Department for Work & Pensions

ANNUAL REPORT & ACCOUNTS

2019-20

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Department for Work & Pensions

Annual Report & Accounts 2019-20

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Department for Work and Pensions

Annual Report and Accounts 2019-20

for the year ended 31 March 2020

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The Right Honourable Thérèse Coffey MP
Secretary of State for Work and Pensions

Secretary of State's foreword

DWP is one of the main interfaces between government and people. We help and support directly in a number of aspects of life – from maternity allowance to support in employment to your state pension – and will continue to deliver a safety net for all.

In the last few weeks of this financial year, this has become even more apparent with the impact of the largest public health emergency in generations. I take great pride in how the Department has risen to this challenge, adapting at great speed to deliver support to those in need. This is thanks to the hard work and dedication of our staff.

I have been clear in my ambition for DWP to be a learning Department. We will look to learn the lessons of this pandemic as we adapt our processes to deliver for our customers in the future. I am confident that there will be some operational changes that we can retain and we stepped up digitisation in our processes but, unfortunately, we know that criminals will keep trying to defraud the taxpayer and we will keep trying to stop that happening.

After a fantastic year of increasing employment rates (up to a joint-record 76.6% in March) and reducing unemployment, the COVID-19 emergency has had a significant impact on the country, including its economy. A worrying time for many, the furloughing practice through the Coronavirus Job Retention Scheme has helped over eight million employees so far to keep their employment. This Department will play a crucial role in getting people back into work and getting the economy moving again.

I joined the Department in September as Secretary of State. With my Ministerial Team, I have carried on the fundamental approach to improving the efficiency and effectiveness of our Department in line with the Single Departmental Plan. We have had a general election with new manifesto commitments. The United Kingdom has left the European Union and we, including our arm's length bodies, continue to prepare for the end of the transition period. There is more work to be done and I will be taking forward our welfare agenda in a way which levels up areas across the country and helps people to reach their full potential.

Peter Schofield CB
Permanent Secretary

Permanent Secretary's overview

As I write this, in the midst of COVID-19, it is hard to look beyond the impact of the pandemic on our country. Since 16 March, we have seen a massive increase in the number of citizens seeking support from DWP, and we acted swiftly to ensure we could respond. Our priorities have been making sure we pay new claims on time, while keeping staff and members of the public safe. Since the start of the pandemic, there has been unprecedented levels of demand for Universal Credit (UC). From 1 March 2020 to 26 May 2020, the Department received 2.4 million new claims from households to UC, (2.9 million new claims from individuals), and paid over 89% of new claims on time and in full. For now, we have suspended almost all of our face-to-face interactions with members of the public, and supported people to make their claims online. We have established a new call centre as part of the wider government work to provide support to the most vulnerable, "shielded" citizens. And we have enabled more of our staff to work from home.

The response to COVID-19 dominated the last two weeks of the financial year, but 2019-20 had already been a year of significant achievements. Employment levels peaked at 76.6%, the joint highest rate on record. This year also saw the Department start the next phase of UC roll out through the Move to UC pilot, the process of safely moving legacy claimants onto UC whilst protecting their entitlement.

19.2 million eligible employees are now saving for retirement on a workplace pension. With the total minimum contribution increased from 5% to 8% of qualifying earnings on 6 April 2019 helping to ensure financial security for citizens in retirement. The establishment of the Money and Pensions Service and development of pension dashboards with the industry are helping people to make even more informed decisions and utilise the pension flexibilities available.

In 2019-20 we have continued to deliver the devolution of welfare to Scotland, supporting the Scottish Government to introduce new disability and carer benefits and put in place agency agreements to enable us to continue to deliver these benefits on their behalf, when executive competence for these benefits transferred on 1 April 2020. We have also provided support to the Scottish Government as they prepare for delivery of new benefits including their Job Start Payment and the Scottish Child Payment.

Having exited the European Union (EU), DWP is committed to working closely with other government departments to seize the opportunities. Within the Department, the EU Transition Programme has established programmes of work to develop the future social security coordination policy, support negotiations and ensure readiness to deliver services on 1 January 2021.

Throughout the year we have worked to improve the services we deliver every day to over 20 million citizens. We have maintained high standards across all our major product lines, and worked to listen and respond more effectively including establishing the Serious Case Panel. In 2019-20:

- customer complaints have decreased by 12% compared to 2018-19
- we continue to process an ever increasing proportion of UC claims on time – with payment timeliness maintained above 89%
- collected £2.19 billion of debt and protected taxpayers' money and ensured payment accuracy through our fraud and error strategy

These achievements have been delivered alongside significant changes in the way we work, through transformation which we accelerated as we responded to the impacts of COVID-19.

- we were on track to realise further reductions to annual running costs delivering within reduced funding of 5% or £300 million compared to 2018-19. The uncertainty caused by, and need to respond to, COVID-19, meant in early April I sought a Ministerial Direction to proceed with right and necessary action to respond to the COVID-19 pandemic at pace. The timing of this mobilisation meant we couldn't be certain of the impact on our outturn. However, the Department has ultimately contained expenditure within our 2019-20 control totals
- we have continued to employ a highly capable, engaged workforce and further extended our opening hours from October 2019 to support demand and improve customer service
- our estates reduction and location strategy has delivered both savings and a more flexible modern workspace
- our investment in digital capabilities has strengthened both our resilience and ability to deliver services in more efficient ways. Service down time has reduced to 0.02% and automations such as 'Straight-through processing' on the Get your State Pension service has proved invaluable in freeing up resource so vitally needed to respond to COVID-19

Forward Look

The year ahead poses further unprecedented challenges. There will be significantly more people who will need support through UC and the Department will have to work in new ways as we adapt to changes in workplace guidance and adopt best practice to keep our staff safe. Alongside ensuring people get the financial support they are entitled to, our focus is turning towards getting Britain working again and responding to the economic impact of COVID-19. The way the Department has responded already gives me confidence we will rise to these challenges as well as continuing to transform our services and successfully deliver EU Transition. I want to pay tribute to the work of DWP staff all across the country. Your commitment to supporting people of this country when they need us most is inspiring, and I would like to thank all colleagues as we unite in the mission to help our country recover from the pandemic.

Our 2019-20 Performance at a glance

£191 billion
paid out in benefit, pension and Social Fund payments

More than
10 million
people automatically enrolled in a workplace pension

1.1 million
more disabled people in work now than 5 years ago

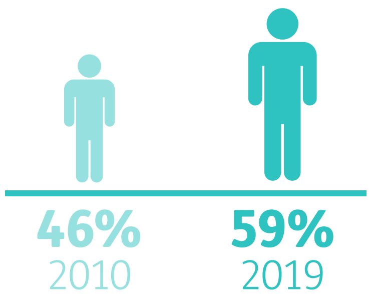
Over 3 million
people receiving Universal Credit in March 2020 compared to 1.8 million in March 2019

Pension savings of eligible savers at
£98.4 billion

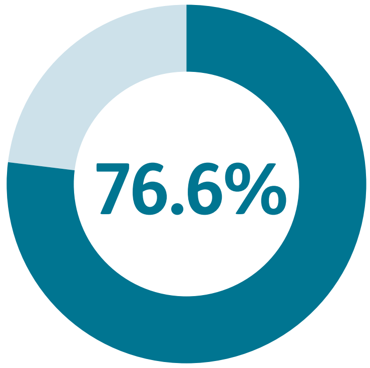
9.3%
of children living in a workless household – down from 16.2% in 2010

£2.2 billion
of debt recovered

Staff engagement at
59%
up from
46% in 2010



Record employment rate of



1,692
trained Mental Health First Aiders

Disabled people in DWP workforce at
16.2%

UC
89%
of Universal Credit new claims paid on time

£3.2 billion
since 09-10

Reduced our annual running costs by
£3.2 billion
since 2009-10

Total commercial savings of
£335.1 million

70%
of new entrants into the Senior Civil Service were women

Performance Overview

About the Department for Work and Pensions

This section provides an overview of the Department for Work and Pensions. This includes an overview of our organisation, services and structure. It also sets out our Single Departmental Plan for 2019-20, including how we worked to achieve it.

Our Organisation

The Department for Work and Pensions is the government's largest public service department, touching every citizen in the country at some point in their lives. We develop policy and support ministers and Parliament in making crucial decisions that affect the whole of the UK and deliver life-changing services on work, welfare, pensions and child maintenance to over 20 million claimants and customers.

Our vision

As set out in our Single Departmental Plan for 2019-20, we are delivering a modern, fair and affordable welfare system that makes a sustainable positive difference to citizens' lives. We are supporting everyone who can or wants to work to do so 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	**Child Maintenance Options** is a free service that provides impartial information and support to help separated parents make decisions about their child maintenance arrangements.
	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.
	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.

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 2020 there were 72,186 full time equivalent people working in our departmental group, which includes our core Department and our arm's length bodies.

On 1 April 2019 we changed the structure of some of our work and teams, in particular by no longer organising ourselves by Operations and Corporate Centre groups. The changes are helping us to work across boundaries and join up more effectively to deliver the right outcomes for the people we serve.

Our director general groups are:

Peter Schofield – Permanent Secretary

Emma Haddad	**Director General, Service Excellence Group**	**Responsible for:** Child Maintenance services; Retirement services; Fraud, error and debt services; Dispute resolution services; Business continuity; Resilience and crisis management for the whole of the DWP. Provide the very best service possible to our customers whilst also improving our efficiency and effectiveness.
Neil Couling	**Director General, Change Group**	**Responsible for:** Major change projects and programs Senior Responsible Owner for the Universal Credit Programme
Simon McKinnon	**Director General, Digital Group**	**Responsible for:** Chief Digital Information Officer, providing expert digital and business transformation services, and information management.
Nick Joicey	**Director General, Finance Group**	**Responsible for:** Providing expert financial and commercial services, planning and performance management reporting, business strategy, governance advice, security and business partnering.
Debbie Alder	**Director General, People and Capability Group**	**Responsible for:** Organisation Design and Development. Providing expert HR services and business partnering. Talent and engagement. People strategy.
JP Marks	**Director General, Work and Health Services Group**	**Responsible for:** Working Age and Disability services to serve our local communities to support the most vulnerable and to help more people into work than ever before.
Jonathan Mills	**Director General, Policy Group**	**Responsible for:** Providing ministers with a joined up view of their portfolios (including through the Implementation Unit), looking ahead and developing proposals for change. Managing the Department's welfare spending.
Susanna McGibbon	**Director General, Legal Services**	**Responsible for:** Providing appropriate legal expertise to support operational delivery, strategy and change.

