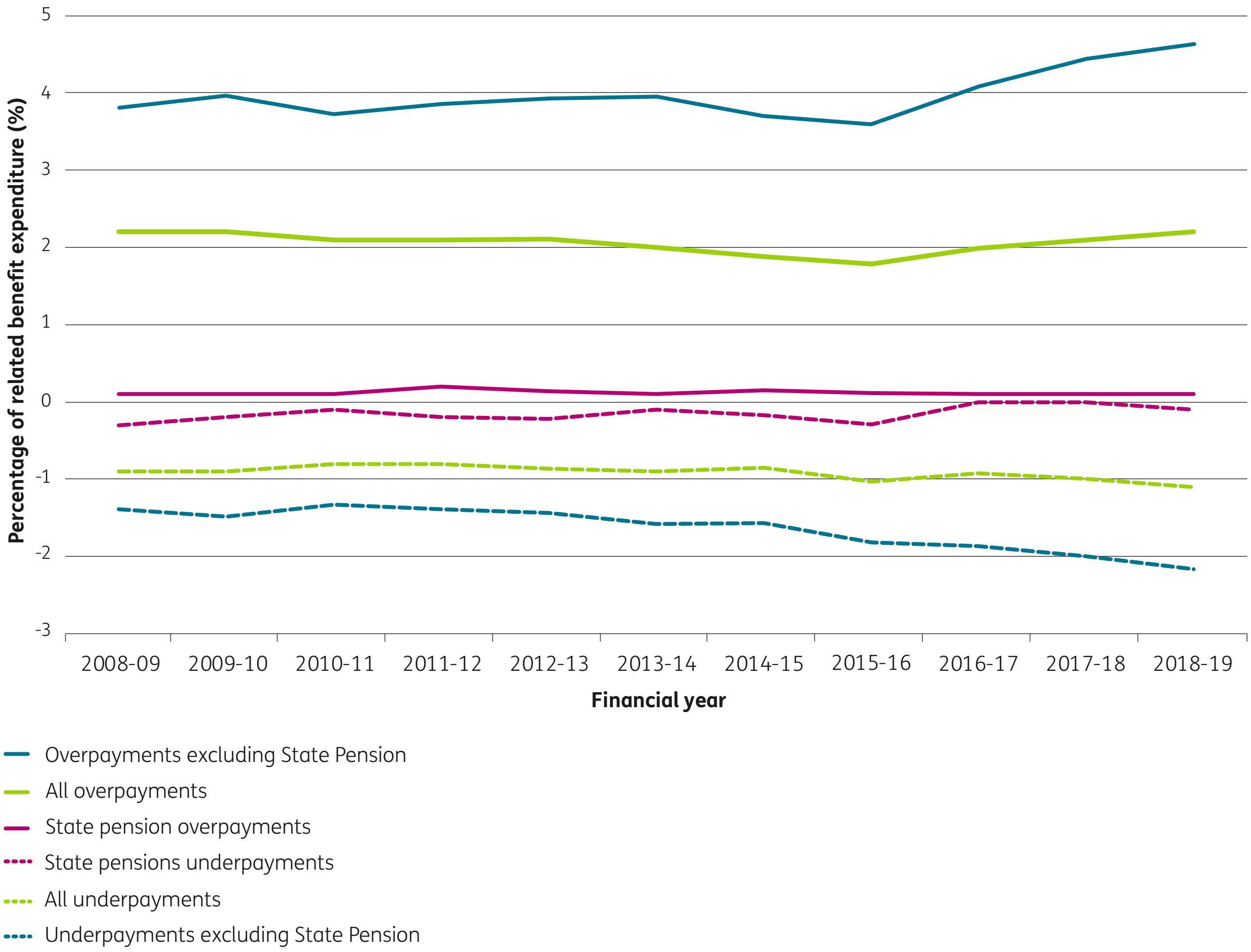
6 Total estimated benefit expenditure of £183.5 billion reported by the Department in *Fraud and error in the benefits system: 2018/19 estimates*, 9 May 2019 reflects estimated expenditure of £96.9 billion on State Pension and £86.6 billion on other benefits.

Source: National Audit Office analysis of the Department for Work & Pensions: *Fraud and error in the benefit system*: 2018/19 estimates, 9 May 2019.

Figure 2

Overpayments and underpayments in benefit expenditure 2008-09 to 2017-18

Benefit overpayments and underpayments, excluding State Pension, are at their highest estimated rates



	2008-09 (%)	2009-10 (%)	2010-11 (%)	2011-12 (%)	2012-13 (%)	2013-14 (%)	2014-15 (%)	2015-16 (%)	2016-17 (%)	2017-18 (%)	2018-19 (%)
Overpayments excluding State Pension	3.8	4.0	3.7	3.9	3.9	3.9	3.7	3.6	4.1	4.4	4.6
All overpayments	2.2	2.2	2.1	2.1	2.1	2.0	1.9	1.8	2.0	2.1	2.2
State Pension overpayments	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1
State Pension underpayments	-0.3	-0.2	-0.1	-0.2	-0.2	-0.1	-0.2	-0.3	0.0	0.0	-0.1
All underpayments	-0.9	-0.9	-0.8	-0.8	-0.9	-0.9	-0.9	-1.0	-0.9	-1.0	-1.1
Underpayments excluding State Pension	-1.4	-1.5	-1.3	-1.4	-1.4	-1.6	-1.6	-1.8	-1.9	-2.0	-2.2

Notes

1 All mid-point rates included in the above figure are from the Department's published statistics on fraud and error in the benefit system. Preliminary results have been used from 2012-13 to 2018-19, as reported in the incorrect payments note of the relevant Department for Work & Pensions' Annual Report and Accounts. Final statistics have been used for 2008-09 to 2011-12 from the supporting tables accompanying the Department's *Fraud and error in the benefit system: financial year 2018/19* preliminary estimates.

2 There have been changes to the benefits in payment since 2008-09, for example Personal Independence Payment and Universal Credit were introduced in April 2013 to replace other working age and incapacity benefits.

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

19 Benefit overpayments and underpayments are at their highest estimated rates, since the Department introduced its current method for estimating these in 2005-06.[14] Including State Pension, the estimated level of overpayments has increased to 2.2% (£4.1 billion) of estimated benefit expenditure from 2.1% (£3.8 billion) in 2017-18. The estimated level of underpayments has increased to 1.1% (£2.0 billion), from 1.0% (£1.7 billion) in 2017-18. Excluding State Pension, the estimated level of overpayments has increased to 4.6% (£4.0 billion) of estimated related benefit expenditure, from 4.4% (£3.7 billion) in 2017-18. While the estimated level of underpayments, excluding State Pension, has increased to 2.2% (£1.9 billion), from 2.0% (£1.7 billion) in 2017-18. The rate of overpayments and underpayments, including State Pension, also increased since last year as set out in note 18 to the accounts.

20 The Department also reports 'net loss'. This measure looks at estimated overpayments made in year, less actual recoveries in year, regardless of whether the recovery related to an overpayment made during that year or to one made in previous years. Overpayments can take many years to recover, and so the net loss target as currently constructed does not indicate the inaccuracy of benefit payments made in year. The Department has reported (page 19) a net loss of 1.6% or £3.0 billion for 2018-19, based on recoveries by the Department and Local Authorities of £1.1 billion.

21 To support its annual estimate, the Department samples cases to estimate fraud and error in six benefits (33% of total benefit expenditure). These benefits are referred to as 'continuously measured' benefits. Across these benefits, estimated rates of overpayments of Jobseeker's Allowance, Universal Credit and Personal Independence Payment have increased, and estimated rates of Housing Benefit, Employment and Support Allowance and Pension Credit have decreased (**Figure 3**). The largest increase relates to Universal Credit, where the estimated rate of overpayments increased from 7.2% to 8.6%. Estimated overpayments of Universal Credit are the highest for any continuously measured benefit since 2003-04 when the estimated level of overpayments in Tax Credits (administered by HMRC) peaked at 9.7%.

22 The rate of underpayments has increased across all continuously measured benefits other than Universal Credit and Jobseeker's Allowance, which show no change. Personal Independence Payment has the highest level of underpayments, increasing to 3.8% of expenditure in 2018-19 from 3.7% in 2017-18. This is the highest recorded level of underpayment for any benefit.

14 The Department revised its measurement methodologies in 2005-06 and time series data before that date are not comparable.

Figure 3

Percentage overpayments and underpayments in continuously measured benefits 2017-18 to 2018-19

The rate of overpayments has increased for Universal Credit, Jobseeker's Allowance and Personal Independence Payment. Underpayments have increased for all continuously measured benefits other than for Universal Credit and Jobseeker's Allowance

Benefit	Overpayments 2017-18 (%)	Overpayments 2018-19 (%)	Overpayments Change	Underpayments 2017-18 (%)	Underpayments 2018-19 (%)	Underpayments Change
Housing Benefit	6.5	6.4	0.1	1.4	1.6	0.2
Employment and Support Allowance	4.3	4.0	0.3	2.6	3.2	0.6
Pension Credit	5.8	5.0	0.8	2.4	2.7	0.3
Jobseeker's Allowance	6.3	6.5	0.2	1.3	1.3	0.0
Universal Credit	7.2	8.6	1.4	1.3	1.3	0.0
Personal Independence Payment	3.1	3.5	0.4	3.7	3.8	0.1

Note

1 The movements in this figure compare the 2018-19 statistics with the preliminary estimates for 2017-18, in line with note 18 of the Department's Annual Report and Accounts. The reporting of statistically significant movements in the publication does not automatically translate to the analysis of movements shown in this figure.

Source: National Audit Office analysis of Department for Work & Pensions, *Tables: Fraud and error in the benefit system: 2018/19 estimates*, 9 May 2019

23 In addition to the continuously measured benefits, the Department periodically measures a further five benefits (60% of benefit expenditure). This includes the State Pension. Data on rates of fraud and error in some benefits are between five and 20 years old. Fraud and error in some other benefits have never been measured (7% of benefit expenditure). The absence of complete up-to-date information on fraud and error rates in large benefit streams creates a risk that the Department is not targeting its activities to reduce fraud and error effectively.

24 During 2017-18, the Department began to respond to our recommendations on this risk. It has developed a model that considers a number of factors, including: the expenditure on each benefit; the future strategic importance of each benefit; and the complexity of the benefit. This informs the rationale for which benefits it will measure, and how frequently. The Department has committed to reviewing this rationale annually to ensure the way it measures fraud and error provides sufficient information across its activities on which to base business decisions. As a result, the Department will undertake a one-off exercise to remeasure fraud and error in Carer's Allowance in 2019-20 for the first time in over 20 years. The Department has noted an interest from stakeholders for new estimates for Attendance Allowance, Disability Living Allowance, and claimant error in State Pension, in response to its 2018 consultation *Changes to fraud and error statistics*.[15] It is continuing to develop its plans for reflecting this in the measurement model and schedule but has not yet confirmed any plans to measure any other benefit in the future. It will no longer measure fraud and error in Jobseeker's Allowance after 2018-19.

15 Department for Work & Pensions, *Response to the proposals for changes to the fraud and error statistics*, 23 July 2018, available at www.gov.uk/government/consultations/changes-to-the-fraud-and-error-statistics

The Department's approach to tackling fraud and error

25 The Department is changing and consolidating its fraud and error activities. In 2017 it brought accountability for its fraud, error and debt policy and strategy, analytical capability, and operations tackling fraud and error together into a single Counter Fraud and Compliance Directorate (**Figure 4**). In 2018, the Department set out a refreshed fraud and error strategy, built around six strategic objectives for tackling fraud and error (detailed on page 68 of the Annual Report and Accounts).

Figure 4

Department for Work & Pensions Counter Fraud, Compliance and Debt directorate organogram

The Department has brought together its fraud, error and debt management activities and functions in the new Counter Fraud, Compliance and Debt (CFCD) directorate

Counter Fraud, Compliance and Debt

Change and Transformation	**Operations**	**Debt Management**	**Risk and Intelligence Service**	**Fraud, Error and Debt Strategy and Policy**	**Fraud, Error and Debt Programme**
Governance of continuous improvement activity within CFCD, tier 2 checks and the development and implementation of the CFCD operating model.	Two regions responsible for issuing national insurance numbers, civil compliance work and prosecution referral investigations, including organised crime cases.	Responsible for benefit debt recovery activitiy and customer management.	Fraud and error data analysis. Producing management information. Informing fraud and error activities and interventions.	Development, maintenance and implementation of the Fraud, Error and Debt Strategy and policy, supporting benefit level strategies and frameworks.	Delivery of the Fraud, Error and Debt strategy and policy.

Source: Department for Work & Pensions

26 The Department's new strategy focuses on understanding the causes of fraud and error that lead to overpayments and underpayments of benefits so that it can address them. The strategy's overarching aim is to embed tackling fraud and error as everyone in the Department's responsibility and for this to be a step change in its ethos so that it can quickly identify and prevent new and emerging fraud and error risks from leading to overpayments and underpayments. The strategy includes risk-based intervention campaigns, designed to focus on key causes of fraud and error common to a number of benefits. In 2018-19, the Department focused on the Verified Earnings and Pensions (VEP) project, to address fraud and error related to income and earnings (paragraphs 31 and 32).

27 Underpinning its overarching Fraud, Error and Debt strategy the Department has fraud and error strategies for four benefits: Personal Independence Payment, Housing Benefit, Pension Credit and Employment and Support Allowance. It is currently developing a Universal Credit fraud and error strategy and has a separate Debt strategy.

28 In 2018, the Department established a Risk and Intelligence Service (RIS), to help it identify and prioritise the root causes of fraud and error. RIS uses data and intelligence to assign a risk to benefit claims and to prioritise and target campaigns. These campaigns include considering the policies and processes that affect the identified group of claimants, claimants' interactions with the Department, and the incentives and opportunities for fraud and error.

29 The Department has several sources of information that RIS analyses to try and better understand the causes of fraud and error. For example, 'tier 1' and 'tier 2' checks provide information on accuracy and quality assurance in local offices and nationally and can provide insight into the causes of official error. 'Tier 3' checks, which inform the Department's annual estimation of fraud and error, review all aspects of a claim to help the Department understand the prevailing rate of official error and customer error and fraud. Tracking the causes of detected overpayments, referrals from staff and the public, and case de-briefing also contribute to the Department's understanding of causes of fraud and error.

The causes of fraud and error

30 The Department's estimates of fraud and error include a breakdown of its causes (**Figure 5**). The largest cause of fraud and error in measured benefits is claimants failing to provide timely and accurate information about their income and earnings, leading to overpayments of £1.1 billion.