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

Our budget

We have the largest expenditure of any department across government. The cost of running our Department in 2019-20 was **£6.1 billion**, paid from Departmental Expenditure Limit (DEL). We also paid out £191 billion in benefit, pension and social fund payments from Annually Managed Expenditure (AME).

What we are aiming to achieve

Our ministers set out six strategic objectives for the Department in our Single Departmental Plan for 2019-20[1], as outlined in the table below. A more detailed analysis of our performance against each objective can be found on pages 20 to 102.

Strategic Objectives

1	**Build a more prosperous society by supporting people to enter into, and progress in, work.**
2	**Improve outcomes and ensure financial security for disabled people and people with health conditions, so they view the benefits system and the Department as an ally.**
3	**Ensure financial security for current and future pensioners and make Britain the best place in the world to retire.**
4	**Support the most disadvantaged and enhance social mobility by designing and delivering inclusive policies for all; supporting families and providing effective housing support.**
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.**
6	**Ensure DWP's policies, operations and arm's length bodies continue to operate effectively after exiting the EU.**

1 Single Departmental Plan is available at www.gov.uk

During 2019-20 we strengthened our oversight of our key departmental priorities. A new Implementation Unit now sits at the heart of the Department and is responsible for tracking, and supporting the delivery of, the priorities. The insight from the unit helped establish the focus of the Department's Implementation Board, a monthly meeting of the Ministerial Team and the Executive Team to review progress and discuss challenges.

In addition, the Ministerial Team and Executive Team also held weekly delivery meetings to focus on departmental performance.

How we worked towards it

• boosted employment, including among under-represented and disadvantaged groups, through our work coaches based in Jobcentres	• optimised positive local labour market outcomes working alongside local authorities to deliver targeted initiatives	• consolidated the secure delivery of Universal Credit following completion of roll out, ensuring that it works for everyone	**See Pages 20-31**
• supported disabled people to find and remain work through Jobcentre Plus and the Work and Health Programme	• protected disabled people and people with health conditions on low income to live independently	• encouraged stakeholders to work together to support disabled people's full participation in economic and social life	**See Pages 32-41**
• delivered a state pension system which will aid retirement planning and protects low income pensioners	• increased participation and confidence in workplace pension schemes	• supported the retention, retraining and recruitment of older people (50+) in the labour market through cross-government policy initiatives	**See Pages 42-51**
• continued to provide a child maintenance system that supported separated parents to work together to set up family-based child maintenance arrangements	• continued implementation (in England) of the programme to reduce parental conflict, especially in disadvantaged and workless families	• ensured that housing support is effectively delivered	**See Pages 52-57**
• in majority of cases provided outstanding and inclusive customer service to citizens, including those with different or complex needs	• worked to tackle fraud and error within DWP benefits	• transformed the Department ,using integrated organisation design, focusing on culture, estates and modernising our technology	**See Pages 58-88**
• worked closely with other government departments to ensure consistency of plans across government as part of the UK's preparations to leave the EU	• introduced primary and secondary legislation that ensures the UK's statute book is in order after we leave the EU	• ensured chemical and nuclear policies, including regulatory frameworks are in place to meet our international safeguard obligations.	**See Page 89**

Information about the challenges we faced in delivering these objectives can be found within the governance statement.

We are also committed to embedding and meeting our public sector equality duty (which covers the nine 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.

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 groups of people through promoting understanding and tackling prejudice

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

More detail on sustainable development is available on pages 91 to 96. The Public Sector Equality Duty is on pages 99 to 102 regarding our service users and, on pages 155 to 158 regarding our colleagues.

Our response to COVID-19

COVID-19 has created significant challenges for individuals, businesses and public services across the country. People across the Department have played a vital role – alongside other critical workers such as nurses, doctors, firefighters and police – in ensuring that citizens are properly supported throughout the current pandemic.

A cornerstone of the government's economic response has been to provide financial support for people who are affected by COVID-19 because they get sick, can't work because of the position of others in their household or are more generally affected by the lockdown. The Department played a key role in implementing, at pace, changes to the benefits system, including through Universal Credit, to provide extra financial support to people during the pandemic.

As the provider of society's safety net, our primary focus has been on ensuring we continue to pay benefits in a timely fashion to the millions of people who depend on our services, support new claims and safeguard vulnerable people. We have experienced a much greater volume of claims, from 1 March 2020 to 26 May 2020, we received nearly 2.4 million Universal Credit declarations and our initial phase of activity has focused on responding to this surge in demand while, at the same time, managing a large number of our people that have been required to self-isolate. To do that we have re-prioritised our work to align the whole Department to ensure we can keep the benefit system fully functioning and to ensure payments continue to be made in a timely manner. This has included moving as many people as possible into service delivery roles and maximising the processing capacity of our jobcentres and service centres.

Our priority has been to keep our people and customers safe throughout the COVID-19 pandemic. We are keeping our staff engaged and informed through regular communications so that individuals and line managers have, or are signposted to, the latest information and advice; introduced more flexibility to accommodate new working arrangements; and focused on our estate and office practices so that they can work in a safe environment. Our people have done, and will continue to do, an extraordinary job in these exceptional circumstances. Inevitably though, many of our people have been affected directly by the virus or by events that impact on their family and loved ones.

In addition, across the Department people have worked to ensure that our critical services, such as our payment systems, remain resilient; that we work with our suppliers to resolve interruptions to our services; that our IT and digital infrastructure remains secure, particularly where many more staff are working from home; and that we are giving clear information and advice to people inside and outside the Department.

Inevitably, where an event such as this influences our ability to deliver services, there will be some impact on some of our service levels and the outcomes we deliver as a department. Where possible, we have reflected this in our reporting. But our continuity planning meant we were well prepared to respond with a clear understanding of which services to prioritise, underpinned by clear governance to coordinate activities across the Department. Our governance statement provides more detail on our departmental structures and how we have managed our response to the virus.

We also recognise that playing our part in supporting the country through this period is going to be our core business for some time to come. As such, even as our short-term plans are embedded and our service delivery stabilises, we will continue to review our approach and change our ways of working as public health advice evolves or new challenges emerge. We will also retain a strategic focus on what services the Department will need to provide after the immediate phase of the pandemic is over.

More detail on the impact of COVID-19 is included where relevant throughout the report.

Performance Analysis

This section provides a detailed narrative of our overall performance against our Single Departmental Plan (SDP)[2] for 2019-20. Our SDP sets out our strategic objectives along with the headline indicators through which we measure our progress against each of our six strategic objectives.

Strategic objective 1: Build a more prosperous society by supporting people to enter into, and progress in, work

To help the government deliver on its plan to unleash Britain's potential we are delivering a modern, fair, affordable and sustainable welfare system that makes a positive difference to citizens' lives. Supporting people into work, and helping them to make progress, lies at the heart of this aspiration, underpins a strong macro-economy as well as growth and prosperity across the regions, and also supports other outcomes such as improving health, tackling poverty and reducing homelessness.

Our benefits system is based around the importance of personal responsibility and a system that helps and encourages everyone who can or wants to work to do so, no matter what their personal circumstances; that it pays to work; and that people who are unable to work have a robust safety net and get the support they need. We deliver this support through our own network, contracted employment programmes, locally targeted support through the European Social Fund and other work with local partners.

Our work has been a cornerstone of the strong performance of the UK labour market over the majority of the reporting year. During the course of 2019-20, employment in the UK reached its highest ever level – 33 million – and its joint highest ever rate of 76.6% in March 2020, with low unemployment and rising real wages.

Inevitably, the COVID-19 pandemic has affected the levels of employment and unemployment in the UK and the Department has played a vital role in the government's response to protect jobs and cushion the financial impact on individuals and households and will continue to do so as we emerge out of the current situation.

2 Our Single Departmental Plan is available at www.gov.uk

2019-20 Headline indicators	Previous data	Latest data
UK employment rate	76.1%	76.6%
Percentage of young people aged 18 – 24 years not in full-time education in employment	77.4%	76.6%
Percentage of children living in workless households	10.2%	9.3%

See pages 29 to 31 for further details on these indicators.

Benefits administered	Amount paid out in 2019-20 (£ millions)
Bereavement benefits	505
Christmas Bonus	35
Housing Benefit (not disability, incapacity or carer)	5,213
Income Support (not incapacity or carer)	836
Jobseeker's Allowance	714
Maternity Allowance	419
Social Fund Payments	3
Statutory Maternity Pay	2,169
Universal Credit (not incapacity or carer)	13,159
Other benefits	(255)
Total[3]	**22,798**

During the course of 2019-20, employment in the UK reached its highest ever level – 33 million – and its joint highest ever rate of 76.6% in March 2020, with low unemployment and rising real wages