31 The Department uses data matching to prevent and detect fraud and error related to income and earnings. Since 2014, it has matched the information that claimants provide about their employment or occupational pension income with information provided by the claimants' employers to HMRC, known as Real Time Information (RTI). The Verify Earnings and Pensions (VEP) project uses RTI data to both prevent and detect fraud and error, by generating alerts when claimants' earnings or occupational pension income changes. VEP has been rolled out to Pension Credit, Carer's Allowance, and Housing Benefit and is currently being rolled out for Employment and Support Allowance. No comparable information is readily available to allow data matching for earnings from self-employment and some other sources of income.

Figure 5

Causes of fraud and error in measured benefits by value

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

Notes

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

2 The Departmental errors category is made up of official error in measured benefits reported across the Department's categories. The total estimated value of official error reported by the Department in 2018-19 is £1.4 billion.

3 Other conditions of entitlement include causes of fraud and error related to: conditions of entitlement, childcare costs, non-dependant deductions, elements/premiums, award determination, functional needs.

4 The other category includes causes of fraud and error related to: passporting, tax credits, control activities not carried out appropriately, labour market issues, and other.

5 The Department first published its analysis of the causes of fraud and error for total continuously measured benefits in 2010-11.

6 The Department first published an estimate of the levels of fraud and error for Personal Independence Payment in the 2017-18 preliminary estimates. In 2016-17 it was included as an 'unreviewed benefit'. The inclusion of Personal Independence Payment has an impact on the following categories: departmental errors, loss of claimant contact and other conditions of entitlement.

Source: National Audit Office analysis of: Department for Work & Pensions *Tables: Fraud and error in the benefits system: financial year 2018-19 estimates*, 9 May 2019; Department for Work & Pensions, *Tables: Fraud and error in the benefit system: financial year 2017-18 preliminary estimates*, 17 May 2018; and Department for Work & Pensions, *Tables: Fraud and error in the benefit system: financial year 2016-17 preliminary estimates*, 18 May 2017.

32 Our investigation into Carer's Allowance highlighted some of the challenges facing the Department in using data-matching to reduce fraud and error.[16] The way eligibility is determined for this benefit means that the Department is less able to automate its counter fraud and error work. A lack of staff between 2014 and 2018 led to backlogs in processing the data matches produced by its systems. For the Department's strategy to be effective in reducing fraud and error, the Department will need to be able to identify how best to prioritise its resources and ensure that it is deploying resources wherever it is cost-effective to do so.

16 Comptroller and Auditor General, *Investigation into overpayments of Carer's Allowance*, Session 2017–2019, HC 2103, National Audit Office, April 2019.

33 There has been a marked reduction in the level of fraud overpayments reported for Pension Credit. This is mainly because of a reduction in the incidence of 'abroad' fraud, where a claimant is found to be absent from the UK for longer than the allowable period, and so is not entitled to payment of the benefit. In July 2016 the period of an allowable absence for both Pension Credit and Housing Benefit was reduced from 13 weeks to 4 weeks. This led to an increase in both Pension Credit and Housing Benefit fraud overpayments. Overpayments in Pension Credit have since reduced indicating that claimants are now aware of the new rules. Housing Benefit abroad fraud remains high, suggesting further awareness action by the Department and Local Authorities would be appropriate.

34 There is no one main cause of underpayments. Of the total £1.5 billion underpayments estimated for continuously measured benefits, around 88% comes from three causes of fraud and error: incorrect reporting of income and earnings (£386 million); other conditions of entitlements, including claimants not reporting a deterioration in their functional needs (£359 million); departmental errors (£560 million).

35 The Department estimates that £1.4 billion of the total fraud and error is due to official error (£0.7 billion overpayments, and £0.7 billion underpayments). This is error that arises when a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Department, a Local Authority or HMRC. It is error that the Department can tackle through ensuring its people and systems operate effectively. Overpayments due to official error excluding State Pension have remained stable since 2017-18 at around 0.8%. Underpayments due to official error excluding State Pension have increased, to 0.7% in 2018-19 from 0.6% in 2017-18. The Department seeks to control official error through its quality assurance 'tier' checks. However there remains work to do here as these initiatives have not achieved a reduction in official error.

36 In addition to the £1.4 billion of official error, a further £321 million of fraud and error is due to incorrect reporting of income from other benefits. The Department holds data on the benefits it pays claimants, but its systems are not currently configured to allow automated income data alerts between claims. More integrated use of the Department's data could significantly reduce overpayments due to mis-declared benefit income data. The Department is exploring how to do this for Universal Credit.

Looking ahead

Fraud, error and debt forecasts

37 The Department forecasts that the value of overpayments across all benefits will increase from £4.1 billion in 2018-19 to £5.4 billion by 2024-25, an increase of £1.3 billion. The majority of this increase will relate to overpayments of Universal Credit. As a percentage of total benefit expenditure, the Department expects overpayments to remain at around 2.2%, due to the dilutionary effect of increases in spending on State Pension as a proportion of total spending on benefits.

38 If benefits have been overpaid, this usually creates a debt to be recovered. The benefit overpayment debt balance at 31 March 2019 was the same as at 31 March 2018, at £2.5 billion. The Department's recoveries of benefit overpayment debt in 2018-19 have also remained the same as in 2017-18, at £0.4 billion.

39 When Tax Credits claimants move to Universal Credit, any debt that they have accumulated transfers from HMRC to the Department. By 31 March 2019, some £1.0 billion had transferred with Tax Credits claimants who had moved to Universal Credit; a total of £6.8 billion of Tax Credits debt is estimated to transfer to the Department by 2023. The Department is developing proposals with HMRC on what remaining debt from past claims should or should not transfer. These proposals will need to consider practical issues such as the mechanisms

for retaining and transferring information relating to those debts so that they can be collected.

40 The Department predicts that by 2022-23 the largest source of new debt will be Universal Credit overpayments and advances. The Department forecasts that by 2019-20 Tax Credits debt will become the largest part of this debt stock as claimants transfer from Tax Credits to Universal Credit.

41 Whilst looking forward to the future and forecasting and mitigating risks for Universal Credit and Personal Independence Payment, the Department must remain aware of the fraud and error in the other benefits that remain. As found in our investigation into overpayments of Carer's Allowance, when fraud and error is not understood and addressed, significant and long running overpayments can build up. This can lead to problems for claimants who face deductions from their income. The Department acknowledges that its approach to addressing fraud and error in Carer's Allowance is limited because its estimates of fraud and error are out of date.

Universal Credit

42 Universal Credit is continuing to expand to replace working-age benefits. To date, spending on Universal Credit has increased because of new claims and because changes in a claimant's circumstances trigger a move to Universal Credit. From July 2019, the Department will also pilot 'Move to UC' in Harrogate. This will see the Department actively move claimants from its legacy benefits across to Universal Credit. Once fully rolled out, Universal Credit is expected to make up around a quarter of all welfare spending and around two-thirds of working-age welfare spending. Around 6.5 million households are expected to be in receipt of Universal Credit by the mid-2020s.

43 Until April 2019, there were two systems in place for administering Universal Credit: UC live service and UC full service. UC live service was an interim system, which was available between April 2013 and March 2019 to claimant groups whose claims were simple to manage – mainly single, childless, out-of-work adults with no housing costs. UC full service, available to all Universal Credit claimants, was rolled out to all job centres between May 2016 and December 2018. In 2018-19, for the first time, the Department's estimate of fraud and error includes both Universal Credit full service and live service cases. Next year, the estimate will be based solely on Universal Credit full service cases.

44 Our 2018 report, *Rolling out Universal Credit* set out how the Department's Final Business Case for Universal Credit included an expectation that Universal Credit would reduce fraud and error in benefits and Tax Credits by £1.3 billion a year.[17] This included £470 million we viewed as a misclassification. The experience to date has been that Universal Credit has led to increasing rates of fraud and error overpayments, at 8.6% for 2018-19 compared to 7.2% in 2017-18. The Department hopes that as it develops and applies its Fraud, Error and Debt Strategy to Universal Credit that it can reverse this trend. This will require it to properly understand the nature of the risk and target its resources accordingly.

45 A key element of delivering Universal Credit is a pre-payment data match to HMRC's employment earnings and occupational pensions data (through Real Time Information). Even so, misreported income and earnings are currently the largest causes of fraud and error overpayments, contributing 30% of the estimated overpayments for Universal Credit. This is because the check on employment earnings does not address all of the risks relating to income and earnings. Misreported self-employment and other income are also causes of fraud and error in Universal Credit. The Department's 2019-20 annual estimate of fraud and error will report on the split of income and earnings fraud and error between employed and self-employed.

17 Comptroller and Auditor General, *Rolling out Universal Credit*, Session 2017–2019, HC 1123, National Audit Office, June 2018.

46 As Universal Credit expands, these fraud and error risks will evolve. Replacement of the live service with the full service is leading to more complex new claims and more complex fraud and error risks. The transfer of claimants from legacy benefits from July 2019 will lead to an increase in claims previously made to Housing Benefit and Tax Credits. Misreported income and earnings are the primary causes of fraud and error overpayments for Housing Benefit. There is no clear main cause of Tax Credits overpayments: misreported income and earnings, hours worked, and undeclared partners are the largest causes. Universal Credit will change conditions for claimants transferring Tax Credits, for example by taking into account capital held, but removing rules around hours worked. Misreported housing costs are the largest cause of Universal Credit underpayments causing around half of all underpayments. Housing Benefit and Tax Credits underpayments are primarily caused by misreported income and earnings.

Personal Independence Payment

47 In April 2013 Personal Independence Payment started to replace Disability Living Allowance for people of working age. Disability Living Allowance has been closed to new adult claims since April 2013 but remains available to disabled people under 16 years old. However, the Department has delayed the migration from Disability Living Allowance to Personal Independence Payment to focus on the accuracy of existing claims. The final migrations from Disability Living Allowance is now expected to happen in 2021.

48 The estimated rates of Personal Independence Payment overpayments and underpayments are increasing (from 3.1% in 2017-18 to 3.5% in 2018-19 and 3.7% to 3.8% respectively). However, the fraud and error risk for Personal Independence Payment is distinct from that for other benefits and presents a different challenge for the Department.

49 The rate of Personal Independence Payment paid to claimants depends on how their physical or mental condition affects their daily living and mobility. The Department has classified around 90% of overpayments as claimant fraud and error and around 85% of underpayments as claimant error. The main cause of both overpayments and underpayments remains claimants not reporting changes in functional need due to either deterioration or improvement in their physical or mental condition.

50 Personal Independence Payment legislation states that, if a case is reassessed and the benefit awarded is reduced, the Department may only seek to recover an overpayment where the claimant could be reasonably expected to know that the change in their physical or mental condition would affect their benefit award. Additional overpayments of 2.5% are excluded from the headline overpayments figure on the basis that the claimant could not be reasonably expected to know that they should report the change. The same exclusion is not applied to underpayments, and arrears to the claimant are paid. The Department is focusing on telling claimants when they need to notify changes, but it has some way to go to ensure that claimants provide timely information so that their Personal Independence Payment claims remain accurate.

51 Overpayment and underpayments due to official error decreased for Personal Independence Payment. The Department considers that this is because there were fewer award determination errors (that is, errors based on the information provided by the claimant). However, claimants continue to contest the Department's assessments. Mandatory reconsideration (MR) requests remain at around 30,000 per month. Around 80% of cases reassessed result in no change to the award.[18] Between 25,000 and 30,000 claimants a month then appeal to the HM Courts & Tribunal Service. The number of rulings in favour of a claimant from tribunals has increased in recent years, with 73% of the Department's decisions

18 Department for Work & Pensions, *Personal Independence Payment: Official Statistics*, January 2019.

taken to tribunal in October to December 2018 being overturned (compared with 69% in October to December 2017).[19]

52 The reason for tribunals reaching a different outcome from the Department in more cases could relate to the opportunity for the claimant to provide further evidence. However, it is important that the Department analyses outcomes of MR and tribunals to understand how better to help claimants provide accurate information on which to assess the initial Personal Independence Payment award, and when circumstances change.

Gareth Davies
Comptroller and Auditor General

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27 June 2019

19 Ministry of Justice Tribunals and Gender Recognition Statistics Quarterly, October to December 2018 (Provisional), available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/785695/Tribunal_and_GRC_statistics_Q3_201819.pdf and Tribunals and Gender Recognition Statistics Quarterly, October to December 2017 (Provisional), available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/686222/tribunal-grc-statistics-q3-2017-18.pdf.

Financial report

Financial statements

Introduction to the financial statements

These financial statements present the operating costs, financial position and cash flows of the Department for Work and Pensions for the year ended 31 March 2019.

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

National Insurance Fund (NIF)

HM Revenue and Customs is responsible for the NIF. We administer the benefits funded from the NIF (see note 5b) on HM Revenue and Custom's behalf. We include these in our Statement of Comprehensive Net Expenditure (SOCNE) and recover them, together with the associated cost of administration, from the NIF. Financing from the NIF is included in our Statement of Cash Flows.

Social Fund

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

Child Maintenance Group (CMG)

We have responsibility for the management of client funds relating to the statutory child maintenance schemes operated through the Child Maintenance Group (CMG). The legacy schemes are managed through the Child Support Agency (CSA) and the latest scheme launched in 2012, through the Child Maintenance Service (CMS).

The running costs of CMG are charged to the Department however; the funds they collect are not departmental assets and are not included in these accounts. CMG acts purely as custodian and the Department is required, by HM Treasury, to publish Client Funds Accounts separately.

European Social Fund (ESF)

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

Other expenditure

This includes other expenditure that is voted to us by Parliament including the costs of running the Department and subsidies paid by grants to local authorities that administer and pay Housing Benefit. Grant in aid and grant payments to our arm's length bodies are recorded as expenditure.

Arm's length bodies

Our arm's length bodies are shown on page 107. They are administered separately from the Department and they produce their own Annual Reports and Accounts.

Consolidated Statement of Comprehensive Net Expenditure

for the year to 31 March 2019

The notes on pages 190 to 228 form part of these accounts.

		31 March 2019		31 March 2018	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Staff expenditure	3	2,721,593	2,975,403	2,603,464	2,819,880
Purchase of goods and services	4	2,889,717	2,696,537	2,223,375	2,040,866
Benefit and Social Fund expenditure	5	182,997,686	182,997,686	177,170,867	177,170,867
Depreciation and impairment charges	6	81,135	90,488	131,361	142,352
Provision expense	6	(917,726)	(917,809)	1,512,408	1,518,835
Total operating expenditure		**187,772,405**	**187,842,305**	**183,641,475**	**183,692,800**
Operating income	7	(991,387)	(1,079,055)	(286,324)	(370,083)
Total operating income		**(991,387)**	**(1,079,055)**	**(286,324)**	**(370,083)**
Finance income	7	(36,098)	(36,180)	(37,238)	(37,260)
Finance expense	4	6,393	24,310	83,147	101,924
Net expenditure for the year		**186,751,313**	**186,751,380**	**183,401,060**	**183,387,381**
Donated assets	8	(151,956)	(156,496)	(44,068)	(44,068)
Net operating costs for the year		**186,599,357**	**186,594,884**	**183,356,992**	**183,343,313**

Other comprehensive net expenditure

Items that will not be reclassified to net operating expenditure					
Net loss/(gain) on:					
Revaluation of property, plant and equipment		200	(3,031)	(18)	(7,259)
Revaluation of intangibles		(13,790)	(13,790)	(40,877)	(40,893)
Revaluation of pension fund		28,012	28,012	(28,731)	(28,731)
Total comprehensive net expenditure for the year ended 31 March 2019		**186,613,779**	**186,606,075**	**183,287,366**	**183,266,430**

All income and expenditure is derived from continuing operations.

Consolidated Statement of Financial Position

as at 31 March 2019

The notes on pages 190 to 228 form part of these accounts.

		31 March 2019		31 March 2018	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	9	359,571	479,519	302,656	422,638
Intangible assets	10	482,636	486,185	535,877	539,934
Trade receivables, financial and other assets	13	2,706,733	2,701,265	2,480,639	2,471,426
Total non-current assets		**3,548,940**	**3,666,969**	**3,319,172**	**3,433,998**
Current assets:					
Assets classified as held for sale		22,130	22,130	23,573	23,573
Trade receivables, financial and other assets	13	3,363,395	3,414,474	2,545,698	2,585,983
Cash and cash equivalents	12	403,525	420,157	151,165	174,366
Total current assets		**3,789,050**	**3,856,761**	**2,720,436**	**2,783,922**
Total assets		**7,337,990**	**7,523,730**	**6,039,608**	**6,217,920**
Current liabilities:					
Trade payables and other liabilities	14	(6,921,629)	(6,969,883)	(4,829,983)	(4,870,582)
Provisions for liabilities and charges	16	(1,309,924)	(1,310,876)	(1,085,887)	(1,094,788)
Total current liabilities		**(8,231,553)**	**(8,280,759)**	**(5,915,870)**	**(5,965,370)**
Total assets less current liabilities		**(893,563)**	**(757,029)**	**123,738**	**252,550**
Non-current liabilities:					
Provisions for liabilities and charges	16	(5,672,707)	(5,673,575)	(7,510,012)	(7,510,702)
Other payables	14	(353,114)	(444,685)	(368,875)	(463,165)
Pension liability	17	(155,336)	(156,366)	(139,774)	(140,741)
Total non-current liabilities		**(6,181,157)**	**(6,274,626)**	**(8,018,661)**	**(8,114,608)**
Assets less liabilities		**(7,074,720)**	**(7,031,655)**	**(7,894,923)**	**(7,862,058)**
Taxpayers' equity and other reserves:					
General fund		(7,184,060)	(7,181,232)	(8,001,909)	(8,006,137)
Revaluation reserve		109,340	149,577	106,986	144,079
Total equity		**(7,074,720)**	**(7,031,655)**	**(7,894,923)**	**(7,862,058)**

Peter Schofield CB
Accounting Officer

24 June 2019

Consolidated Statement of Cash Flows

for the year ended 31 March 2019

The notes on pages 190 to 228 form part of these accounts.

		31 March 2019		31 March 2018	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Cash flows from operating activities					
Net cost for the year		(186,599,357)	(186,594,884)	(183,356,992)	(183,343,313)
Adjustments for non-cash transactions	6 & 7	(834,744)	(825,392)	1,582,342	1,599,314
Adjustments for Capital Grant in Kind transfers	8	(151,956)	(151,956)	(44,068)	(44,068)
Decrease/(increase) in trade and other receivables	13	(1,043,791)	(1,058,330)	108,544	105,372
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		541,682	542,387	(70,713)	(70,717)
Increase/(decrease) in trade and other payables	14	1,052,245	1,057,181	620,867	617,410
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		77,640	82,048	(87,162)	(87,782)
Utilisation of provisions	16	(695,542)	(702,877)	(229,255)	(229,255)
Net cash outflow from operating activities		**(187,653,823)**	**(187,651,823)**	**(181,476,437)**	**(181,453,039)**
Cash flows from investing activities					
Purchase of property, plant and equipment	9a	(128,577)	(133,948)	(116,111)	(123,870)
Purchase of intangible assets	10	(85,636)	(86,709)	(108,586)	(110,324)
Proceeds of disposal of property, plant and equipment and intangible assets		1,856	2,240	5,375	5,776
Proceeds of disposal of assets held for sale		(11)	(11)	11,628	12,778
Loans to other bodies – repayments		280	280	–	–
Loans to other bodies		(121,668)	(121,668)	(88,600)	(83,600)
Net cash outflow from investing activities		**(333,756)**	**(339,816)**	**(296,294)**	**(299,240)**
Cash flows from financing activities					
From the Consolidated Fund (supply) current year		85,949,416	85,949,416	82,054,154	82,054,154
From the Consolidated Fund (supply) prior year		–	–	315,242	315,242
Net financing from the National Insurance Fund		101,307,927	101,307,927	100,441,433	100,441,433
Advances from the Contingencies Fund		56,400	56,400	30	30
Repayments to the Contingencies Fund		(56,430)	(56,430)	–	–
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(23,024)	(25,533)	(136,850)	(139,163)
Net financing		**187,234,289**	**187,231,780**	**182,674,009**	**182,671,696**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(753,290)**	**(759,859)**	**901,278**	**919,417**
Payments of amounts due to the Consolidated Fund		(17,990)	(17,990)	(87,239)	(87,239)
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	12	**(771,280)**	**(777,849)**	**814,039**	**832,178**
Cash and cash equivalents at the beginning of the period	12	**(394,753)**	**(371,552)**	**(1,208,792)**	**(1,203,730)**
Cash and cash equivalents at the end of the period	12	**(1,166,033)**	**(1,149,401)**	**(394,753)**	**(371,552)**

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2019

The notes on pages 190 to 228 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 2017		**(7,065,884)**	**(7,083,875)**	**167,087**	**197,007**	**(6,898,797)**	**(6,886,868)**
Net parliamentary funding drawn down (current year)		82,054,154	82,054,154	–	–	82,054,154	82,054,154
Repayments to the Consolidated Fund	SoPS4	(65,000)	(65,000)	–	–	(65,000)	(65,000)
Advances from the Contingencies Fund		30	30	–	–	30	30
Net parliamentary funding – (deemed)		315,242	315,242	–	–	315,242	315,242
Funding from National Insurance Fund		100,441,433	100,441,433	–	–	100,441,433	100,441,433
Supply payable adjustment	14	(125,320)	(125,320)	–	–	(125,320)	(125,320)
Supply receivable previous year clearance		(315,242)	(315,242)	–	–	(315,242)	(315,242)
CFERS payable to the Consolidated Fund	SoPS4	(15,500)	(15,500)	–	–	(15,500)	(15,500)
Net costs for the year		(183,356,992)	(183,343,313)	–	–	(183,356,992)	(183,343,313)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	6	1,443	1,443	–	–	1,443	1,443
Actuarial revaluation on pension		28,731	28,731	–	–	28,731	28,731
Movements in reserves:							
Recognised in Statement of Comprehensive Net Expenditure		–	–	40,895	48,152	40,895	48,152
Transfers between reserves		100,996	101,080	(100,996)	(101,080)	–	–
Balance at 31 March 2018		**(8,001,909)**	**(8,006,137)**	**106,986**	**144,079**	**(7,894,923)**	**(7,862,058)**

	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
Balance at 31 March 2018		**(8,001,909)**	**(8,006,137)**	**106,986**	**144,079**	**(7,894,923)**	**(7,862,058)**
Net parliamentary funding drawn down (current year)		85,949,416	85,949,416	–	–	85,949,416	85,949,416
Advances from the Contingencies Fund		56,400	56,400	–	–	56,400	56,400
Repayments to the Contingencies Fund		(56,430)	(56,430)	–	–	(56,430)	(56,430)
Net parliamentary funding – deemed	14	125,320	125,320	–	–	125,320	125,320
Funding from National Insurance Fund		101,307,927	101,307,927	–	–	101,307,927	101,307,927
Supply receivable adjustment	13	149,279	149,279	–	–	149,279	149,279
CFERS payable to the Consolidated Fund	SoPS4	(99,373)	(99,373)	–	–	(99,373)	(99,373)
General Fund – Other		–	2,496	–	–	–	2,496
Net costs for the year		(186,599,357)	(186,594,884)	–	–	(186,599,357)	(186,594,884)
Non-cash adjustments:							
Non-cash charges – Auditor’s remuneration	6	1,443	1,443	–	–	1,443	1,443
Actuarial revaluation on pension		(28,012)	(28,012)	–	–	(28,012)	(28,012)
Movements in reserves:							
Recognised in Statement of Comprehensive Net Expenditure		–	–	13,590	16,821	13,590	16,821
Transfers between reserves		11,236	11,323	(11,236)	(11,323)	–	–
Balance at 31 March 2019		**(7,184,060)**	**(7,181,232)**	**109,340**	**149,577**	**(7,074,720)**	**(7,031,655)**

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.

Notes to the Accounts

1. Statement of accounting policies

1.1 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with the 2018-19 government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

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

As well as preparing the primary statements under IFRS, we are required under the FReM to prepare the Statement of Parliamentary Supply. This statement is shown on page 147 and shows outturn against estimate in terms of our net resource requirement and net cash requirement.

1.2 Accounting standards, interpretations and amendments

We've 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 2019. We've also taken into account the specific interpretations and adaptations included in the FReM.

IFRS 16 Leases effective from 1 January 2020

IFRS 16 has been effective since 1 January 2019 for the private sector and will be introduced in the 2020-21 FReM to replace IAS 17.

The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off balance sheet) and a finance lease (on balance sheet). The new standard requires recognition of all qualifying leases on balance sheet.

The result will be recognition of a right to use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right to use asset and an associated finance cost being recognised.

HM Treasury are yet to conclude on how IFRS 16 will be adopted across government, but our expectation is that around 750 of the Department's operating leases could meet the definition of a lease under IFRS 16, resulting in recognition from 1 April 2020 of assets with a value in the region of £1 billion, along with a lease liability of the same amount.

1.3 Accounting convention

We've prepared these financial statements on an accrual basis under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and some financial assets and liabilities.

These financial statements are prepared in £ sterling, which is our functional currency.

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 107). We've eliminated all material 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 and impairment.

The notes 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.

Financial Assistance Scheme (FAS)

For the FAS provision (note 16a), we estimate the net present value of the likely assistance payments. Our estimate is based on an actuarial model of likely caseload provided by the Pension Protection Fund who manage the scheme. Cash flows are discounted to give their present value at the 31 March. The rates used take account of the latest economic conditions and are updated annually.

Due to the long-term nature of the liabilities and the assumptions on which the estimate of the provision is based, some uncertainty about the value of the liability remains. All key assumptions requiring some level of judgement are detailed in note 16a along with a sensitivity analysis table to demonstrate the impact on the estimate when key assumptions are adjusted.

Departmental estimation of Statutory Sick Pay and Statutory Maternity Pay

Figures provided for these benefits are amounts paid to the National Insurance Fund for expected employer recoveries of these benefits (note 5a). The estimate is produced using information on past recoveries.

Benefit provisions

Benefit provisions (note 16b) are estimated based on data provided by analysts which is based on sampling and other analytical data. The estimates are reviewed and updated regularly based on the latest data. We don't provide for benefit provisions that are immaterial (see note 1.14).

Impairment of European Social Fund (ESF) receivables

Following the European Commission (EC) imposing an interruption in claims for ESF, the Department has considered in line with IFRS 9 (Financial Instruments), whether the ESF receivable (note 13) requires impairment.

Historical analysis indicates that the outcome of previous interruptions has been full resolution followed by payment, and communications between EC and DWP have focused solely on matters where the EC seek resolution. We've concluded that there is no evidence to suggest that future cash flows will be impacted and therefore no impairment will be required at this time but this will continue to be monitored and assessed until the receivable has been settled.

1.6 Revenue recognition (income)

From 1 April 2018 we adopted IFRS 15 (Revenue from Contracts with Customers). There has been no impact on our financial statements as a result of adoption.

In line with IFRS 15 we 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.

1.7 Property, plant and equipment

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

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

- Leasehold improvements £100,000
- Other tangible assets £5,000
- Information technology £1,000

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

1.8 Land and buildings

We measure land and buildings initially at cost, restated to current value using external professional valuations. This is in accordance with IAS 16 (Property, Plant and Equipment), as interpreted by the FReM. Inspections of each property are performed at least every 5 years. In the intervening years, the valuers use an indexation model developed to be appropriate to the property location to value the land and building asset.

We value most land and buildings on an existing-use basis (the exception is the specialist laboratory site owned by the Health and Safety Executive, which we've included at depreciated replacement cost) as provided under IAS 16, adapted and interpreted for the public sector to limit the circumstances in which a valuation is prepared under IFRS 13.

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

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

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

Building	Valuations performed by	Date of last full valuation
DWP Estate (Newcastle Estates Development (NED))	Alister Stewart (DVS Valuation Agency)	January/February 2018
HSE Redgrave Court, Bootle	Cushman and Wakefield	31 December 2014
HSE Health and Safety Laboratory, Buxton	Jones Lang LaSalle Ltd	31 March 2017
HSE Priestly House, Basingstoke	Carter Jonas	31 March 2016
HSE Victoria Place, Carlisle	Cushman and Wakefield	31 December 2018

1.9 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 at cost as intangible assets if they are in use for more than one year and cost more than £5,000.

We capitalise applications at cost as intangible assets if they are in use for more than one year and cost more than £5,000. Multi-year software as a service agreement, comprising software licence and service elements paid for on a subscription basis, are reviewed individually to determine the extent of the service provision. Any licencing component in the agreement is assessed against IAS 38 to determine whether it meets the criteria for recognition as an intangible asset and where it does; a threshold of £1 million is applied.

We later revalue these using appropriate indices as a proxy for fair value. As we own so many software licences, we account for them on a pooled basis.

IP addresses are held as a specific sub-category of software licences until the point they satisfy the criteria to be reclassified as assets held for sale. They are held at market value, based on an estimate of the income they would currently return in the emerging IPv4 address market.

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

Internally developed software

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

Website development costs

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

1.10 Depreciation and amortisation

We charge depreciation on property, plant and equipment and calculate amortisation on intangible assets with a finite life using the straight-line method to reflect the consumption of economic benefits. Depreciation/amortisation is charged to either administration or programme costs in accordance with how the associated assets are being used.