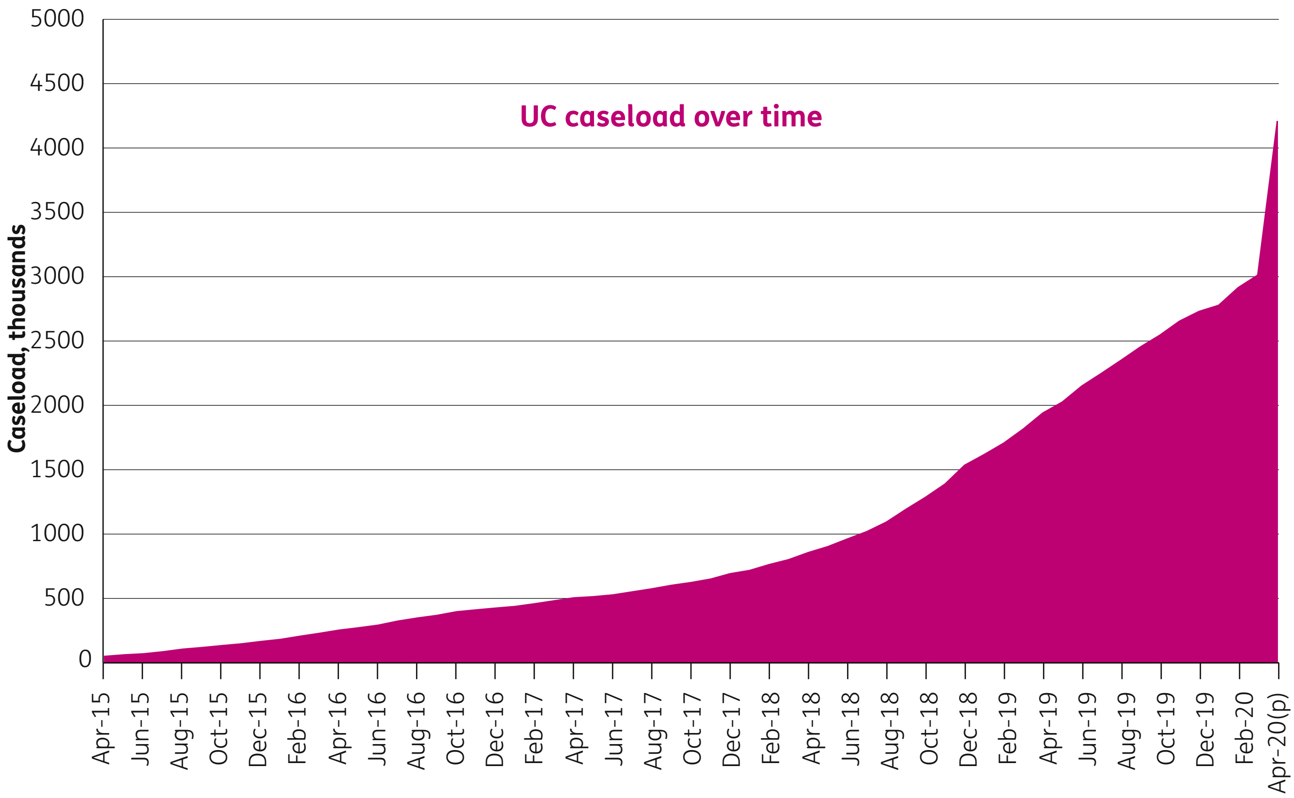
3 Totals may not sum due to roundings.

What we've been doing

Making work pay

Universal Credit (UC), which combines six legacy benefits into one, sits at the heart of our benefits system – by giving people more choices and opportunities to fulfil their ambitions in life and reach their potential. It is designed to help people move into work more easily, with tailored support from an allocated Work Coach, and realigns incentives to make it more financially rewarding for people to move into employment and increase their earnings.

Following the roll out of UC to our network of jobcentres at the end of 2018, we have continued to consolidate its secure delivery and to work closely with a diverse group of stakeholders including charities, campaign groups, local authorities and housing associations. Throughout the year, we have implemented and progressed many improvements to UC policy and its delivery framework. These were supported by an extra £1.7 billion a year to be spent on work allowances to those eligible by 2023-24, which were increased by £1,000 a year from April 2019. This boost will result in 2.4 million households keeping an extra £630 of income each year.



Latest statistics published in May 2020 show there were 4.2 million people receiving UC on 9 April 2020 and of these 36% had employment[4]. This compares to 1.9 million people on 11 April 2019 of which 34% had employment. Even as the caseload has grown, service delivery performance has remained strong: for example, in January 2020 payment timeliness for new claims remained high, at 89% being paid in full and on time.

4 The employment rate measures whether the claimant had received earnings or had their reported self-employment income accepted at any point during the assessment period open on the count date (9 April 2020). They are not necessarily in employment on the count date.

Help to Claim

Since April 2019, Citizens Advice (England and Wales) and Citizens Advice Scotland have been delivering 'Help to Claim' support to people making a new Universal Credit claim. The scheme provides tailored, practical support available online, through web-chat, a Freephone number and face-to-face (limited access to face-to-face during COVID-19) in a range of locations including jobcentres and local Citizens Advice centres. Performance data, qualitative evidence and feedback from jobcentres is positive and data up to the 31 March 2020 indicates that over 250,000 claimants have been supported and nine in ten people would recommend this provision to others. We will continue to monitor progress, which will help inform decisions on future support.

Landlord Portal

The Landlord Portal, which enables social rented sector landlords to submit information directly to the Universal Credit online system and supports timely and accurate payment of housing costs to Universal Credit claimants, has now been rolled out to 771 landlords who collectively manage around 96% of the total Social Rented Sector housing stock. Landlords who are given access to the Landlord Portal are also given 'Trusted Partner status' which enables them to request Alternative Payment Arrangements (APAs), such as paying rent directly to them. To support continuous improvement, we have started a small-scale test to align the payment of the Universal Credit housing element to a social landlord with a claimant's Universal Credit payment date. Subject to a successful test, we aim to roll this out to all social landlords on the portal in 2020.

Move to Universal Credit

In July 2019, we began the Move to Universal Credit pilot to inform plans for the next phase of the Programme. The pilot has involved moving a very small number of existing legacy claimants, who have not had a change in circumstances, onto Universal Credit. Our goal is to test the core principles of the service, ensuring we are able to safely move claimants from legacy benefits over to Universal Credit while protecting their entitlements. Following the outbreak of COVID-19, and the increase in Universal Credit new claims since the middle of March 2020, the pilot has been temporarily suspended. The planned update to Parliament and stakeholders on progress will follow after the pilot recommences.

COVID-19 Response

The COVID-19 pandemic has led to an unprecedented number of declarations and customer contacts for Universal Credit. with new declarations peaking at over 146,000 in a day, versus a normal inflow of around 10,000.

In order to support claimants and provide financial security during this challenging period, the government has announced a package of measures to bolster our welfare spending by over £6.5 billion. In developing our policy response, we were conscious of the need to strike the right balance between implementing additional and timely support to claimants, but not overlaying too much change to the detriment of the Universal Credit system itself. From April 2020 we are temporarily increasing the Universal Credit standard allowance by £20 per week, benefiting households by (up to) £1,040 per year, and increasing the Local Housing Allowance rates for Universal Credit and Housing Benefit claimants so that it covers the lowest 30% of local rents.

From 1 March 2020 to 26 May 2020, 1,185,240 advance payments were issued, to ensure people do not fall into hardship. The majority of these, around 971,420, are new claim and benefit transfer advances.

We are also making it easier for people not eligible for Statutory Sick Pay to claim Universal Credit and temporarily relaxing the requirements of the Universal Credit Minimum Income Floor (an assumed level of income for the self-employed) for the duration of the pandemic.

Additionally, as we have suspended the requirement for claimants to look for work, we have also temporarily suspended the requirement for claimants to attend face-to-face appointments in our jobcentres. This includes weekly and fortnightly work search reviews in Universal Credit, as well as work-focused interviews in Jobseeker's Allowance, Employment and Support Allowance and Income Support. We have also suspended all routine face-to-face visits with the exception of those customers who require additional support.

From 1 March to 26 May 2020, the Department received 2.4million new claims from households to Universal Credit, with a peak of over 100,000 a day

In-work progression

Universal Credit brings new opportunities for the Department to support people in work. We are developing our understanding of the future in-work Universal Credit population and exploring how best to design and deliver effective interventions to support them to progress, working across government and with stakeholders. In September 2018 and October 2019, we published findings from a large scale Randomised Control Trial; 'Universal Credit: In-Work Progression Randomised Control Trial'.

The results show that participants in the two higher intensity support groups saw positive earnings gains of £5.25 ("Frequent support") and £4.43 ("Moderate support") per week, a year after starting the trial, compared to a "Minimal support" group (September 2018 report). Further analysis at 78-weeks found that the Frequent group continued to benefit from higher earnings relative to the Minimal group at a rate of £4.16 per week (October 2019 report). However, for the Moderate group the size of the impact fell to £1.71 and was not statistically significant. A cost benefit analysis found that earnings impacts for the two groups are likely to have exceeded the cost of delivering the trial. More detail can be found on www.gov.uk.

We are further developing the evidence base with an £8 million programme of research and analysis, test and trials.

The developing programme includes our Future Cohorts Study – a large scale survey and qualitative research study – with those who move on to Universal Credit in the future. This will enable us to understand their barriers and support needs around progression, as well as their wider aspirations for work and for life. To complement this, we have also commissioned a Rapid Evidence Assessment (REA) of international policies and programmes linked to in-work progression.

We are delivering a number of projects which seek to develop ways of supporting people to progress, looking at new approaches to engaging people and improving our operational capability. One aspect of this is supporting work coaches to help claimants make good decisions around job switching, and leading conversations with employers around flexibility and progression.

We have established a time-limited Commission to review how we can best support people on low incomes to increase their earnings and progress to higher quality work. It will produce a report to the Secretary of State towards the end of the year.

The Jobcentre Plus offer

Our Jobcentre Plus network has continued to support many people into work throughout the year. Our work coaches use their knowledge and expertise to work flexibly with a wide range of jobseekers, using a range of employment services and online tools to provide personal and tailored support. Our offices provide a supportive environment where people can access this advice and support and use free Wi-Fi to apply for jobs through their devices. All of this is underpinned by a personal Claimant Commitment, which requires co-ownership from the work coach and claimant on activities to be undertaken to overcome their barriers.