Depreciation

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

Freehold buildings	The shorter of 50 years or remaining life as assessed by valuers
Leasehold land and buildings	Period remaining on lease or to next rent review
Health and Safety Executive/ Health and Safety Laboratory Private Finance Initiative (PFI) leasehold buildings	60 years designated life
Leasehold improvements	Period remaining on lease (up to 20 years)
Information technology	2 to 9 years
Plant and machinery	5 to 10 years (5 to 20 years for HSE's science division)
Furniture and fittings	2 to 15 years (2 to 30 years for HSE's science division)
Motor vehicles	3 to 10 years

Amortisation

Purchased software licences	The shorter of the licence period or a period from 2 to 15 years as aligned to the useful economic life (UEL) of the application/developed software the licence provides access to
Internally developed software	2 to 20 years
Websites	5 to 7 years

IP addresses are treated as a specific sub-category of software licences, for which:

- the UEL is determined to be the period from initial recognition to the estimated sale date

The residual value is calculated as the estimated market value less costs to sell. This is the value we depreciate.

1.11 Financial assets and liabilities

From 1 April 2018 we adopted IFRS 9 (Financial Instruments). There has been no material impact on our financial statements as a result of adoption.

In line with IFRS 9 (Financial Instruments), we now 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.

Financial assets at amortised cost

In accordance with IFRS 9 (Financial Instruments) as interpreted by FReM, financial assets are valued at either fair value (the price that would be received to sell an asset) or at amortised cost (that which the Department expects to get back at maturity). IFRS 9 requires that two considerations are made when making this assessment. Firstly, are the cash flows from debts held considered to be contractual in nature, following HM Treasury expansion of the definition of a contract in IFRS 15 (Revenue from Contracts with Customers), loans, receivables and benefit overpayment debts and recoveries are considered to be contractual. The second consideration is to assess whether the asset is purely held in order to collect contractual cash flows or whether there is an intention to sell the asset. As the Department has no plans to sell any of its financial assets at present this consideration is also met and therefore all loans and receivables considered under IFRS 9 are valued at amortised cost.

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. 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

In accordance with IFRS 9 (Financial Instruments) as interpreted by the FReM, the Department views creditworthiness of financial assets by weighted average to avoid undue cost and effort associated with undertaking individual credit assessments. This weighting being the respective risks of a default occurring. The Department then uses this assessment to calculate an impairment to recognise full lifetime expected credit losses. This means that our impairment of the asset is the impairment for life of the asset rather than only the impairment which has already occurred.

The assessment of expected credit loss is a complex matter, dealing with uncertain outcomes, assumptions regarding probability and estimation of volatile contributing factors. We have looked across a number of areas including possible economic, social and policy changes, which may impact the financial assets impairment. The evidence and assumptions used to calculate the Department's financial assets impairment are the best available at the time of the assessment.

1.12 Benefit overpayments

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

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

We don't recognise certain categories of identified benefit overpayment as receivables, including:

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

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

1.13 Tax Credit receivables

The Department has taken on the debt associated with HM Revenue and Customs Personal Tax Credits for customers who have made a claim to Universal Credit (UC) and have existing Tax Credits debt or have migrated from Tax Credits to UC. The debt started to transfer in April 2016 and is planned to continue to transfer over the coming years as more customers move to UC.

In line with the government Financial Reporting Manual adaptation of IAS 20 (Accounting for Government Grants), this transfer has been treated as a donated asset capital grant in kind and disclosed as such throughout the Financial Statements. The debt has been transferred at fair value (the asset alongside the associated impairment) calculated under IFRS 13 (Fair Value Measurement) which is the estimated actual value. The estimated actual value at the point of transfer has been calculated by HM Revenue and Customs by applying impairment to the gross debt.

Unlike our existing benefits and pensions overpayment debt, we don't hold historical data on the success of recovery of this debt. As an alternative, we've performed analysis on our Tax Credit debt stock making cautious assumptions in place of historical data and used the results to calculate an impairment for the Tax Credit debt.

1.14 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.

Benefit provisions

We apply a de minimis threshold for those provisions associated with the Social Security benefits the Department administers.

The threshold of the de minimis is £10 million for individual provisions and contingent liabilities and a £90 million de minimis is applied in aggregate. The thresholds will be reviewed annually to ensure they remain appropriate.

Financial Assistance Scheme (FAS) and other provisions

The de minimis threshold does not apply to FAS and our other provisions (note 16a and 16c) although clearly immaterial items will not be provided for.

1.15 Pensions

Past and present employees are covered by the provisions of the Civil Service Pension arrangements. The defined benefit schemes are unfunded and are contributory public service occupational pension schemes made under the Superannuation Act 1972. We recognise the expected cost of these elements, on a systematic and rational basis, over the period during which it benefits from employees' services by payment to the Civil Service Pension arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Civil Service Pension arrangements. In respect of the defined contribution schemes, we recognise the contributions payable for the year.

Full information about Civil Service Pension arrangements can be found at www.civilservicepensionscheme.org.uk

For information regarding our Remploy pension scheme, please see note 17.

1.16 Leases

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

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

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

1.17 Contingent liabilities

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

Remote Contingent Liabilities

For some statutory and non-statutory contingent liabilities, the likelihood of transfer of economic benefit is remote. However, we would disclose these for parliamentary reporting and accountability purposes in the Remote Contingent Liabilities section within the Accountability Report on page 162.

1.18 Grant in aid

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

2. Statement of operating costs by operating segment

Our operating segments are reported to their respective decision making committees based on the expenditure type.

The Statement of Parliamentary Supply (SoPS) and supporting notes reflect the net resource and capital outturn in line with the control totals voted by Parliament. The totals in our operating segments align with the SoPS.

We have 2 types of expenditure – **Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME)**

DEL: spending which is generally within our control and managed in fixed multi-year limits. Some elements may be demand led.

Our People and Resources Committee (PRC) is the chief decision making body within the Department for DEL expenditure. It is supported by the Investment Committee, which receives updates on our monthly management accounts. The monthly management accounts are based on our DEL operating segments and detail our spending and any financial issues they need to be aware of.

We've disclosed our DEL segments as:

- **Operations** – the frontline costs of delivering benefits for people of working age and pension age
- **Corporate functions**
  - **Finance group** – our core finance functions, together with our contracts for accommodation, health and employment programmes and our DEL spend for local authorities
  - **Digital group** – our IT Contracts and front line support for our IT
  - **Strategy group**
  - **Human resources**
  - **Other corporate functions**

- **Change** – our investment programmes and projects
- **Arm's length bodies** – the expenditure incurred by the bodies within our accounting boundary on page 107

	2018-19	2017-18
	£000	£000
Operations	2,510,344	2,422,863
Corporate:		
Finance group	1,703,317	2,072,318
Digital group	1,096,347	939,457
Strategy	118,651	155,025
Human resources	111,045	90,287
Other corporate	21,711	12,143
Change	417,865	624,109
Arm's length bodies	321,729	224,219
Total resource and capital DEL	**6,301,009**	**6,540,421**

AME: spending which is generally less predictable and controllable than spending in DEL. This covers expenditure on benefits for welfare, pensions and Social Fund.

Our AME expenditure is managed jointly by the Department for Work and Pensions and HM Treasury and reported to the AME board who are instrumental in the AME decision making process.

AME is reported as 'Inside' and 'Outside' Welfare Cap.

	2018-19	2017-18
	£000	£000
Inside the Welfare Cap	79,240,244	78,311,749
Outside the Welfare Cap	101,772,020	98,903,970
Total resource and capital AME	**181,012,264**	**177,215,719**
Total resource and capital DEL and AME	**187,313,273**	**183,756,140**

SoPS notes 1.1 and 1.2 provide details of resource and capital.

SoPS 2 on page 153 reconciles SoPS resource to the Statement of Consolidated Net Expenditure.

This note does not include assets and liabilities, as they are not included in the management information that is provided to the boards.

3. Staff expenditure

	2018-19		2017-18	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Wages and salaries	2,134,826	2,334,707	2,033,632	2,201,659
Employers' National Insurance	190,124	210,827	183,639	201,393
Superannuation and pension costs	396,643	429,869	386,193	416,828
Total staff costs	**2,721,593**	**2,975,403**	**2,603,464**	**2,819,880**

We've presented the full staff and related expenditure disclosure in the remuneration and staff report on page 128.

4. Expenditure

		2018-19		2017-18	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Purchase of goods and services					
Goods and services		848,320	931,300	1,014,402	1,086,861
IT services		515,724	481,184	532,614	497,352
Accommodation expenditure		547,147	561,644	409,685	424,244
Grant in aid		306,583	–	237,155	–
Other costs		67,802	113,130	51,353	51,353
Non-cash goods and services	6	4,461	4,543	(58,326)	(58,772)
Rentals under operating leases		2,652	7,402	15,957	19,083
Agency payments on behalf of EU to third parties		597,028	597,028	20,535	20,535
Audit fee		–	306	–	210
Purchase of goods and services total		**2,889,717**	**2,696,537**	**2,223,375**	**2,040,866**
Finance expense					
PFI service charges		–	9,952	73,151	83,771
Finance lease charges		6,393	14,358	9,996	18,153
Total finance expense		**6,393**	**24,310**	**83,147**	**101,924**

5. Benefit and Social Fund expenditure

		2018-19		2017-18	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Voted expenditure	5a	78,262,687	78,262,687	75,013,754	75,013,754
Non-voted expenditure	5b	102,303,487	102,303,487	99,618,125	99,618,125
Social Fund expenditure		2,045,952	2,045,952	2,161,132	2,161,132
Programme balances written off		385,560	385,560	377,856	377,856
Total		**182,997,686**	**182,997,686**	**177,170,867**	**177,170,867**

5a. Voted expenditure

	2018-19		2017-18	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Amounts paid to local authorities	20,686,396	20,686,396	22,161,036	22,161,036
Employment and Support Allowance	9,803,001	9,803,001	10,051,724	10,051,724
Disability Living Allowance	8,110,608	8,110,608	9,362,786	9,362,786
Personal Independence Payment	10,570,871	10,570,871	8,124,233	8,124,233
Attendance Allowance	5,652,472	5,652,472	5,503,971	5,503,971
Pension Credit	5,051,053	5,051,053	5,345,436	5,345,436
Universal Credit	7,914,423	7,914,423	3,225,179	3,225,179
Carer's Allowance	2,837,065	2,837,065	2,830,437	2,830,437
Statutory Sick Pay and Statutory Maternity Pay	2,587,000	2,587,000	2,421,000	2,421,000
Income Support	1,834,541	1,834,541	2,151,679	2,151,679
Jobseeker's Allowance	1,132,350	1,132,350	1,437,244	1,437,244
Industrial Injuries Benefits Scheme	831,701	831,701	839,899	839,899
TV licenses for over 75s	468,432	468,432	656,066	656,066
Employment programmes	347,154	347,154	453,198	453,198
Severe Disablement Allowance	97,038	97,038	118,991	118,991
Other expenditure	338,582	338,582	330,875	330,875
Total	**78,262,687**	**78,262,687**	**75,013,754**	**75,013,754**

5b. Non-voted expenditure (financed by the National Insurance Fund)

	2018-19		2017-18	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
State Pension	96,589,102	96,589,102	93,639,375	93,639,375
Employment and Support Allowance	4,545,355	4,545,355	4,691,062	4,691,062
Bereavement benefits	462,506	462,506	501,215	501,215
Maternity Allowance	427,501	427,501	427,182	427,182
Jobseeker's Allowance	152,046	152,046	222,846	222,846
Christmas Bonus	125,657	125,657	125,998	125,998
Incapacity Benefit	1,320	1,320	10,447	10,447
Total	**102,303,487**	**102,303,487**	**99,618,125**	**99,618,125**

6. Non-cash expenditure

		2018-19		2017-18	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Non-cash purchase of goods and services					
Auditor's remuneration		1,443	1,443	1,443	1,443
Loss on disposal of assets		1,007	1,627	11,634	12,091
Revaluation (gain)/loss		396	(142)	(1,451)	(2,354)
ESF foreign exchange loss		14,065	14,065	2,624	2,624
Movements on pension liability		(12,450)	(12,450)	(72,576)	(72,576)
		4,461	**4,543**	**(58,326)**	**(58,772)**
Depreciation, amortisation and impairment					
Depreciation and amortisation of non-current assets	9 & 10	199,003	208,164	331,798	342,410
Amortisation of prepayments		–	–	5,000	5,000
Impairment of non-current assets		1,191	1,386	24	398
Movement in impairment of receivables		(119,059)	(119,062)	(205,461)	(205,456)
		81,135	**90,488**	**131,361**	**142,352**
Provision expense					
Movement in provisions	16	(966,373)	(966,456)	1,390,799	1,397,226
Borrowing costs of provisions	16	48,647	48,647	121,609	121,609
		(917,726)	**(917,809)**	**1,512,408**	**1,518,835**
Total		**(832,130)**	**(822,778)**	**1,585,443**	**1,602,415**

7. Income

	2018-19		2017-18	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Operating income				
HSE income	–	90,921	–	91,211
Pension levy receipts	95,717	95,717	86,867	86,867
EU income	601,996	601,996	19,105	19,105
Other income	99,770	96,517	75,439	67,987
Mesothelioma recoveries	62,455	62,455	58,830	58,830
Income from other government departments	32,076	32,076	30,583	30,583
CFER income	99,373	99,373	15,500	15,500
Total operating income	**991,387**	**1,079,055**	**286,324**	**370,083**
Finance income				
Investment income	33,484	33,566	34,137	34,159
Non-cash				
ESF foreign exchange gain	2,614	2,614	3,101	3,101
Total financial income	**36,098**	**36,180**	**37,238**	**37,260**
Total income	**1,027,485**	**1,115,235**	**323,562**	**407,343**

EU income relates to income in relation to the European Social Fund (ESF) 14-20 programme which funds projects across the UK. Of this £2 million is included in other income (2017-18: £1.7 million) which specifically relates to the Department's income from the EU.

We also reclassified benefit income (2018-19: £3.1 million 2017-18: £7.8 million) into other income due to values being immaterial to our account.

8. Donated assets

	2018-19		2017-18	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Non-cash				
Gross Tax Credit transfer	(667,195)	(667,195)	(187,522)	(187,522)
Tax Credit transfer impairment	503,242	503,242	143,454	143,454
Net Tax Credit transfer	**(163,953)**	**(163,953)**	**(44,068)**	**(44,068)**
Gross devolved benefits	12,965	12,965	–	–
Devolved benefits impairment	(968)	(968)	–	–
Net devolved benefits	**11,997**	**11,997**	**–**	**–**
Non-cash total	**(151,956)**	**(151,956)**	**(44,068)**	**(44,068)**
Transfer of ALB assets	**–**	**(4,540)**	**–**	**–**
Total	**(151,956)**	**(156,496)**	**(44,068)**	**(44,068)**

The Department has taken on the debt associated with HM Revenue and Customs personal Tax Credits for customers who have made a claim to Universal Credit (UC) and have existing Tax Credits debt or have migrated from Tax Credits to UC. The debt started to transfer in April 2016 and is planned to continue to transfer over the coming years as more customers move to UC. See note 1.13 for further information.