Our work coaches are supported by an existing network of work psychologists to help claimants with more complex barriers enter employment. They can also utilise additional packages to support individuals such as:

- the **Flexible Support Fund (FSF)**, a non-recoverable discretionary fund that jobcentre staff can use to supplement mainstream services, such as paying for upfront childcare costs and travel costs for interviews. It is a locally managed fund and the national budget was set at £40 million in 2019-20
- the **New Enterprise Allowance (NEA)**, provides expert mentoring and financial support to people who want to start their own business. Once a claimant has shown they have a viable Business Plan, they are able to access financial aid alongside the continued support of a business mentor for the first twelve months of trading.[5] This is known as a business start. Statistics released in April 2020 show that there have been 247,000 starts to the NEA since April 2011, with around 167,000 starts in the calendar year 2019; staying fairly steady compared with the previous year. The data shows that for every ten starts on NEA there are around six Business starts. We have previously announced that this scheme has been extended to 2021

5 This financial aid consists of an allowance worth £1,274 over 26 weeks, paid at £65 a week for the first 13 weeks and £33 a week for a further 13 weeks. From April 2017, NEA Phase 2 increased the post-business start mentor support period from 6 months to 12 months

Young people

Jobcentre Plus Support for Schools helps schools in England to provide high quality, independent and impartial careers advice to pupils aged from 12 to 18 years of age. During the COVID-19 pandemic, schools in England were largely closed and our Schools Advisers were re-deployed to help deliver critical frontline services. We are working with the Department for Education to agree our future approach to support children with local labour market information.

The Youth Obligation Support Programme (YOSP) was available in every jobcentre throughout the majority of the reporting year, encouraging young people to think more broadly about their skills and job goals and providing work coach support on aspects such as job search, job applications and interview skills. However, as with other face-to-face interventions, YOSP was suspended during the COVID-19 pandemic. We are exploring when it will be safe to restart our offer to young people and whether any changes in approach will be necessary.

Prior to the suspension there were at least 63,000 YOSP participants between October 2018 and April 2019, with almost two in three claimants who completed the programme journey finding work.

Skills and Mentoring

In 2019-20 the Department set out a skills deal working alongside local authorities. For example, we are working with the West Midlands Combined Authority to help tackle high volumes of youth unemployment, in particular amongst disadvantaged young people aged 16 who may have a history of offending; poor or no work history; low educational attainment; disability; alcohol and/or substance misuse; or be care leavers. We employ a small number of Youth Employability Coaches as part of the wider Skills Deal, however, like all other face-to-face interventions this initiative is suspended, with coaches re-deployed to manage critical frontline services.

We are working collaboratively across government, joining up with the Department for Digital, Culture, Media and Sport to launch a £90 million initiative funded from dormant bank accounts to support young people, with a particular focus on ethnic minorities, into work. A new independent youth organisation, the 'Youth Futures Foundation' aimed at removing barriers for those furthest from the labour market has been set up to administer the funds. The initial allocation of funding was delivered in 2020.

January – March 2020 data shows that the ethnic minority employment rate was at a record high of 66.6% and the ethnic minority unemployment rate was also at a record low of 6.6%.

Helping people with the biggest barriers to employment

People from a Black, Asian or Minority Ethnic background (BAME)

The government's updated Race Disparity Audit showed that, in 2019, employment levels for ethnic minority groups had grown steadily, but there was still a gap between people from these groups and white people when it comes to participation in the labour market. For the period January – March 2020, data shows that the ethnic minority employment rate was at a record high of 66.6% and that the white to ethnic minority employment rate gap was at 11.3 percentage points. The ethnic minority unemployment rate was also at a record low of 6.6%.

We have been providing targeted support and developing local solutions in 20 areas around Great Britain. Each one is a local authority with a high ethnic minority population and high gap between the ethnic minority and white employment rate. Together they represent over half of the national ethnic minority employment gap.

Supporting our activity with employers we have developed and delivered new training and guidance to our jobcentre staff. This includes how to promote awareness of unconscious bias and name blind recruitment with employers, including small and medium sized enterprises.

Throughout 2019 we expanded our activity with Pakistani and Bangladeshi women that historically would have had no need to contact their local jobcentre. Jobcentres offer tailored support such as training to gain qualifications and confidence building opportunities. This has resulted in the women securing jobs, or starting training, volunteering or other work experience.

Skills and mentoring has also been an important component of the support. In January 2019, the then 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. Mentoring circles gave participants an opportunity to build on their confidence and skills through facilitating an interaction with employers, while at the same time helping employers understand and revise their recruitment practices. In the reporting year this was made available in jobcentres nationally.

Lead carers including lone parents

During 2019-20 more and more lead carers, including lone parents, returned to work and were more likely to be in work than ever before. The lone parent employment rate was 69.0% in October to December 2019, up 1.1 percentage points on the year and up 12.9 percentage points since October to December 2010.

We are committed to ensuring that affordable childcare is not a barrier to women moving into and progressing in work. Universal Credit continues to provide important financial support for people with childcare costs, enabling families to reclaim up to 85% of the eligible childcare costs up to a specified maximum and removes the requirement for the lead carer to work at least 16 hours a week that is a feature of Working Tax Credits. In 2019-20 we continued to work to make the overall childcare offer more straightforward for parents, providers and work coaches including considering the government offer across different age and income bracket groups and to provide incentives for childcare providers to innovate.

People aged 50 years and over

In the reporting year 2019-20 the number of people aged 50 years and over in employment was at a near record high of 10.6 million, an increase of 2.6 million over the last 10 years. This increase in the older persons' employment has been predominately driven by changes in the female employment rate over time. The largest increase from 1999 to 2019 occurred for females aged 60 to 64 years – up 27.1 percentage points from 24.3% in 1999 to 51.4% in 2019.

We continued to support older claimants to return to work, through our network of older claimant champions in each of the Jobcentre Plus districts. The older claimant champions continued to raise awareness of the benefits of employing older people with Jobcentre Plus work coaches and employers. We believe that this helped to tackle some of the barriers faced by older claimants in getting back to, and remaining in, work.

Support for specific customer groups

We have been working with the Ministry of Justice to deliver a package of support to help prison leavers into employment after their release. We have placed a Work Coach in every resettlement prison or equivalent in England, Scotland and Wales who worked with offenders to develop their CV, skills and built links with employers in the community.

As a key part of the Department's commitment to the Armed Forces Covenant, we have placed Armed Forces champions in every Jobcentre Plus district since December 2009. The Department secured new funding of around £5 million in the 2019 Spending Round to bolster the role. The work on bolstering the role has been suspended during the COVID-19 pandemic.

European Social Fund

The Department also manages the 2014-20 European Social Fund (ESF) programme in England; some £440 million, on average, per annum for employment and skills projects. It is expected to help over two million people over the course of the programme by providing preparatory, additional and alternative employment and skills support to people with disadvantages. This includes, for example:

- supporting inactive and unemployed people closer to/into work by addressing barriers to work and building confidence
- addressing the complex, often overlapping and underlying issues for example, drugs and alcohol dependencies that individuals sometimes face
- providing skills and training, also for those in employment but facing disadvantage, to support their progression

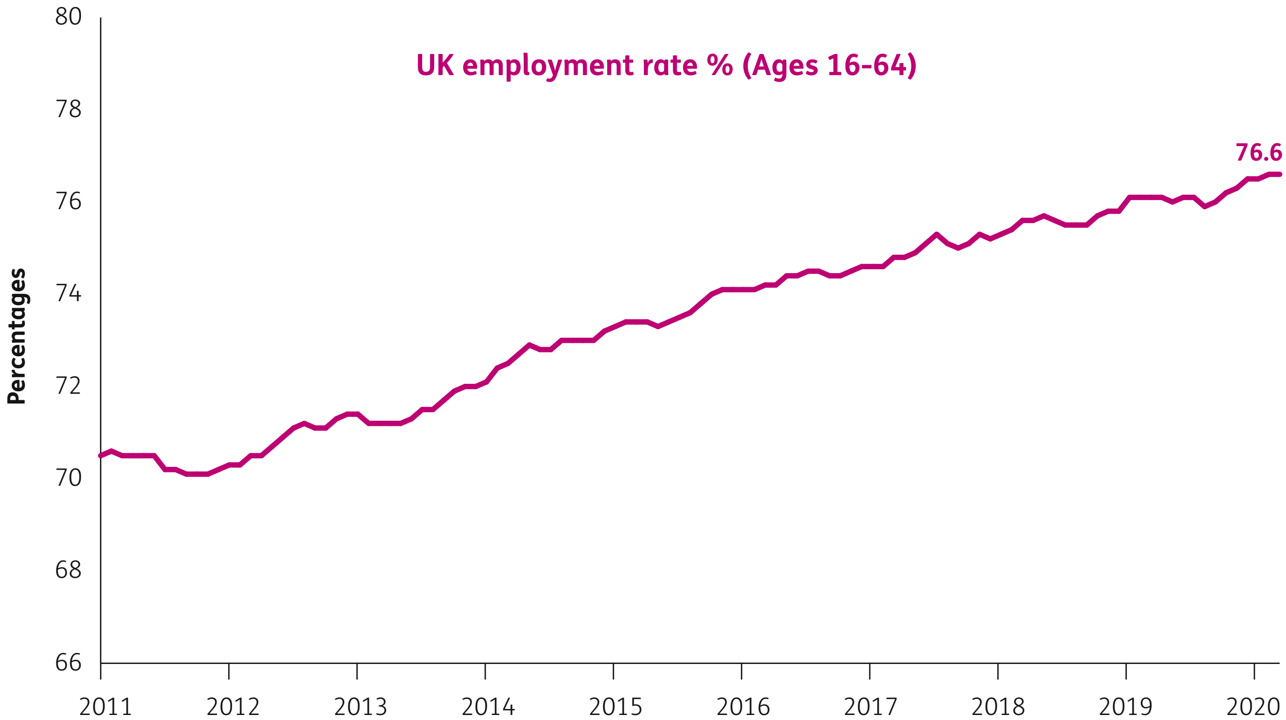
The 2014-20 European Social Fund programme will phase out from 2021. The government has committed to create a new UK Shared Prosperity Fund to replace all European Structural Funds.

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 2020 was 76.6%, the joint highest rate on record. This is an increase of 0.5 percentage points from 2019 (Jan-Mar 2019) and 6.4 percentage points from 70.2% in 2010.

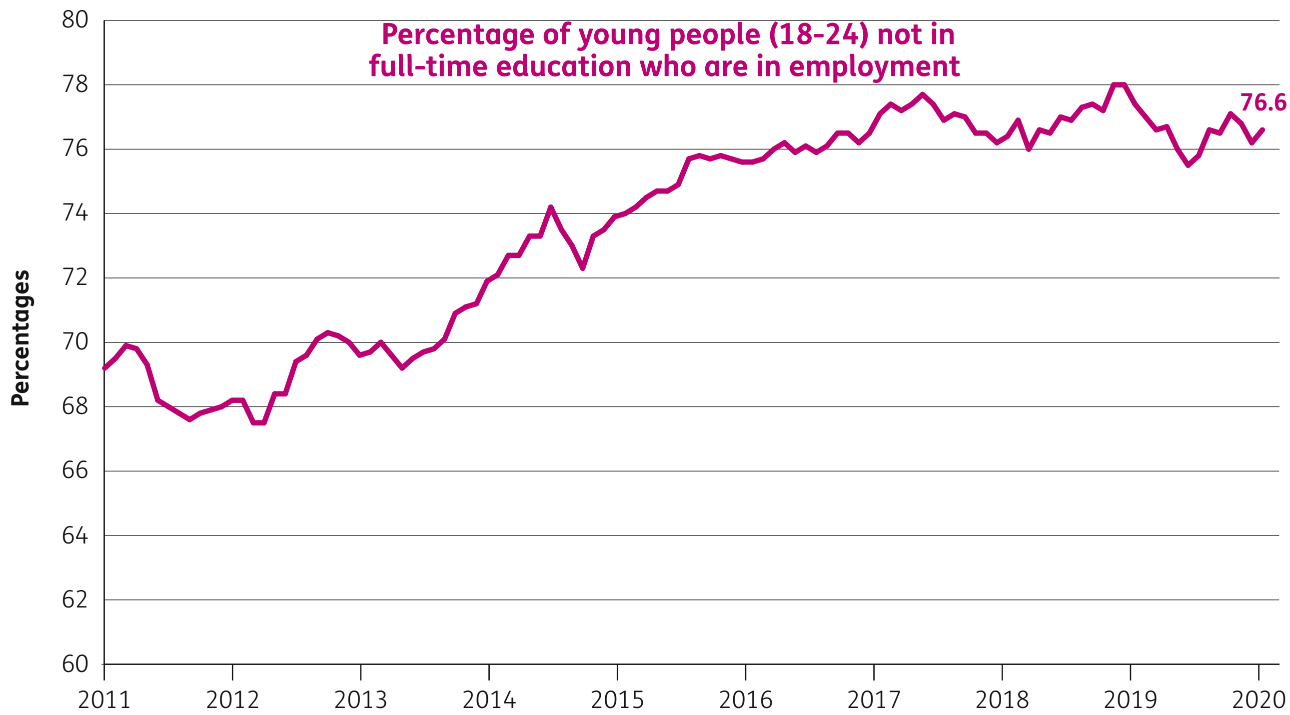


This indicator is measured using data from the Labour Market statistics published by the Office for National Statistics. It is a three month rolling average of the 16 to 64 year olds employment rate for the UK and is seasonally adjusted. Therefore, comparisons can be made between any non-overlapping 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 76.6% of young people aged 18 to 24 years not in full-time education were in employment between January and March 2020, down 0.8 percentage points from 77.4% in 2019.

The unemployment rate amongst young people aged 18 to 24 years who are not in full-time education is 10.1%.

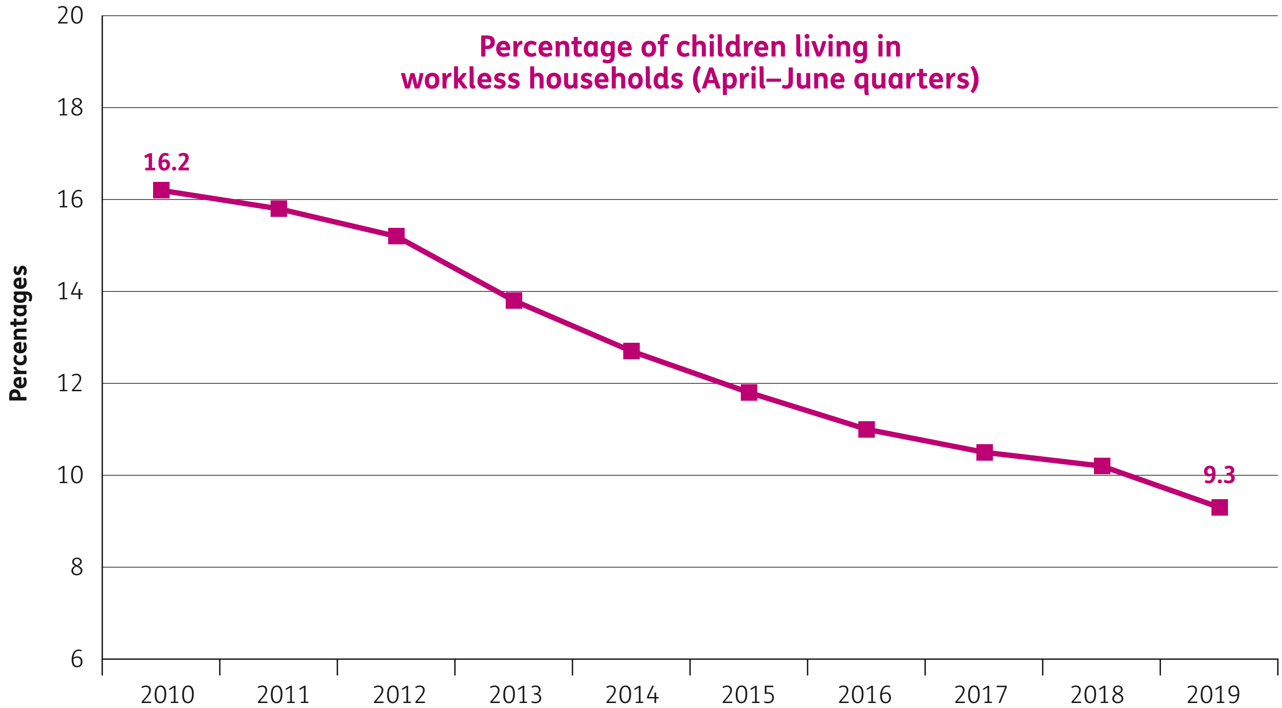


This indicator measures the proportion of young people aged 18 to 24 years not in full-time education who are in employment. It uses data from the Labour Force Survey published monthly by the Office for National Statistics. Data is seasonally adjusted so quarter-on-quarter comparisons can be made. An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

Headline indicator 3: percentage of children living in workless households

In April to June 2019 the percentage of children living in workless households was 9.3% – down 6.9 percentage 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. Data for 2020 will be published next year.

Strategic objective 2: Improve outcomes and ensure financial security for disabled people and people with health conditions, so they view the benefits system and the Department as an ally

Our department is playing a key role in the government's efforts to empower and support disabled people. Many disabled people still face a variety of barriers in their everyday lives, including barriers to employment. Our work to deliver an inclusive labour market is helping disabled people to achieve their potential, with 1.1 million more disabled people in work than five years ago and deliver on the government's ambition to continue to reduce the employment gap between disabled and non-disabled people. A departmental green paper will consult on how the welfare system can better meet the needs of claimants with disabilities and health conditions now and in the future. This green paper will complement work on the National Strategy for Disabled People, led by the Cabinet Office Disability Unit. We will reflect on any lessons which can be learned from the measures put in place in response to the COVID-19 pandemic.

We also pay a range of important benefits to support people who are living with a health condition or disability, across the life cycle. In 2019-20, we spent £55.6 billion on support for disabled people and people with health conditions (as set out in the table below).

2019-20 Headline indicators	Previous data	Latest data
Number of disabled people in employment,	3.9 million	4.3 million
Percentage of disabled people with a low income	21%	21%

See pages 40 to 41 for further details on these indicators

Support for disabled people and people with health conditions	Benefits administered	Amount paid out in 2019-20 in £ millions
Children	Disability Living Allowance	2,298
Working age	Carer's Allowance	2,912
	Disability Living Allowance	1,617
	Employment and Support Allowance	13,851
	Income support for carers	540
	Housing Benefit	6,471
	Other benefits	330
	Personal Independence Payment	10,647
	Universal Credit (incapacity- and carer-type cases)	5,218
Pension age	Attendance Allowance	5,908
	Carer's Allowance	29
	Disability Living Allowance	3,318
	Industrial injuries benefits	506
	Personal Independence Payment	1,866
	Severe Disablement Allowance	89
Total[6]		**55,599**

6 Totals may not sum due to roundings.

What we've been doing

Our strategy 'Improving Lives: the future of work, health and disability', published in 2017 set out our approach to supporting disabled people and people with health conditions to enter or remain in work. This includes offering tailored support for those who need it; working with employers to create healthy and inclusive workplaces; and exploring ways to improve the relationship between health and work.

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

We have continued to provide tailored support through the Personal Support Package, which helps disabled people or people with a health condition prepare for, find and secure employment. A key element is the Enhanced Support Offer, which is testing a variety of new approaches that will build a more robust understanding of the types of support that deliver positive health and work outcomes. As part of this, during 2019-20, we have continued to support all claimants claiming Employment and Support Allowance and Universal Credit due to a disability or health condition by:

- **investing in a network of 11 Jobcentre Plus offices** that focus effort on claimants with health conditions and disabilities. These model offices are testing innovative customer engagement activities to build trust and encourage voluntary engagement with employment support
- investing in **additional work coach time** for claimants with health conditions and disabilities
- **developing the capability of our work coaches**, for example, by rolling out mental health training nationally to our front line staff and revamping the Disability Employer Adviser role
- continuing to **test a range of initiatives to build the evidence base**, for example through our specialist advice model we are testing a three-way conversation between a healthcare professional, work coach and claimant in jobcentres. The aim is to help the claimant and work coach better understand the impact of the health condition on the claimant, the barriers it places in moving towards work and how to overcome them

The **Work and Health Programme (WHP)** continues to help people with health conditions or disabilities to enter into and stay in work. It also helps some long-term unemployed people and certain priority groups. Over five years, the programme will provide innovative support for around 275,000 people, and latest statistics, as of 28 May 2020, show that:

- of the 103,300 people who started the WHP, the majority 72% were people with a health condition or disability; 9% were people in an early access priority group; and 19% were long-term unemployed
- 13,710 participants successfully achieved a job outcome (with others, starting a job but have not having been in work long enough to be captured by these figures)

The WHP uses the expertise of private, public, voluntary and community sector providers to help participants enter into and stay in work. The programme continues to build on its strengths, as well as using the experience of what has worked well in the past, learning lessons from other contracted provision. WHP also 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 and veterans, amongst others. The Department has devolved the WHP in London and Manchester to the local authorities known as Local Government Partners (LGPs). The LGPs have full control of delivery, are responsible for performance management and are free to prioritise specific customer groups in their areas.