We regularly agree with HM Revenue and Customs the Tax Credit Transfer, however, the amounts that are disclosed in our respective accounts may not agree due to timing differences.

Executive Competency for devolvement of certain welfare and social security powers began transferring to Scottish government in April 2017. Executive Competency for Carer's Allowance transferred in September 2018 along with the associated Carer's Allowance debt.

Money Advice Service transferred from HM Treasury to DWP on 1 April 2018 under a Machinery of Government Change. We've included their net assets in our departmental group balances. Please see our departmental family on page 107.

9. Property, plant and equipment

Consolidated property, plant and equipment

	Land and buildings	Leasehold improvements	Information Technology	Plant and machinery	Furniture and fittings	Motor vehicles	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2018	153,932	33,708	409,986	47,230	44,311	4,158	74,277	**767,602**
Additions	1,819	8,393	84,534	621	7,381	421	32,780	**135,949**
Disposals	(6)	(1,299)	(112,552)	(24,708)	(1,297)	(1,173)	–	**(141,035)**
Impairments	–	–	(525)	–	–	–	–	**(525)**
Reclassifications	607	6,001	14,165	(1,741)	52	–	(15,372)	**3,712**
Revaluations	891	–	–	–	–	–	–	**891**
Transfers	–	–	500	–	332	–	–	**832**
At 31 March 2019	**157,243**	**46,803**	**396,108**	**21,402**	**50,779**	**3,406**	**91,685**	**767,426**
Depreciation								
At 1 April 2018	29,997	25,800	241,505	39,831	5,951	1,880	–	**344,964**
Charged in year	4,781	8,085	64,368	823	4,353	428	–	**82,838**
Disposals	(1)	(1,222)	(110,433)	(24,602)	(1,292)	(775)	–	**(138,325)**
Impairments	–	–	(375)	–	–	–	–	**(375)**
Reclassifications	–	–	3	–	(3)	–	–	**–**
Revaluations	(1,814)	–	–	–	–	–	–	**(1,814)**
Transfers	–	–	323	–	296	–	–	**619**
At 31 March 2019	**32,963**	**32,663**	**195,391**	**16,052**	**9,305**	**1,533**	**–**	**287,907**
Carrying amount at 31 March 2018	**123,935**	**7,908**	**168,481**	**7,399**	**38,360**	**2,278**	**74,277**	**422,638**
Carrying amount at 31 March 2019	**124,280**	**14,140**	**200,717**	**5,350**	**41,474**	**1,873**	**91,685**	**479,519**
Asset financing:								
Owned	36,208	14,140	167,583	5,350	39,915	1,873	91,685	**356,754**
Finance leased	86,731	–	33,134	–	1,559	–	–	**121,424**
PFI contracts	1,341	–	–	–	–	–	–	**1,341**
Carrying amount at 31 March 2019	**124,280**	**14,140**	**200,717**	**5,350**	**41,474**	**1,873**	**91,685**	**479,519**
Of the total:								
Department	26,393	9,063	194,603	1,668	36,468	12	91,364	**359,571**
Arm's length bodies	97,887	5,077	6,114	3,682	5,006	1,861	321	**119,948**
Carrying amount at 31 March 2019	**124,280**	**14,140**	**200,717**	**5,350**	**41,474**	**1,873**	**91,685**	**479,519**

	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 2017	1,831,543	31,163	286,603	43,451	11,722	4,232	66,149	**2,274,863**
Additions	4,308	2,360	76,122	3,993	33,797	586	91,049	**212,215**
Disposals	(1,690,203)	(3,610)	(28,735)	(326)	(1,182)	(660)	–	**(1,724,716)**
Impairments	–	–	(348)	–	–	–	–	**(348)**
Reclassifications	590	3,795	76,326	112	(26)	–	(82,921)	**(2,124)**
Revaluations	7,694	–	18	–	–	–	–	**7,712**
At 31 March 2018	**153,932**	**33,708**	**409,986**	**47,230**	**44,311**	**4,158**	**74,277**	**767,602**
Depreciation								
At 1 April 2017	1,566,314	20,390	210,876	39,003	5,977	1,558	–	**1,844,118**
Charged in year	153,374	8,914	57,553	1,154	974	472	–	**222,441**
Disposals	(1,687,596)	(3,504)	(26,974)	(326)	(1,000)	(150)	–	**(1,719,550)**
Impairments	–	–	50	–	–	–	–	**50**
Revaluations	(2,095)	–	–	–	–	–	–	**(2,095)**
At 31 March 2018	**29,997**	**25,800**	**241,505**	**39,831**	**5,951**	**1,880**	**–**	**344,964**
Carrying amount at 31 March 2017	**265,229**	**10,773**	**75,727**	**4,448**	**5,745**	**2,674**	**66,149**	**430,745**
Carrying amount at 31 March 2018	**123,935**	**7,908**	**168,481**	**7,399**	**38,360**	**2,278**	**74,277**	**422,638**
Asset financing:								
Owned	14,574	7,908	127,455	7,255	36,701	2,278	74,277	**270,448**
Finance leased	26,076	–	41,026	144	–	–	–	**67,246**
PFI contracts	83,285	–	–		1,659	–	–	**84,944**
Carrying amount at 31 March 2018	**123,935**	**7,908**	**168,481**	**7,399**	**38,360**	**2,278**	**74,277**	**422,638**
Of the total:								
Department	28,581	1,225	161,605	3,590	33,482	47	74,126	**302,656**
Arm's length bodies	95,354	6,683	6,876	3,809	4,878	2,231	151	**119,982**
Carrying amount at 31 March 2018	**123,935**	**7,908**	**168,481**	**7,399**	**38,360**	**2,278**	**74,277**	**422,638**

a. Cash flow reconciliation

	2018-19	2017-18
	£000	£000
Capital payables and accruals at 1 April	65,451	7,343
Capital additions	135,949	212,215
Less: leased capital additions	(13,137)	(30,237)
Capital payables and accruals at 31 March	(54,315)	(65,451)
Purchases of property, plant and equipment as per Statement of Cash Flows	**133,948**	**123,870**
Of the total:		
Department	128,577	116,111
Arm's length bodies	5,371	7,759
Total	**133,948**	**123,870**

10. Intangible assets

	Websites	Purchased software licences	Internally developed software	Payments on assets under construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2018	37,292	287,544	1,014,591	34,894	**1,374,321**
Additions	–	12,606	2,395	48,159	**63,160**
Disposals	–	(22,990)	(251,598)	(400)	**(274,988)**
Impairments	–	–	(1,366)	–	**(1,366)**
Transfers	294	327	–	–	**621**
Reclassifications	261	3,860	25,817	(34,352)	**(4,414)**
Revaluations	1,313	1,695	35,110	–	**38,118**
At 31 March 2019	**39,160**	**283,042**	**824,949**	**48,301**	**1,195,452**
Amortisation					
At 1 April 2018	35,873	119,251	679,263	–	**834,387**
Charged in year	1,106	47,787	76,042	–	**124,935**
Disposals	–	(22,868)	(251,179)	–	**(274,047)**
Impairment	–	–	(175)	–	**(175)**
Transfers	16	291	–	–	**307**
Revaluations	1,261	828	21,771	–	**23,860**
At 31 March 2019	**38,256**	**145,289**	**525,722**	**–**	**709,267**
Carrying amount at 31 March 2019	**904**	**137,753**	**299,227**	**48,301**	**486,185**
Carrying amount at 31 March 2018	**1,419**	**168,293**	**335,328**	**34,894**	**539,934**
Of the total:					
Department	241	135,497	298,883	48,015	**482,636**
Arm's length bodies	663	2,256	344	286	**3,549**
Carrying amount at 31 March 2019	**904**	**137,753**	**299,227**	**48,301**	**486,185**
Cost or valuation					
At 1 April 2017	36,396	317,722	1,288,812	26,499	**1,669,429**
Additions	479	83,636	3,203	41,551	**128,869**
Disposals	–	(118,434)	(320,362)	(31)	**(438,827)**
Reclassifications	60	(35,172)	33,064	(33,125)	**(35,173)**
Revaluations	357	39,792	9,874	–	**50,023**
At 31 March 2018	**37,292**	**287,544**	**1,014,591**	**34,894**	**1,374,321**
Amortisation					
At 1 April 2017	34,446	185,192	912,344	–	**1,131,982**
Charged in year	1,087	37,003	81,879	–	**119,969**
Disposals	–	(104,386)	(320,356)	–	**(424,742)**
Reclassifications	–	(699)	–	–	**(699)**
Revaluations	340	2,141	5,396	–	**7,877**
At 31 March 2018	**35,873**	**119,251**	**679,263**	**–**	**834,387**
Carrying amount at 31 March 2018	**1,419**	**168,293**	**335,328**	**34,894**	**539,934**
Carrying amount at 31 March 2017	**1,950**	**132,530**	**376,468**	**26,499**	**537,447**
Of the total:					
Department	908	165,654	335,274	34,041	**535,877**
Arm's length bodies	511	2,639	54	853	**4,057**
Carrying amount at 31 March 2018	**1,419**	**168,293**	**335,328**	**34,894**	**539,934**

a. Intangible asset cash flow reconciliation

	2018-19	2017-18
	£000	£000
Capital payables and accruals at 1 April	26,594	8,049
Capital additions	63,160	128,869
Capital payables and accruals at 31 March	(3,045)	(26,594)
Purchases of intangible assets as per Statement of Cash Flows	**86,709**	**110,324**
Of the total:		
Department	85,636	108,586
Arm's length bodies	1,073	1,738
Total	**86,709**	**110,324**

11. Commitments under non-PFI leases

Operating leases

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

	31 March 2019		31 March 2018	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Not later than 1 year	176,928	182,346	188,628	193,609
Later than 1 year and not later than 5 years	627,904	638,721	633,361	645,646
Later than 5 years	560,249	566,288	647,677	654,831
Total	**1,365,081**	**1,387,355**	**1,469,666**	**1,494,086**

12. Cash and cash equivalents

	31 March 2019		31 March 2018	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Balances at 1 April	(394,753)	(371,552)	(1,208,792)	(1,203,730)
Net change in cash and cash equivalent balances	(771,280)	(777,849)	814,039	832,178
Balances at 31 March	**(1,166,033)**	**(1,149,401)**	**(394,753)**	**(371,552)**
Represented by:				
Cash and cash equivalents	403,525	420,157	151,165	174,366
Bank overdraft	(1,569,558)	(1,569,558)	(545,918)	(545,918)
	(1,166,033)	**(1,149,401)**	**(394,753)**	**(371,552)**

The following balances were held at:

	31 March 2019		31 March 2018	
	Core department	Departmental group	Core department	Departmental group
			£000	£000
Government Banking Services	(1,171,203)	(1,170,260)	(414,941)	(413,572)
Commercial banks and cash in hand	5,170	20,859	20,188	42,020
Total	**(1,166,033)**	**(1,149,401)**	**(394,753)**	**(371,552)**

The bank overdraft relates to cash-in-transit due to a timing difference between the payment being processed and the date that our customers are paid.

13. Trade receivables, financial and other assets

	Note	31 March 2019 Core department £000	31 March 2019 Departmental group £000	31 March 2018 Core department £000	31 March 2018 Departmental group £000
Amounts falling due within one year					
Trade receivables		105,038	134,066	60,193	89,031
Benefit overpayments		423,257	423,257	429,349	429,349
Benefit advances		252,827	252,827	65,508	65,508
Housing Benefit subsidy		304,185	304,185	199,676	199,676
Prepayments and accrued income		1,127,721	1,153,718	1,420,003	1,437,784
Social Fund loans		264,154	264,154	210,879	210,879
Tax Credit		333,679	333,679	100,794	100,794
European Social Fund		617,566	617,566	186,540	186,540
Value Added Tax		44,323	43,559	65,854	65,798
Current part of loans		68	68	6,459	6,459
Amounts due from the Consolidated Fund in respect of supply		149,279	149,279	–	–
CFERS receivable		4,709	4,709	3,847	3,847
Other receivables		24,691	25,456	21,760	22,607
Gross receivables		**3,651,497**	**3,706,523**	**2,770,862**	**2,818,272**
Less: impairment of receivables	a	(288,102)	(292,049)	(225,164)	(232,289)
Net receivables		**3,363,395**	**3,414,474**	**2,545,698**	**2,585,983**
Amounts falling due after more than one year					
Benefit overpayments		2,072,225	2,072,225	2,029,140	2,029,140
Benefit advances		251,581	251,581	65,373	65,373
Financial assets	b	754,135	744,135	632,747	622,747
Social Fund loans		230,014	230,014	365,723	365,723
Tax Credit		513,571	513,571	188,480	188,480
Prepayments and accrued Income		–	2,496	–	–
Other receivables		4,978	7,014	4,912	5,699
Gross receivables		**3,826,504**	**3,821,036**	**3,286,375**	**3,277,162**
Less: impairment of receivables	a	(1,119,771)	(1,119,771)	(805,736)	(805,736)
Net receivables		**2,706,733**	**2,701,265**	**2,480,639**	**2,471,426**
Total net receivables		**6,070,128**	**6,115,739**	**5,026,337**	**5,057,409**

a. Impairment of receivables

Impairment of receivables <1 year				
Benefit overpayments and Tax Credit	(267,284)	(267,285)	(198,284)	(198,284)
Social Fund	(8,205)	(8,205)	(10,382)	(10,382)
Other	(12,613)	(16,559)	(16,498)	(23,623)
Total	**(288,102)**	**(292,049)**	**(225,164)**	**(232,289)**

Impairment of receivables >1year				
Benefit overpayments and Tax Credit	(1,085,799)	(1,085,799)	(760,687)	(760,687)
Social Fund	(33,760)	(33,760)	(44,809)	(44,809)
Other	(212)	(212)	(240)	(240)
Total	**(1,119,771)**	**(1,119,771)**	**(805,736)**	**(805,736)**

b. Financial assets

Our financial assets consist of loans to organisations within our departmental family.

National Employment Savings Trust Corporation (NEST)

This loan provides ongoing funding to NEST Corporation for the administration and operation of the NEST pension scheme. The scheme's income and assets under management continue to grow, as scheme membership increases, and will eventually be sufficient to fund NEST Corporation's ongoing costs and repay the loan.