Referrals to **Specialist Employability Support (SES)** ended in November 2019 although the delivery of support will continue until January 2021. This is a voluntary programme aimed at individuals whose health-related barriers do not allow them to benefit from other employment programmes, with support being tailored to offer guidance, learning and training relevant to each participant. Since SES started in September 2015 there have been 6,740 participants on the programme (up to August 2019).

To maintain support for vulnerable groups, we launched the **Intensive Personalised Employment Support (IPES)** programme at the end of 2019. IPES is a 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. IPES provides an intensive, highly personalised package that is flexible to participants' needs and can deliver support for up to 21 months, including six months intensive in-work support for those who get a job. IPES will provide support for 10,000 disabled people to find work over four years.

During the COVID-19 pandemic, providers have continued to support participants on provision whilst observing all government guidelines. Providers across all employment programmes including Work and Health and Intensive Personalised Employment Support have reviewed all of their customer journeys and have adapted their service delivery including the use of digital and telephony channels rather than face-to-face contact. We are also looking at how the programmes will continue to support any potential increase in demand for their services as a result of COVID-19.

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

We are working closely with employers of all sizes, across all sectors and locations to support their ambition to make the most of the talents and commitment that disabled people and people with a health condition bring to the workplace.

We have continued to progress recommendations from the 2017 Stevenson/Farmer *Review of Mental Health and Employers*. This includes, for example, recommendations related to public servants with all Permanent Secretaries' performance objectives being directly linked to core mental health standards and the new Civil Service Wellbeing Confident Leaders training being rolled out to senior leaders.

Disability Confident (DC) provides employers with advice, support and encouragement to retain and develop more disabled staff. The scheme was developed with representatives of disabled people and employers and went live in November 2016. It has three levels. Employers start their journey on the scheme as Disability Confident Committed (Level 1), where they commit to providing a range of opportunities to disabled people. To reach Level 2, Disability Confident Employers work through a self-assessment process with a range of support including expert advice and business-to-business workshops. To reach Disability Confident Leader (Level 3) employers put their self-assessments up for external challenge, report on how they support their disabled staff, and provide leadership activity to encourage and support other employers to become Disability Confident. Disability Confident is voluntary and access to the guidance, resources and materials is free.

More than 15,000 employers had signed up to the scheme as of 31 December 2019. All main government departments are now signed up to DC Level 3 and 90% of local authorities are signed up to the DC scheme.

Disability Confident – employer levels achieved as at 31 December 2019	
Disability Confident Committed (level 1)	12,125
Disability Confident Employer (level 2)	3,425
Disability Confident Leader (level 3)	282
Total	**15,832**

Source: DWP Disability Confident: list of employers that have signed up to 31 December 2019

We work with the Disability Confident Business Leaders Group, comprising senior representatives of major businesses, to drive take-up and implement improvements to the DC scheme. For example, working with the Business Leaders Group to inform action, in November 2019 we announced that, to achieve DC Leader (Level 3) status, an employer will need to use the Voluntary Reporting Framework on Disability, Mental Health and Wellbeing[7] to publicly report on their disability employment, such as in their own annual report and accounts. We also extended the registration period for all levels to three years so employers have more time to develop their reporting systems. You can find our reporting on employment of disabled staff on pages 32 to 41.

We have continued to provide support through **Access to Work**, a demand-led discretionary grant that helps individuals and employers with in-work support needs beyond standard reasonable adjustments, such as special aids and equipment, adaptations, support workers (including British Sign Language interpreters), travel to and in work and workplace assessments. Access to Work also supports pre-employment activity, including some work experience, supported internships and traineeships. Access to Work does not replace the duty an employer has under the Equality Act 2010.

The latest Access to Work official statistics published in August 2019 show that 36,240 people received an Access to Work payment in the 2018-19 financial year, an increase of 7% on the previous year.[8] We are working on more digital improvements for the year ahead to improve the customer experience of the service. Total expenditure on Access to Work was £129.1 million in 2018-19.

In April 2019 we launched the **Transitional Employer Support Grant (TESG)**, a time-limited Access to Work grant that is payable to support disabled employees who had a place on a previous DWP funded scheme. This transitional protection is available until March 2021. A total of 2,221 posts within "Work Choice Supported Businesses" were defined as protected places and funded by the Department.

7 https://www.gov.uk/government/publications/voluntary-reporting-on-disability-mental-health-and-wellbeing
8 https://www.gov.uk/government/statistics/access-to-work-statistics-april-2007-to-march-2019

Our consultation *'Health is everyone's business: proposals to reduce ill health-related job loss'* closed in October 2019. It set out proposals to boost government support available to employers to take early action to support employees with health conditions in work, and to manage sickness absence more effectively. We are currently reviewing responses to the consultation, which included proposals across four major policy areas:

- make changes to the legal framework to encourage early action to support individuals when they are absent from work and to facilitate conversations to agree effective workplace modifications
- measures to improve availability of high-quality, cost-effective occupational health services for employers
- advice and support from government for employers to understand and act on their responsibilities
- reform of Statutory Sick Pay (SSP) so that it is better enforced, more flexible, and supports the lowest paid employees

The government introduced a package of reforms to support employers during the COVID-19 pandemic. We were an important stakeholder in developing proposals to make SSP available to people diagnosed with COVID-19 or those people unable to work because they are self-isolating or quarantined in line with government advice. For those people not eligible for SSP we also made it easier to make a claim for Universal Credit or Contributory Employment and Support Allowance.

Reforming our health assessments

We continue to be committed to improving our assessments process in order to deliver a more streamlined, personalised journey for our customers. In developing proposals for assessment reform, we have continued to work with external stakeholders and, in 2019 and early 2020, we held a series of workshops across the country where disabled people and the local organisations that support them shared their experiences of the assessment process and wider DWP services and ideas for what they would like to see change in the future.

The Health Transformation Programme has been impacted by COVID-19 and we are working through the effect of this on our delivery timescales but our intention is to share these insights and the next steps for assessment reform in the up-coming Health and Disability Green Paper.

Working with the health system through the Joint Work and Health Unit

Through the Joint DWP/Department of Health and Social Care Work and Health Unit, we have also invested in a programme of trials and tests to identify effective models of health and employment support to help people with health conditions or disabilities to stay in work or return to work. They include:

- spending a total of around £50 million since 2017 to more than double the number of employment advisers working alongside therapists in **Improving Access to Psychological Therapies** (IAPT) services. IAPT services in 40% of NHS Clinical Commissioning Groups across England now have employment advisers funded by this initiative
- **Health-Led Trials** in Sheffield City Region and the West Midlands combined authority, testing the internationally-recognised Individual Placement and Support approach to employment support in a health setting for people with common mental health and/or physical health conditions. In total, we received 9,799 referrals into the trial before the window closed in October 2019. The trials will continue to provide the service to the end of October 2020, with final evaluation reports due December 2021
- **Work as a Health Outcome**, a set of interventions supporting healthcare professionals to discuss work with patients. In 2019, a consensus statement on the benefits of work and health, supported by the medical royal colleges, was launched alongside a health and work e-learning resource for healthcare professionals. Additionally, a new work and health module for inclusion in medical school curricula is currently being tested and will go live in 2020-21
- the £3.9 million **Challenge Fund** programme of 19 small scale initiatives spanning a range of sectors and organisations finished in March 2020. The Challenge Fund has gathered detailed evidence throughout the interventions to learn about new or promising approaches to help people experiencing mental health or musculoskeletal issues stay in work. We are completing an overall summary of the learning and evidence from the programme which will inform our future strategy

To support the government's response to the COVID-19 pandemic, we also worked with the NHS to develop an alternative to the fit note, enabling people to contact NHS 111 rather than visit their GP. We are also taking steps to enable a broader range of healthcare professionals to certify fit notes.

Administering claims for Personal Independence Payment and reassessing eligible Disability Living Allowance awards for entitlement 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 is for 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.

From April 2013 to January 2020 we cleared over 3.0 million new claims to PIP and over 1.8 million reassessments with the average new claimant completing the end to end process within 19 weeks. The average processing time from the beginning of a claim to its decision for both new claims is down by just over half since July 2014. This is a result of our drive to continually improve our processes and services, something we have continued to focus on in 2019-20. For example, we introduced a new operational approach to Mandatory Reconsiderations (when a PIP claimant asks the Department to reconsider a decision outcome) so that we proactively contact claimants to gather additional oral and written evidence. This change in the process helped to change outcomes. At Mandatory Reconsideration awards changed (excluding withdrawn cases) rose to 35% for new claims and 39% for DLA reassessed claims in January 2020 compared to 22% and 25% respectively in January 2019.

In response to the COVID-19 pandemic from 17 March 2020, all face-to-face assessments for health and disability benefits were suspended and from 24 March 2020 reviews and reassessments were suspended. New PIP claims and change of circumstances continue to be processed. As usual, wherever possible our Assessment Providers will do a paper-based assessment. If further information is needed to support a paper-based assessment, the Assessment Provider may arrange a telephone call to ask for additional details. If a paper-based assessment is not possible, a telephone-based assessment will be conducted.

We also no longer undertake regular reviews of PIP awards for claimants at or above State Pension age unless they tell us their needs have changed. State Pension Age claimants now receive PIP on an ongoing basis with a light touch review at the ten-year mark. As a consequence of this change, together with improved guidance introduced in the latter part of 2018, 50% of successful DLA to PIP reassessment claims received an ongoing award in January 2020 compared to 27% in January 2019. Further to this, Budget 2020 announced that we will introduce a minimum PIP award review length of 18 months. This will give disabled people greater certainty over their award levels for longer.