14. Trade payables and other liabilities

			31 March 2019		31 March 2018
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Taxation and social security		47,462	53,118	46,634	51,047
Superannuation		42,006	45,222	40,681	43,789
Trade payables		168,367	172,779	166,045	168,459
Accruals and deferred income		4,698,591	4,729,216	3,631,847	3,658,097
Capital payables and accruals	9 & 10	56,529	57,360	90,422	92,045
Bank overdrafts	12	1,569,558	1,569,558	545,918	545,918
Imputed finance lease element of on-Statement of Financial Position PFI contracts		–	2,716	–	2,507
Finance lease obligations		23,691	23,693	29,836	29,838
CFERs due to be paid to the Consolidated Fund – Received		88,503	88,503	7,983	7,983
CFERs due to be paid to the Consolidated Fund – Receivable		4,708	4,708	3,847	3,847
Amounts issued from the Consolidated Fund for supply but not spent at year end		–	–	125,320	125,320
Third party payments		52,713	52,713	44,319	44,319
European Social Fund		84,617	84,617	79,375	79,375
Other payables		84,884	85,680	17,756	18,038
		6,921,629	**6,969,883**	**4,829,983**	**4,870,582**
Amounts falling due after more than one year					
Imputed finance lease element of on-Statement of Financial Position PFI contracts		–	90,175	–	92,891
Finance lease obligations		64,184	65,580	68,255	69,654
European Social Fund		288,930	288,930	300,620	300,620
		353,114	**444,685**	**368,875**	**463,165**
Total payables		**7,274,743**	**7,414,568**	**5,198,858**	**5,333,747**

15. Financial instruments

Our financial instruments include loans and receivables.

		31 March 2019		31 March 2018	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Financial assets					
Loans and investments		725,815	715,815	639,206	629,206
Benefit advances		504,408	504,408	130,881	130,881
Other receivables		152,109	181,792	74,098	103,483
Cash and cash equivalents	12	403,525	420,157	151,165	174,366
Housing Benefit subsidy	13	304,185	304,185	199,676	199,676
Benefit overpayments	13	2,495,482	2,495,482	2,458,489	2,458,489
Tax Credit	13	847,250	847,250	289,274	289,274
Social Fund loans	13	494,168	494,168	576,602	576,602
European Social Fund	13	617,566	617,566	186,540	186,540
Total		**6,544,508**	**6,580,823**	**4,705,931**	**4,748,517**
Less: impairment of financial instruments		(1,407,873)	(1,411,820)	(1,030,900)	(1,038,025)
		5,136,635	**5,169,003**	**3,675,031**	**3,710,492**
Financial liabilities					
Other payables		5,011,024	5,048,291	3,986,406	4,018,092
Bank overdraft	12	1,569,558	1,569,558	545,918	545,918
European Social Fund	14	373,547	373,547	379,995	379,995
Total		**6,954,129**	**6,991,396**	**4,912,319**	**4,944,005**

We revised the content of our Financial Instruments note to ensure that it accurately reflected the balances that arose from Financial Instruments, as per IFRS 9. As a result, we have restated the 2017-18 balances which now include leases of £99.5 million. As part of this review we also removed some of the other payables balances amounting to £18.0 million and some of the other receivables balances of £17.7 million as these did not meet the requirements of the standard.

Fair value

The carrying value of trade receivables and payables less impairment is assumed to approximate their fair value. The book values of our financial assets and liabilities at 31 March 2019 aren't materially different from their fair values, so we haven't shown them separately.

16. Provisions for liabilities and charges

		31 March 2019		31 March 2018	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Financial Assistance Scheme (FAS) provision	16a	5,716,940	5,716,940	7,564,854	7,564,854
Benefit provisions	16b	1,248,401	1,248,401	1,017,448	1,017,448
Other provisions	16c	17,290	19,110	13,597	23,188
		6,982,631	**6,984,451**	**8,595,899**	**8,605,490**

Analysis by type

	Core department	Departmental group	Core department	Departmental group
FAS provision (a)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	7,564,854	7,564,854	7,282,412	7,282,412
Provided in year	–	–	372,754	372,754
Provisions not required written back	(72,673)	(72,673)	–	–
Change in discount rate	(1,616,254)	(1,616,254)	–	–
Utilised in year	(211,614)	(211,614)	(211,931)	(211,931)
Borrowing costs (unwinding of discount)	52,627	52,627	121,619	121,619
Balance at 31 March	**5,716,940**	**5,716,940**	**7,564,854**	**7,564,854**

	Core department	Departmental group	Core department	Departmental group
Benefit provisions (b)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	1,017,448	1,017,448	10,425	10,425
Provided in year	1,067,804	1,067,804	1,017,448	1,017,448
Provisions not required written back	(349,339)	(349,339)	–	–
Utilised in year	(483,504)	(483,504)	(10,425)	(10,425)
Borrowing costs (unwinding of discount)	(4,008)	(4,008)	–	–
Balance at 31 March	**1,248,401**	**1,248,401**	**1,017,448**	**1,017,448**

	Core department	Departmental group	Core department	Departmental group
Other provisions (c)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	13,597	23,188	19,909	25,781
Provided in year	5,565	6,002	1,600	5,319
Provisions not required written back	(1,476)	(2,349)	(1,003)	(1,003)
Utilised in year	(424)	(7,759)	(6,899)	(6,899)
Borrowing costs (unwinding of discount)	28	28	(10)	(10)
Balance at 31 March	**17,290**	**19,110**	**13,597**	**23,188**

a. FAS provision

FAS provides assistance to members of defined benefit occupational pension schemes that were wound up under-funded when their employers became insolvent during the period 1 January 1997 to 5 April 2005.

The FAS assistance scheme provision is to provide for the liabilities arising from any FAS qualifying schemes once the assets from such schemes have transferred to government.

The provision is an estimate of the current value of the liability to make payments to pensioners under the FAS scheme.

The provision is calculated by using a long term cash forecast model provided by Pension Protection Fund (PPF) who are responsible for the administration of FAS. The cash flows are then discounted, at rates provided by HM Treasury, to give their present value at the year end. A change in the discount rate during 2018-19 has created the £1.6 billion change in the value of the provision.

Sensitivities for 2018-19

The FAS provision is long term and is therefore more sensitive to changes in economic and other conditions.

The table below sets out a sensitivity analysis for the most significant assumptions used to estimate the FAS provision. It illustrates the potential impact of changes in assumptions on the value of the provision.

These assumptions and their impacts are explained below. Each assumption illustrates a discrete impact to the provision.

	Original	Discount rate	Inflation rate	Mortality rate	Pension payments	Deferred pension revaluation rate
	£bn	£bn	£bn	£bn	£bn	£bn
		0.5% decrease	0.5% decrease	10% increase	0.5% increase p.a.	0.5% increase p.a.
(Changes) in assumption						
Provision as at 31 March 2019	5.717	6.181	5.298	5.549	5.844	5.839
Increase/(decrease) in provision		0.464	(0.419)	(0.168)	0.127	0.122
Percentage change		8.11%	(7.33%)	(2.94%)	2.22%	2.14%

Original – This is the actual FAS Provision which has been posted into the DWP accounts and is used as the “baseline” position for the other scenarios.

PES Rates Decrease – The assumption in this scenario is that assuming the cash flows remain the same as the “original”, if only the PES rates decreased by 0.5%, then the impact would create an increase in the provision of £464 million (8%).

Inflation Rate Decrease – The assumption in this scenario is the same as PES with the only change a decrease in inflation and everything else remains stable. The impact would create a decrease in the provision of £419 million (7%).

Mortality rate – The assumption in this scenario is that there is a 10% increase to the mortality of pensioners after allowing for projected mortality improvements, rather than applying the 10% increase to the current mortality rate. This has the impact of reducing the amount of cash flows as pensioner numbers reduce – the 10% reduction having a £168 million (3%) reduction in the provision.

Pension Increase – The assumption is the pensions will increase by 0.5% per annum for all future years where the actual rates are not yet known. Where the actual rates are known then these actual rates have been used. This has the impact of increasing the amount of cash flows – having a £127 million (2%) increase in the provision.

Deferred Revaluation Increase – The assumption is that there is a change to the revaluation rate in deferment of people’s pensions and this will increase by 0.5% per annum for all future years where the actual rates are not yet known. Where the actual rates are known then these actual rates have been used. This has the impact of increasing the amount of cash flows – having a £122 million (2%) increase in the provision.

There are other assumptions included in the cash flows which are not considered to be significant. These include the age difference between male and female survivors; the proportion that are married and ill health decrements.

b. Benefit provisions

These provisions arise from liabilities relating to benefit payments. These liabilities are in respect of:

- **Employment Support Allowance (ESA)**

  Between 2011 and 2014, some customers were migrated from Incapacity Benefit and Severe Disablement Allowance to contributory ESA, without being considered for income related ESA. As a result, some of these customers have been underpaid as they haven't received additional premiums, which are only payable to those on income related ESA. We have not provided any further details in order to avoid legal prejudice.

- **Personal Independence (PIP)**

  Following a decision by the High Court to quash amendments made to the PIP Regulations and recent Upper Tribunal decisions relating to PIP assessments, we are revisiting cases to ensure that claimants haven't lost out. We have not provided any further details in order to avoid legal prejudice.

- **Other benefit provisions**

  In the course of administering a complex benefit system across Great Britain it is inevitable that the Department will face legal challenge, which may result in liabilities. We've assessed the extent of our financial exposure arising from these liabilities and included a provision where it is estimated there to be a probable economic outflow. In order to avoid prejudicing continuing legal matters, separate disclosure is not provided. In aggregate we consider £390 million to be our best estimate of our exposure.

These provisions are estimated using detailed forecasting data and established methodology.

c. Other provisions

The remaining other provisions comprise:

- early departure costs and pension commitments
- onerous contracts and refurbishment work required on vacation of leased properties
- disputes with suppliers and termination costs in respect of other contracts
- decommissioning costs
- expected future costs of Industrial Injuries Benefits permanent allowance payments to our employees who are injured at work and can't perform their job as a result

Analysis of expected timing of discounted flows

	FAS provisions		Benefit provisions		Other provisions		Total	
	Core department	Departmental group	Core department	Departmental group	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000	£000	£000	£000	£000
Not later than one year	215,006	215,006	1,085,285	1,085,285	9,633	10,585	1,309,924	1,310,876
Later than one year and not later than 5 years	900,143	900,143	163,116	163,116	1,649	2,517	1,064,908	1,065,776
Later than 5 years	4,601,791	4,601,791	–	–	6,008	6,008	4,607,799	4,607,799
Balance at 31 March 2019	**5,716,940**	**5,716,940**	**1,248,401**	**1,248,401**	**17,290**	**19,110**	**6,982,631**	**6,984,451**

17. Remploy Pension Scheme

The Secretary of State for the Department of Work and Pensions (the Sponsor) operates a defined benefit pension arrangement called the Remploy Limited Pension and Assurance Scheme (the Scheme). The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every 3 years to determine whether the Statutory Funding Objective is met. As part of the process the Sponsor must agree with the Trustee of the Scheme the contributions to be paid to meet the Statutory Funding Objective. The future contributions required to meet the Statutory Funding Objective don't currently affect the balance sheet of the Scheme in these accounts.

The Scheme is managed by a corporate Trustee appointed in part by the Sponsor and part from elections by members of the Scheme as well as independent representation from an independent trustee. The Trustee has responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustee delegates some of these functions to their professional advisers where appropriate.

The Scheme exposes the Sponsor to a number of risks:

- Investment risk. The Scheme holds investments in asset classes which have volatile market values and while these assets are expected to provide the real returns over the long-term the short-term volatility can cause additional funding to be required if deficits emerge
- Interest rate risk. The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds other assets which are likely to produce different returns the value of the assets and liabilities may not move in the same way
- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long-term, movements over the short-term could lead to deficits emerging
- Mortality risk. In the event that members live longer than assumed a deficit will emerge in the Scheme

An allowance has been made for the impact of GMP equalisation as a past service cost in the disclosures. Other than this, there were no plan amendments, curtailments or settlements during the period.

Actuarial assumptions

Results are shown in pounds, rounded to the nearest £1,000.

Principal actuarial assumptions	At 31 Mar 2019	At 31 Mar 2018
Discount rate	2.50%	2.70%
Inflation (RPI)	3.50%	3.30%
Inflation (CPI)	2.50%	2.30%
Discretionary Pension increases (Pre 1 April 1997 excess – CPI uncapped)	2.50%	2.30%
Pension increases (1 April 1997 – 1 April 2005 – CPI (Capped at 5%))	2.50%	2.30%
Pension increases (Post 1 April 2005 – RPI (Capped at 5%))	3.40%	3.20%
Post-retirement mortality	Remploy – specific table based on Remploy experience between 2007 and 2012 with allowance for improvements in life expectancy in line with the CMI_2015 projections subject to a long-term rate of improvement of 1.25% pa	Remploy – specific table based on Remploy experience between 2007 and 2012 with allowance for improvements in life expectancy in line with the CMI_2015 projections subject to a long-term rate of improvement of 1.25% pa
Commutation	Members are assumed to take 75% of their maximum lump sum	Members are assumed to take 75% of their maximum lump sum
Early Retirement	Non-pensioners over age 50 at 31 March 2016 retire at age 63, under age 50 retire at age 65	Non-pensioners over age 50 at 31 March 2016 retire at age 63, under age 50 retire at age 65
Net Current Assets	No allowance	No allowance
Under the adopted mortality tables, the approximate average (across membership categories) future life expectancy at age 65 is as follows:		
Life expectancy at age 65 of male aged 45	21.6	21.5
Life expectancy at age 65 of male aged 65	19.4	19.3
Life expectancy at age 65 of female aged 45	24.6	24.5
Life expectancy at age 65 of female aged 65	22.3	22.2

Assets

The major categories of assets as a % of total assets are as follows:

The current asset split is as follows:	Asset allocation at 31 March 2019
	Total Assets
Property	8.3%
Absolute return bonds	11.9%
Collateralised loan obligations	8.1%
Direct lending	6.3%
Semi-liquid credit	7.9%
LDI	54.5%
Cash	1.0%
Insurance policies	1.0%
AVC Investments	1.0%
Total asset	**100.00%**

* Note that the assets labelled “LDI” actually include a number of different assets types, including derivatives.