We will consider the timing of this change in light of other temporary easements we have made in response to the COVID-19 pandemic.

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.

We began an administrative exercise, in 2018, to identify anyone who may be entitled to more support under PIP as a result of two decisions of the Upper Tribunal (UT). One UT decision broadened the interpretation for assessment of symptoms of overwhelming psychological distress when considering a claimant's ability to plan and follow a journey. The other UT decision concerned how the Department considers a claimant to be carrying out an activity safely and whether they need supervision to do so.

In October 2019, we began a further administrative exercise to identify claimants who are entitled to more support.

This was the result of a UT decision concerning the way DWP assesses the ability to manage therapy or monitor a health condition.

In May 2019, we also completed an 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.

A Supreme Court judgement from spring 2019 considered the definition of 'social support' when engaging with others face-to-face in the context of the PIP assessment, and how far in advance that support can be provided. The Department plans to implement the judgement fully and fairly, so that claimants get the PIP support they are entitled to. We will make further announcements on this in due course.

From April 2013 to January 2020 we cleared over 3.0 million new claims to PIP

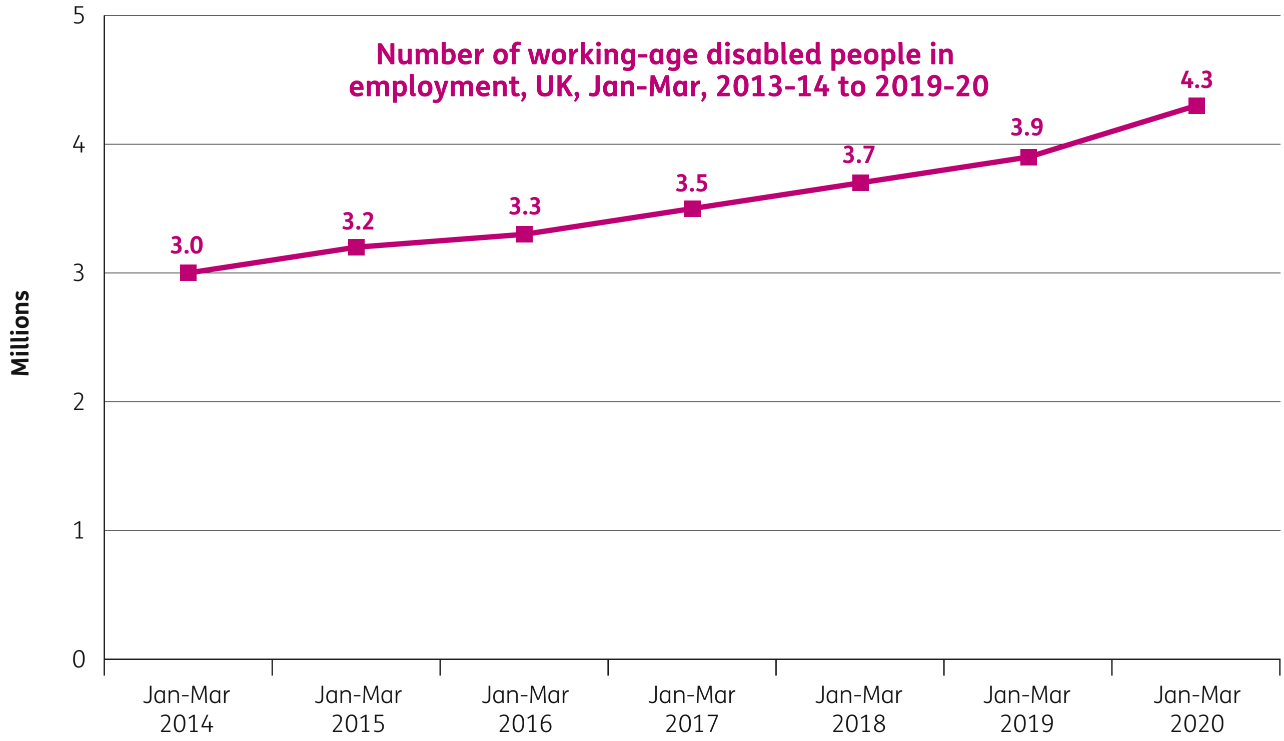
Our performance

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

Headline indicator 4: Number of disabled people in employment[9]

The UK employment rate of working-age disabled people during January to March 2020 was 53.8%. This has increased by 9.5 percentage points over the last six years, from 44.2% in January to March 2014, the earliest comparable figure.

Over this period the number of disabled people in employment has increased by 1.4 million to a total of 4.3 million people.

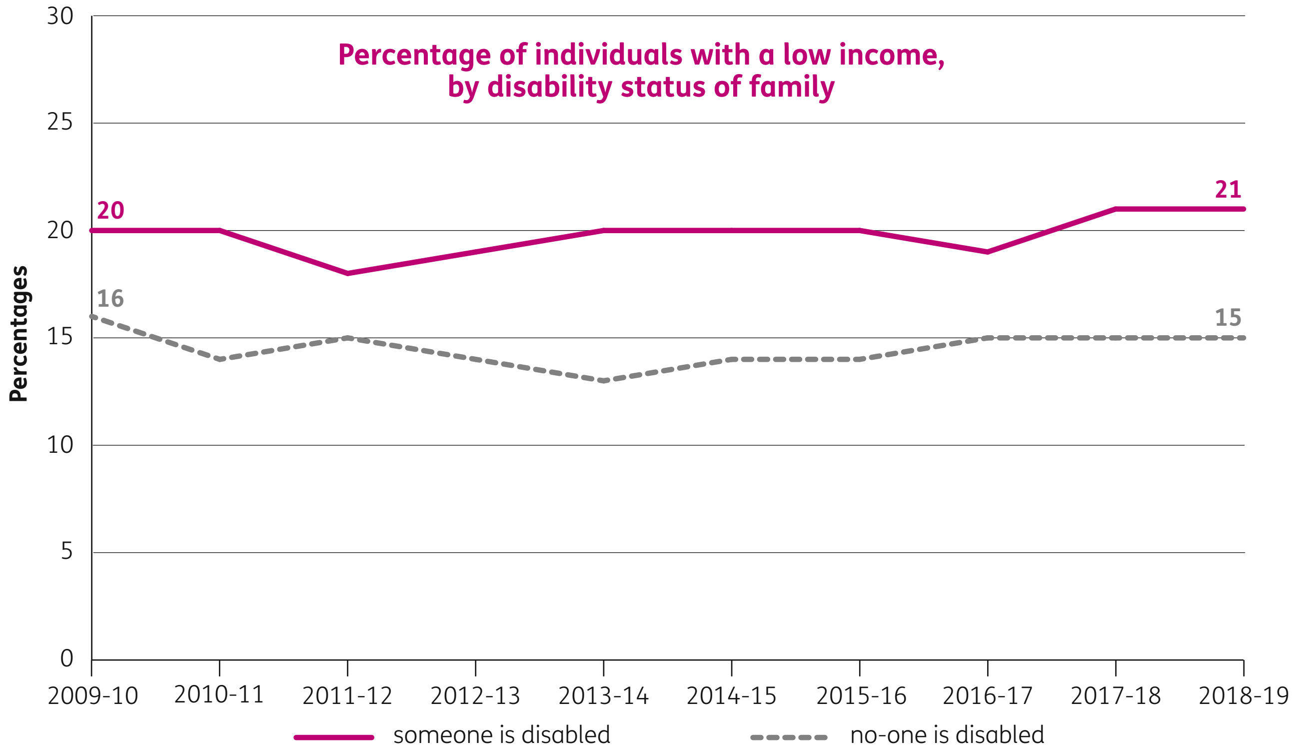


This indicator is measured using data from the Labour Force Survey published each quarter by the Office for National Statistics (ONS). The data is not seasonally adjusted so only year-on-year comparisons between equivalent quarters should be made.

9 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.

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

The percentage of individuals in families who contain someone with a disability falling below headline low income measures before housing costs (BHC) was unchanged between 2017-18 and 2018-19. On the absolute basis, the proportion living in a low income household (defined as below 60% of 2010-11 median income) was also unchanged at 18%.



This indicator measures the percentage of individuals in families where someone has a disability living in a low income household before housing costs (BHC). Household income is equivalised to take account of the size and composition of households in which people live. The low income rate 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.[10]

10 Data is published annually in the 'Households Below Average Income' series. 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 to 2003-04; 2004-05 to 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 definition. 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 and make Britain the best place in the world to retire

The Department plays a key role in supporting the government's aims to protect and support pensioners. We are reforming the pension system to ensure it is sustainable, reflective of modern life and protects future generations. This includes helping people understand what they will receive from the state when they retire, supporting people to plan and save for retirement as well as increasing pension participation. This is complemented by our focus on supporting older people in the labour market.

In response to the COVID-19 pandemic, we introduced a number of changes to ensure that we continued to provide support to our older customers in a way that helps them to adhere to social distancing and shielding measures. These are set out later in this section.

2019-20 Headline indicators	Previous data	Latest data
Number of eligible employees in a pension scheme sponsored by their employer	18.7 million	19.2 million
Total pension savings of eligible savers	£90.4 billion	£98.4 billion
Percentage of pensioners with a low income	16%	16%

See pages 49 to 51 for further details on these indicators

This year we spent £112 billion on pensioner benefits.

Benefits/assistance administered	Amount paid out in 2019-20 in £ millions
Housing Benefit	6,129
Over 75 TV licences	253
Pension Credit	5,061
Social Fund Payments	2,030
State Pension	98,689
Bereavement benefits	1
Other benefits	246
Total	**112,409**

The following arm's length bodies have been established to deliver a range of functions to ensure that people can have the information they require and confidence in saving for their retirement:

- National Employment Savings Trust (NEST) Corporation
- the Pensions Regulator
- the Money and Pensions 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

We administer new State Pension to around 1.4 million people. The new State Pension enables people to plan for additional retirement savings. The new system means that younger people will know that they will receive over £9,100 a year (2020-21 rates) when they reach State Pension age, if they have a total of 35 years of National Insurance contributions or credits. This foundation from the State, alongside automatic enrolment into workplace pension schemes, allows people to plan the additional savings that they will need to make in order to reach their target retirement income.