Explanation of amounts in the financial statements

Balance Sheet	At 31 March 2019	At 31 March 2018
Fair value of assets	£889,536,000	£837,208,000
Present value of funded obligations	(£1,044,872,000)	(£976,982,000)
Surplus/(deficit)* in scheme	**(£155,336,000)**	**(£139,774,000)**
Effect of asset ceiling	–	–
Net defined benefit asset/(liability)	**(£155,336,000)**	**(£139,774,000)**

* Surplus/(deficit) shown prior to deferred taxation

Amount recognised in Profit and Loss	Period to 31 March 2019	Period to 31 March 2018
Current service cost	–	–
Administration costs	£1,723,000	£1,552,000
Interest on liabilities	£25,660,000	£26,105,000
Interest on assets	(£22,236,000)	(£20,643,000)
Past service costs	£10,253,000	–
Settlement and curtailment cost	–	–
Total charge to Profit and Loss	**£15,400,000**	**£7,014,000**

Re-measurements over the year	Period to 31 March 2019	Period to 31 March 2018
Loss/(gain) on assets in excess of interest	(£38,222,000)	(£18,728,000)
Experience losses/(gains) on liabilities	£839,000	£4,652,000
Losses/(gains) from changes to demographic assumptions	–	–
Losses/(gains) from changes to financial assumptions	£65,395,000	(£14,655,000)
Total re-measurements	**£28,012,000**	**(£28,731,000)**

Reconciliation of assets and defined benefit obligation

The change in the assets over the period was:

Change in value of assets	Period to 31 March 2019	Period to 31 March 2018
Fair value of assets at start (excluding AVCs)	**£837,208,000**	**£752,218,000**
Money Purchase assets at start	(£9,949,000)	(£10,706,000)
Interest on assets	£22,236,000	£20,643,000
Sponsor contributions	£27,850,000	£79,590,000
Contributions by Scheme participants	–	–
Benefits paid	(£33,635,000)	(£31,662,000)
Administration costs	(£1,723,000)	(£1,552,000)
Change due to settlement and curtailment cost	–	–
Return on assets less interest	£38,222,000	£18,728,000
Money Purchase asset at end	£9,327,000	£9,949,000
Fair value of assets at end	**£889,536,000**	**£837,208,000**

Actual return on assets	**£60,458,000**	

The change in the defined benefit obligation over the period was:

Change in value of DB liabilities	Period to 31 March 2019	Period to 31 March 2018
Defined benefit obligation at start (excluding AVCs)	**£976,982,000**	**£993,299,000**
Money Purchase liabilities at start	(£9,949,000)	(£10,706,000)
Current service cost	–	–
Contributions by Scheme Participants	–	–
Past service costs	£10,253,000	–
Interest cost	£25,660,000	£26,105,000
Benefits paid	(£33,635,000)	(£31,662,000)
Change due to settlement or curtailment cost	–	–
Experience (gain)/loss on liabilities	£839,000	£4,652,000
Changes to demographic assumptions	–	–
Changes to financial assumptions	£65,395,000	(£14,655,000)
Money Purchase liabilities at end	£9,327,000	£9,949,000
Defined benefit obligation at end	**£1,044,872,000**	**£976,982,000**

Reconciliation of net defined benefit liability (asset)	Period to 31 March 2019	Period to 31 March 2018
Net defined benefit liability (asset) at start	**£139,774,000**	**£241,081,000**
Current service cost	–	–
Past service cost and settlement and curtailment cost	£10,253,000	–
Net interest expense (income)	£3,424,000	£5,462,000
Re-measurements	£28,012,000	(£28,731,000)
Administration costs	£1,723,000	£1,552,000
Sponsor contributions	(£27,850,000)	(£79,590,000)
Net defined benefit liability (asset) at end	**£155,336,000**	**£139,774,000**

Sensitivity of the value placed on the liabilities	Approximate effect on liability
Discount rate	
+0.50% pa	(£88,627,000)
-0.50% pa	£101,815,000
Inflation	
+0.50% pa	£84,842,000
-0.50% pa	(£73,927,000)
Mortality	
Decrease mortality rates by a factor of **10%**	£50,038,000
Increase mortality rates by a factor of **10%**	(£44,202,000)

Risk mitigation strategies

The Trustee, in conjunction with the Sponsor, has reviewed the investment strategy of the Scheme. This process entailed reviewing the liability profile of the Scheme and the Scheme's investments. The Trustee has previously undertaken such a review, which has resulted in the investment managers being instructed as to permissible ranges for asset allocations as set out in the Scheme's current Statement of Investment Principles. The Scheme has no other asset-liability strategies in place.

Effect of the Scheme on Sponsor's future cash flows

The Sponsor is required to agree a Schedule of Contributions with the Trustee of the Scheme following a valuation, which must be carried out at least once every 3 years. The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 March 2016 and the next valuation of the Scheme is due as at 31 March 2019. In the event that the valuation reveals a larger deficit than expected the Sponsor may be required to increase contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected contributions may reduce (for example through a shorter Schedule period).

The Sponsor would normally be expected to pay contributions of £24 million in the year to 31 March 2020 (note the Sponsor has recently paid higher contributions than set out in the Schedule of Contributions).

The weighted average duration of the defined benefit obligation is approximately 19 years.

18. 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 within which we operate to support those in need.

In many instances Parliament has targeted specific benefits to claimants' needs and circumstances to ensure an efficient use of overall resources. However, this can introduce complexity and an attendant risk of fraud and error, leading to some incorrect payments. We administer over 25 benefits, ensuring that the very different conditions of entitlement are met in each individual instance. We take tackling incorrect payments seriously and pay around 97% of our £183.5[9] billion benefit expenditure correctly.

9 Benefit expenditure stated within this note is based on the latest available forecast expenditure for 2018-19, at the time the estimate was prepared. For this reason it does not agree to that seen in the Statement of Comprehensive Net Expenditure (SoCNE) of £183.0 billion, or the Statement of Parliamentary Supply (SOPS) of £182.5 billion. The difference between these values is due to disaggregation in the SoPS between DEL and AME, resource and capital expenditure.

The 2018-19 statistics[10] (published in May 2019) indicate that fraud and error overpayments increased to 2.2% from 2.1%. This amounts to a monetary value of £4.1 billion overpaid from a total expenditure of £183.5 billion this year. Fraud accounts for overpayments of 1.2% (£2.3 billion) of expenditure, whilst claimant error is 0.6% (£1.1 billion) and official error is 0.4% (£0.7 billion).[11]

We have an obligation to ensure that any overpaid benefit is recovered from the debtor in accordance with the appropriate social security legislation. We estimate around £1.1 billion was recovered in 2018-19.[12] An additional measure takes away actual recoveries from estimated overpayments, to give an estimate of the net loss to the system.[13]

We use the published fraud and error statistics to generate ‘heat maps’, which identify the main causes of incorrectness, by benefit and by cause. This has led us to develop our Fraud, Error and Debt Strategy, which provides the overarching vision and our roadmap for the next 3 years.

The Strategy is being delivered through a series of annual plans. The plans focus on preventing loss (rather than simply detecting it once it is in the system) through improved communications, better policy/process design and more efficient use of data/risk analysis. Underpinning individual benefit strategies remain in place to help tackle specific areas of incorrectness in direct response to the published estimates.

The 2018-19 statistics estimate that the proportion of benefit underpaid has increased to 1.1% of total expenditure, which equates to a monetary value of £2.0 billion, compared to 1.0% (£1.7 billion) the previous year. Claimant error accounts for underpayments of 0.7% (£1.3 billion) whilst official error is 0.4% (£0.7 billion) of total expenditure.

Where we’ve been notified about an underpayment, and where there is a legal obligation, we will pay any arrears due. Where underpayments are identified because of official error, we will pay arrears in full at the earliest opportunity, subject to any legal considerations. Our fraud, error and debt strategy requires us to minimise underpayments, as failure to pay claimants their full entitlement can deprive vulnerable people of what they are due.

Statistics

Table 1. Overall 2018-19 fraud and error estimates

	Fraud	**Claimant error**	**Official error**	**Total**
Overpayments	1.2% (£2.3bn)	0.6% (£1.1bn)	0.4% (£0.7bn)	2.2% (£4.1bn)
Underpayments	0.0% (£0.0bn)	0.7% (£1.3bn)	0.4% (£0.7bn)	1.1% (£2.0bn)
Total Expenditure				*£183.5bn*

10 Until the end of 2018 the Department published fraud and error estimates twice yearly. Following consultation with stakeholders it was agreed to move to a single annual publication commencing in May 2019. The figures quoted in the tables are from the May 2019 estimates for 2018-19.

11 We define **fraud** as where claimants deliberately claim money they aren’t entitled to. We split error into 2 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.

12 Benefit recovery is through the department’s debt management function and local authorities.

13 This method deducts money recovered this year (regardless of when the period overpaid relates to) from the money estimated to have been overpaid this year. Money recovered this year comprises in-year 2018-19 figures for directly administered benefits plus figures for Housing Benefit for the period October 2017 to September 2018. Further information can be found at www.gov.uk by searching for Fraud and Error in the Benefit System 2018-19.

Table 2. Work and unemployment benefits 2018-19 estimates

	Overpayments				Underpayments			
	Fraud	Claimant error	Official error	Total	Claimant error	Official error	Total	Total Expenditure
Employment and Support Allowance	2.1% (£310m)	1.0% (£150m)	1.0% (£140m)	4.0% (£600m)	1.2% (£180m)	2.0% (£300m)	3.2% (£470m)	£14.8bn
Income Support	2.4% (£50m)	1.0% (£20m)	0.4% (£10m)	3.9% (£70m)	0.4% (£10m)	0.3% (£10m)	0.8% (£20m)	£1.9bn
Job Seekers Allowance	4.3% (£60m)	0.3% (£0m)	1.8% (£20m)	6.5% (£90m)	0.2% (£0m)	1.0% (£10m)	1.3% (£20m)	£1.3bn
Universal Credit	5.8% (£460m)	0.7% (£50m)	2.1% (£170m)	8.6% (£680m)	0.7% (£60m)	0.5% (£40m)	1.3% (£100m)	£8.0bn

Table 3. Disability benefits 2018-19 estimates

	Overpayments				Underpayments			
	Fraud	Claimant error	Official error	Total	Claimant error	Official error	Total	Total Expenditure
Disability Living Allowance	0.5% (£40m)	0.6% (£50m)	0.8% (£60m)	1.9% (£150m)	2.4% (£200m)	0.1% (£10m)	2.5% (£200m)	£8.2bn
Incapacity Benefit	0.3% (£0m)	0.9% (£0m)	1.2% (£0m)	2.4% (£0m)	0.0% (£0m)	0.7% (£0m)	0.7% (£0m)	£0.0bn
Personal Independence Payment	1.6% (£170m)	1.6% (£170m)	0.3% (£30m)	3.5% (£370m)	3.2% (£340m)	0.6% (£70m)	3.8% (£400m)	£10.6bn

Table 4. Pension Age benefits 2018-19 estimates

	Overpayments				Underpayments			
	Fraud	Claimant error	Official error	Total	Claimant error	Official error	Total	Total Expenditure
State Pension	0.0% (£0m)	0.1% (£80m)	0.0% (£10m)	0.1% (£90m)	0.0% (£0m)	0.1% (£120m)	0.1% (£120m)	£96.9bn
Pension Credit	2.2% (£120m)	1.4% (£70m)	1.3% (£70m)	5.0% (£260m)	1.6% (£80m)	1.1% (£60m)	2.7% (£140m)	£5.2bn

Table 5. Housing benefit 2018-19 estimates

	Overpayments				Underpayments			
	Fraud	Claimant error	Official error	Total	Claimant error	Official error	Total	Total Expenditure
Housing Benefit	4.2% (£860m)	1.7% (£360m)	0.5% (£110m)	6.4% (£1,340m)	1.2% (£250m)	0.4% (£90m)	1.6% * (£340m)	£20.8bn

Table 6. Other benefits 2018-19 estimates

	Total Overpayments	Total Underpayments	Total Expenditure
Carers Allowance	5.5% (£160m)	0.1% (£0m)	£2.9bn
Interdependencies	z (£40m)	z	z
Other unreviewed	1.8% (£230m)	1.7% (£220m)	£13.0bn

Notes to tables 1-6:

1. The 2018-19 data comes from DWP National Statistics: Fraud and Error in the Benefit System: 2018-19 Estimates. Figures are based on fraud and error national statistics for the period covering October 2017 to September 2018 (August 2017 to July 2018 for Personal Independence Payment) and estimated benefit expenditure for 2018-19.

2. Total expenditure figures for 2018-19 were the latest available for the financial year at the time of producing the fraud and error estimates.

3. All expenditure values in the table are rounded to the nearest £100 million and monetary estimates are rounded to the nearest £10 million.

4. Figures expressed as percentages (%) give the overpayments and underpayments as a % of the benefit paid out in the year.

5. Rows and columns may not equal the totals due to rounding.

6. The overpayment and underpayment figures above are central estimates and therefore there is a degree of uncertainty around them. The full statistical tables are available at Gov.uk show the 95% confidence intervals for all the figures above. These confidence intervals allow for statistical uncertainty caused by the sampling approach. Further uncertainties arise from imperfections in the review process. Where possible we've quantified these and incorporated them into the 95% confidence intervals.

7. Any figure marked with a * means that it has had a statistically significant difference (at a 95% level of confidence) when comparing to the 2017-18 preliminary statistics. Where changes are not statistically significant, differences are likely to be due to sampling variation. This suggests that these estimates are stable over time with little change year on year. For the 2017-18 preliminary figures please see Gov.uk.

8. We review a selection of benefits for fraud and error each year. Estimates for other benefits come from previous review exercises, or proxies. Please refer to the latest National Statistics publication for further details. (See 'Benefit fraud and error estimation and uncertainty' section below for details)

9. "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.

10. 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, ensuring 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 of measuring the benefit.

Further information on our estimation strategy can be found at Gov.uk (within the latest National Statistics publication, and the technical appendix document).

When interpreting the statistics, please bear in mind that we only sample cases that are in receipt of benefit. The figures do therefore not include, for example, people who are entitled to benefit but don't apply, those whose applications are incorrectly rejected, or benefit advances.

How each benefit contributes to the overall level of overpayments and underpayments

Individual benefits make varying contributions to the overall fraud and error rate, and changes in the rates for each benefit from year to year have different impacts on the overall rate of fraud and error. The table below illustrates how each of the benefits contributes to the overall overpayment amount (of £4.1 billion benefit expenditure, equating to an overall rate of 2.2%) and overall underpayment amount (of £2.0 billion benefit expenditure, equating to an overall rate of 1.1%). The table also shows how changes to the overpayment and underpayment rates for the individual benefits could affect the overall figures.

Table of the proportion each benefit contributes to the overall overpayment rate

Continuously reviewed	HB	PC	ESA	JSA	UC	PIP
Expenditure (£bn)	£20.8	£5.2	£14.8	£1.3	£8.0	£10.6
Overpayment rate	6.4%	5.0%	4.0%	6.5%	8.6%	3.5%
Overpayment value (£m)	£1,340	£260	£600	£90	£680	£370
Contribution to overall OP	*33%*	*6%*	*15%*	*2%*	*17%*	*9%*
Impact of a 10% change in monetary value of overpayment on the overall overpayment rate	*0.07%*	*0.01%*	*0.03%*	*0.00%*	*0.04%*	*0.02%*

Occasionally reviewed	IS	IB	DLA	SP	CA	Unreviewed
Expenditure (£bn)	£1.9	£0.0	£8.2	£96.9	£2.9	£13.0
Overpayment rate	3.9%	2.4%	1.9%	0.1%	5.5%	1.8%
Overpayment value (£m)	£70	£0	£150	£90	£160	£230
Contribution to overall OPs	*2%*	*0%*	*4%*	*2%*	*4%*	*6%*
Impact of a 10% change in monetary value of overpayment on the overall overpayment rate	*0.00%*	*0.00%*	*0.01%*	*0.00%*	*0.01%*	*0.01%*

For example, Housing Benefit (HB) currently contributes 33% of the overall overpayment value, the highest of all individual benefits. If the monetary value of overpayment on HB (currently £1,340 million) changed by 10%, this would lead to the overall overpayment rate changing by 0.07%.

Table of the proportion each benefit contributes to the overall underpayment rate

Continuously reviewed	HB	PC	ESA	JSA	UC	PIP
Expenditure (£bn)	£20.8	£5.2	£14.8	£1.3	£8.0	£10.6
Underpayment rate	1.6%	2.7%	3.2%	1.3%	1.3%	3.8%
Underpayment value (£m)	£340	£140	£470	£20	£100	£400
Contribution to overall UP	*17%*	*7%*	*24%*	*1%*	*5%*	*20%*
Impact of a 10% change in monetary value of underpayment on the overall underpayment rate	*0.02%*	*0.01%*	*0.03%*	*0.00%*	*0.01%*	*0.02%*

Occasionally reviewed	IS	IB	DLA	SP	CA	Unreviewed
Expenditure (£bn)	£1.9	£0.0	£8.2	£96.9	£2.9	£13.0
Underpayment rate	0.8%	0.7%	2.5%	0.1%	0.1%	1.7%
Underpayment value (£m)	£20	£0	£200	£120	£0	£220
Contribution to overall UP	*1%*	*0%*	*10%*	*6%*	*0%*	*11%*
Impact of a 10% change in monetary value of underpayment on the overall underpayment rate	*0.00%*	*0.00%*	*0.01%*	*0.01%*	*0.00%*	*0.01%*

For example, Employment and Support Allowance (ESA) currently contributes 24% of the overall underpayment value, the highest of all individual benefits. If the monetary value of underpayment on ESA (currently £470 million) changed by 10%, this would lead to the overall underpayment rate changing by 0.03%.

Sensitivities around certain assumptions

Cannot review and loss of claimant contact adjustment uncertainty

Cases that haven't had an effective review, due to the claimant not engaging with the full review process, are referred to as 'cannot review' cases. All of these cases will have a fraud error type recorded; the majority are categorised as loss of claimant contact (LoCC). Some cannot review cases will be recorded under a different fraud category, such as capital or housing costs, if there was a suspicion of a specific type of fraud raised during the initial preview stage of the review.

Housing Benefit (HB) and Universal Credit (UC) have benefit-specific assumptions for refining the categorisation of cannot review cases for reporting purposes. UC applies assumptions to all cannot review cases and HB applies assumptions specifically to LoCC cases.

Further details on the Universal Credit cannot review assumption

In 2018-19, 4% of sample cases did not have an effective review. This is primarily due to the claimant not engaging in a review, resulting in their benefit claim being suspended and then later terminated.

The Department holds very little information on these cases in relation to their current circumstances and the reasons for failing to engage. Given the absence of information available for these cases a new set of assumptions were introduced in the final 2017-18 national statistics, published in December 2018, to categorise the cases for reporting within the publication.

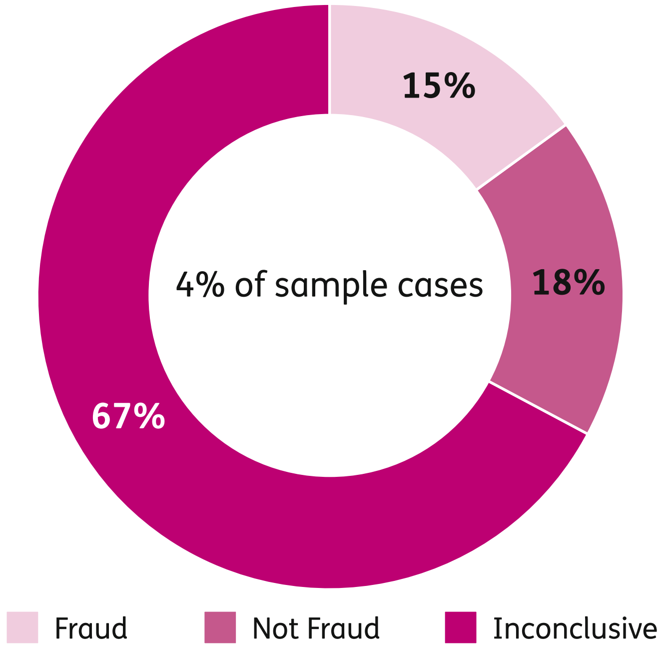
These cases are categorised within the publication as either fraud, not fraud or inconclusive based on the following set of criteria:

- Fraud – where a case has a suspicion of fraud raised following initial data gathering prior to review, these cases are assumed to be fraud in the reported estimates
- Not fraud – where a claimant reclaims benefit at a similar rate within 4 months of their original award being terminated, these cases are assumed not to be fraud. Any other errors such as official error would remain on the case, so they may not be entirely 'benefit correct'
- Inconclusive – where there is no information to suggest a suspicion of fraud or that the claimant has reclaimed benefit, these are recorded as inconclusive and no assumptions are made on these cases

Inconclusive cases are taken out of the headline reported estimates since there is insufficient evidence to categorise as fraud or not. The expenditure for these cases is estimated and reported separately in a footnote within the publication and supplementary tables. In the 2018-19 national statistics inconclusive cases accounted for 1.7% of expenditure.

The following chart shows how the cases that did not have an effective review were categorised in the final 2018-19 national statistics.

4% of sample cases have not had an effective review, 67% of these are categorised as inconclusive



Inconclusive cases have the greatest level of uncertainty due to the absence of evidence to support an outcome of fraud or not. The following table shows the 2018-19 estimates based on the central assumption, which excludes inconclusive cases from the estimates, and 2 alternative scenarios to illustrate the sensitivity of the estimates if the inconclusive cases were to be included.

The scenarios included are:

- Scenario 1 – estimates with inconclusive cases included as fraud
- Scenario 2 – estimates with inconclusive cases included as not fraud

	Claimant Error	Fraud	Official Error	Total Overpayments	Total Overpayments (MVFE)
Scenario 1	0.7%	7.2%	2.1%	10.0%	£790m
2018-19 Estimate	0.7%	5.8%	2.1%	8.6%	£680m
Scenario 2	0.7%	5.8%	2.1%	8.6%	£680m

Note: Changes in the Fraud categorisation of errors can affect cases with multiple errors of differing error types due to netting and capping. This means that changing the fraud categorisation on cases can lead to changes in claimant and official error.

Further details on the Housing Benefit loss of claimant contact assumption

For the 2018-19 preliminary estimates, 23% of LoCC cases were found to be ‘benefit correct’. The monetary values for LoCC errors were thus adjusted downwards by this amount. The adjustment calculation is based on a rolling average of subsequent review outcomes from April 2015 to April 2018. The 2017-18 preliminary estimates had an adjustment of 21%.

The table below illustrates the effect of altering this adjustment factor, to demonstrate the sensitivity of the LoCC assumption. For the purpose of this sensitivity analysis, it has been assumed that the effects of all other adjustments in the HB process remain constant when the LoCC adjustment is changed.

	LoCC MVFE – reinstated (£)	LoCC MVFE – overpayments (£)	Total MVFE – overpayments (£)	LoCC – overpayments (%)	Total HB overpayments (%)
(No adjustment) 0%	£0m	£140m	£1370m	0.7%	6.6%
(Adjustment 50% lower) 11.5%	£20m	£120m	£1350m	0.6%	6.5%
(2017-18 adjustment – 2% lower) 21%	£30m	£110m	£1340m	0.5%	6.4%
(Central estimate) 23%	£30m	£100m	£1340m	0.5%	6.4%
(2% higher) 25%	£30m	£100m	£1330m	0.5%	6.4%
(Adjustment 50% higher) 34.5%	£50m	£90m	£1320m	0.4%	6.4%
(Double adjustment) 46%	£60m	£70m	£1310m	0.4%	6.3%

Note: The MVFE illustrated in the table is rounded to the nearest £10m

Universal Credit live and Full Service estimate assumption

UC live service was an intermediary system used to administer the majority of UC claims to date, predominantly single unemployed jobseekers, until the full online service is fully rolled out. The new system, referred to as Full Service, is open to the majority of UC claimant types depending on location. The 2018-19 national statistics are a composite measure based on data sampled from both full and live service.

The method for producing the overall fraud and error rates involves calculating the rates separately for each service before combining to produce the overall UC estimates. This requires total UC expenditure to be apportioned by service for use in the calculations.

Analysis of award amounts held in the caseload data that underpins UC official statistics, produced an estimated expenditure split of 87% for Full Service and 13% for live service. These % were applied to overall UC expenditure and the resulting service level expenditure amounts used in the calculation of the rates for each service.

The following table shows the 2018-19 estimates based on the central (87%) Full Service expenditure split and 4 alternative scenarios to illustrate the sensitivity of the estimates to varying the level of assumed Full Service expenditure.

	Overpayments				Underpayments			
Change in assumption for full service rate	Claimant Error	Fraud	Official Error	Total	Claimant Error	Fraud	Official Error	Total
95% full service	£50m	£460m	£180m	£690m	£60m	£0m	£40m	£100m
90% full service	£50m	£460m	£170m	£690m	£60m	£0m	£40m	£100m
Central Estimate 2018-19 – 87% full service	£50m	£460m	£170m	£680m	£60m	£0m	£40m	£100m
80% full service	£50m	£470m	£160m	£680m	£60m	£0m	£40m	£100m
75% full service	£50m	£470m	£150m	£680m	£60m	£0m	£40m	£100m

This proportional split approach is an intermediary measure and beyond this year it is envisaged that the estimates will be based on Full Service only and a split of expenditure will not be required.

Methodological changes

Standardising the methodology across the benefits

In the last year work has been undertaken to standardise how the estimates are created for each benefit. For Jobseeker's Allowance, Employment and Support Allowance, Pension Credit, Personal Independence Payment and Universal Credit the new process made no difference to figures. For Housing Benefit, there was a significant change to how grossing and extrapolation were carried out. When running the 2017-18 figures for Housing Benefit through both methodologies, the new method increased the overpayment and underpayment rate by 0.1% (which equated to an increase of £10m and £20m respectively).

For more information on this and other minor methodological changes made in the year, which have had minimal impact, please see section 1 of the Fraud and Error background and methodology document found at www.gov.uk

19. Contingent liabilities

Her Majesty's Government's (HMG) guarantee for European Union (EU) funded projects

The agreement at the December 2017 European council that the UK will continue to participate in all EU programmes during the remainder of this multiannual financial framework to the end of 2020 supersedes guarantees previously made by the Chancellor provided an overall EU exit deal is reached. In accordance with the government Financial Reporting Manual (FReM), these guarantees need to be recognised as contingent liabilities in the Department's accounts until the outcome of EU exit negotiations are completed.

The activity in scope within DWP includes the Department's role as managing authority for the European Social Fund (ESF) and in management of the Employment and Social Innovation Fund (EaSI). The scale of potential liability is not quantifiable at this point.

European Social Fund (ESF) repayments

The ESF audit authority is required to provide opinions on both the final 2007 to 2013 ESF programme declaration issued by the ESF certifying authority and the 2014 to 2020 ESF programme. This is largely based on the amount of error found during checks of claims submitted by the Department, as managing authority of the ESF in England and Gibraltar. If this exceeds the EU defined 2% tolerance error rate the opinion is qualified by the ESF audit authority, with the risk that the EU can impose a financial correction.

The 2007 to 2013 programme did not exceed the 2% error threshold in the 2016 Annual Control Report (ACR) and closure declaration. In accordance with commission guidance the audit authority gave an unqualified opinion. However, until the 2007 to 2013 ESF programme is finally closed (and discussions with the Commission are ongoing) the Department will not know the exact extent of any financial corrections imposed.

For the 2014 to 2020 programme the opinion of the audit authority on the 2017-18 accounts is unqualified with an error rate of 0.117% within the EU's 2% tolerance level.

Compensation claims

Compensation payments may become due because 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. Therefore, it is not practical to disclose an estimate of the financial effect or the timing of any outflow.

The Rent Service employee pensions

The Rent Service transferred from us to the Valuation Office Agency on 1 April 2009. The Rent Service employed around 400 staff, who were members of the Local Government Pension Scheme, following the transfer they could continue to participate in the scheme. Whilst the scheme is currently balanced, if there is a pension deficit we will be liable to meet the shortfall, it is not practical to disclose an estimate of the financial effect or the timing of any outflow.

Pension Protection Fund (PPF) compensation

The Advocate General has issued an opinion on a case recently referred to the European Court of Justice which could have an impact on the PPF. The final judgement is expected later in 2019. There is currently not sufficient information to make a reasonable estimate of any financial impact on the FAS provision as a result of this case.

Supplier disputes

We have contingent liabilities arising from payments that may become due because of disputes with suppliers following expiry of accommodation contracts. The disputes are about the extent to which the Department is indemnified against possible claims, and amounts payable for equipment. Full information has not been disclosed because to do so might seriously prejudice the position of the Department.

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 £6m for successful mandatory reconsideration or appeals. This is all expected to be settled within the following financial year.

Legal cases

Contingent liabilities are liabilities that occur either

- because there is a **possible obligation** that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation or
- because there is a **present obligation** that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably

The legal cases (judicial reviews and appeals) included in this note all relate to **possible obligations** where the Department is facing legal challenge to the policy behind the legislation through the courts and the outcomes depend on the court rulings. As at 31 March 2019 the Department estimates the value of this contingent liability in aggregate to be £82 million. Further disclosure of the details of the cases are not provided as, in accordance with IAS 37 (paragraph 92), the Department considers that the disclosure of individual values for any legal contingent liabilities could be expected to seriously prejudice on-going litigation.

The Department has other ongoing legal cases that are not being disclosed as either contingent liabilities or remote contingent liabilities as any disclosure could prejudice the Department's position.

20. Related party transactions

We sponsor the arm's length bodies listed on page 107. These include 3 public corporations: Pension Protection Fund, National Employment Savings Trust and Office for Nuclear Regulation.

In addition, we have a large number of transactions with other government departments and central government bodies. The most significant of these have been with HM Revenue and Customs, the British Broadcasting Corporation, the Cabinet Office, Northern Ireland's Department for Communities, HM Passport Office, HM Courts and Tribunals Service, the Government Legal Department, the Scottish Government, the Department of Health and Social Care and HM Treasury. We also have transactions with other public bodies such as local authorities.

No minister, board member or other related parties has undertaken any material transactions with the Department during the year.

Details of remuneration for key management personnel can be found in the remuneration and staff report within the accountability report.

21. Events after the reporting period

There have been no events after the reporting period.

The Accounting Officer authorised these financial statements for issue on 27 June 2019.