Our digital services continue to play an important role in helping people understand how much State Pension they can expect to receive and as well as make a claim online. Since its launch in February 2016, over 19 million digital forecasts have been viewed on our 'Check your State Pension' digital service up to March 2020.

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

The State Pension is a pay-as-you-go system, where each generation of workers supports each generation of pensioners. The old age dependency ratio, which is a measure of the proportion of working age people to people over State Pension age, is projected to rise from 281 pensioners for every 1,000 people of working age in 2020 to 356 pensioners for every 1,000 people of working age by 2044. The 2014 Pensions Act requires government to review whether the rules determining the age at which State Pension is received are appropriate to ensure that the State Pension system remains sustainable, and affordable. A report must be published every six years. The last government Review was published in 2017. The gradual rise in State Pension age (SPa) to 66 will be complete by October 2020. Two further increases are in legislation:

- from 66 to 67 between 2026 and 2028 (Pensions Act, 2014)
- from 67 to 68 between 2044 and 2046 (Pensions Act, 2007)

Around two-thirds of our benefit spending went to pensioners, with the State Pension, at £98.7 billion, accounting for more than half of all spending.

Giving eligible workers the opportunity to save into a workplace pension

We are encouraging people to save more for retirement and make saving normal for most people in work. Alongside the simplified new State Pension, we introduced automatic enrolment. This was phased in from 2012, starting with the largest employers. Employers must automatically enrol eligible workers into a qualifying workplace pension scheme and pay a minimum employer contribution. Workers can choose to opt out within 1 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.

Overall 88 per cent of eligible employees (19.2 million) were participating in a workplace pension in 2019, up from 87 per cent in 2018.

Pension participation

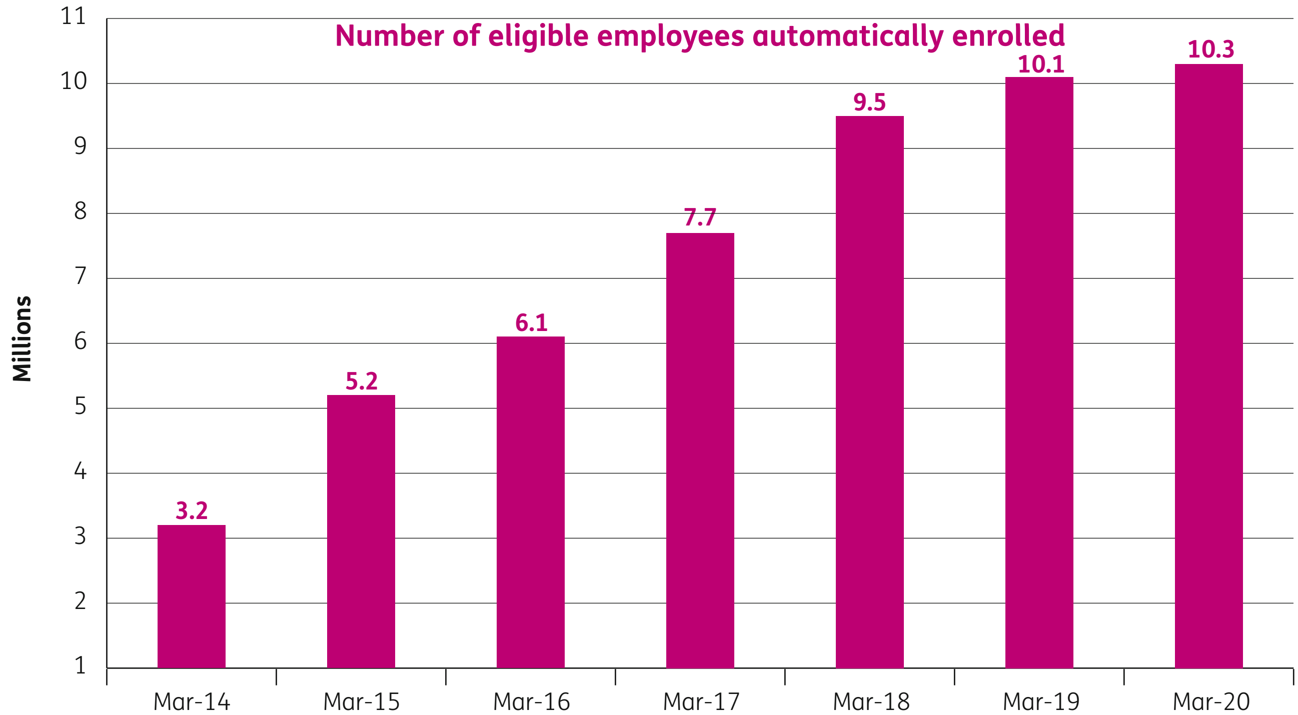
Automatic enrolment has transformed workplace pension saving, enabling millions of people to save towards the retirement they want. Over 10 million employees have been automatically enrolled into a workplace pension since 2012 and 1.68 million employers had declared compliance with their automatic enrolment duties at the end of May 2020. By 2020-21 an extra £19.4 billion a year is estimated to be saved into workplace pensions as a result of automatic enrolment.

The greatest impact has been seen among younger workers, lower earners, and women. Participation rates in workplace pensions for full-time eligible female eligible workers in the private sector were 41% in 2012 (or 59% without a workplace pension) and 88% in 2019, which is now comparable to the rate for men. Among people aged 22 to 29, some 24% of eligible employees in the private sector were participating in a workplace pension in 2012. As of 2019, this increased to 85% a 61 percentage point increase.

Two increases in contribution rates, from 2% to 5% in April 2018 and 5% to 8% in April 2019, have taken place. The early indications are that the increases to base amounts have not had a negative impact on saving behaviour. We will continue to monitor this closely.

On 27 April 2020 the Minister for Pensions and Financial Inclusion placed a written statement in the House on the steps government is taking to support pension savers, pension schemes, trustees, employers and existing pensioners during the COVID-19 pandemic. This included information about the Coronavirus Job Retention Scheme (CJRS) package for business and the dedicated grant to cover the statutory 3% automatic enrolment employer contribution for furloughed workers.

We will continue to monitor closely the impact of workplace pensions contributions on businesses during this period.



We are also progressing work to consider how to extend effective and durable retirement solutions to other workers, such as self-employed people. We committed to carry out research and trials to build the evidence base to improve retirement savings for self-employed people. Our research trials commenced last summer testing messages aimed at promoting self-employed individuals to save. However, given the current COVID-19 pandemic we are taking stock of when the appropriate time would be to launch this next stage of trialling. We will keep the position under review and aim to make progress as soon as possible.

The Money and Pensions Service

The Money and Pensions Service (MaPS) came into operation in January 2019 to ensure people, especially those who are struggling financially, have access to the information and guidance they need to help them make effective financial decisions. To help deliver this ambition MaPS launched their UK Strategy for Financial Wellbeing 2020-2030 in January 2020.

We continue to work together with MaPS and the Financial Conduct Authority to deliver Sections 18 and 19 of the Financial Guidance and Claims Act 2018, which set out a requirement for a stronger nudge towards pensions guidance at the point when a consumer applies to access their pensions savings. Trials are in progress to determine the most effective way to deliver this. An evaluation report will be published once the trials are completed and we will then publically consult on draft regulations with a view to making regulations at the same time the Financial Conduct Authority make rules.

Pensions dashboard

Pensions dashboards will eventually enable individuals to see all of their pensions information online in one place. In April 2019, we published a response to comments raised during the government consultation. A new Pensions Dashboard Programme was formed in autumn 2019, with a steering group made up of industry and consumer representatives appointed by MaPS. Legislation to compel pension schemes to make their information available to individuals via dashboards, also set out in the consultation response, will be brought in by the Pension Schemes Bill, which completed its journey through Lords Committee on 4 March 2020. We have also committed to providing State Pension information via dashboards at the earliest opportunity, with development and testing taking place throughout 2020.

Protecting Defined Contribution pension savers

We are committed to making sure that every pound put into pension schemes by employers, employees, or taxpayers delivers 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 this year.

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 17 million in February 2020. Master Trust pension schemes were required to apply for authorisation in the six months prior to 31 March 2019. As of January 2020, 38 schemes have been authorised by the Pensions Regulator. 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. Unauthorised schemes 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. Since October 2019 trustees of occupational Defined Contribution schemes will be required to publish their investment policies, including how they take account of financial risks, such as those posed by climate change. Defined benefit schemes must follow suit by October of this year. We anticipate that increased transparency will drive up standards of governance and offer the opportunity to engage members with their pension saving.

We intend to bring forward legislation for consultation which could widen the kinds of pension scheme investments and give trustees more confidence to invest in physical assets such as property and infrastructure, by offering them more certainty about the scope of the charge cap. We also plan to publish draft legislation to encourage the development of scale, by prompting trustees of smaller schemes to consider whether members would receive better value in larger schemes such as a Master Trust.

We continue to contribute to Project Bloom, a cross-government task force that brings together law enforcement, government and industry to share intelligence and, raise awareness of pension scams through communication campaigns, and take enforcement action where appropriate. The task force has focussed on raising awareness of scams and supported several successful campaigns by the Pensions Regulator and the Financial Conduct Authority, in Summer 2019.

We are introducing legislation that will make it harder for criminals, give certainty to trustees and improve protection for savers. The Pension Schemes Bill 2020 includes, 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. Thus building on wider commitments, such as HM Revenue and Customs' tighter scheme registration rules, that make it harder to open fraudulent schemes, and HM Treasury's ban on pensions cold calling, that came into force from 9 January 2019.

The Pension Schemes Bill 2020

While previous pension reforms have transformed pension saving in this country, there remains a trust deficit in the private pensions industry and pensions remain under intense scrutiny. Defined Benefit pension schemes, whilst in the main are well run and affordable, offer challenges and some employers are struggling with the impacts of increased longevity and balancing returns on investment with proportionate risk.

Many savers also worry that they do not have adequate information or knowledge to enable them to plan and make decisions about their saving for retirement, and people find it hard to keep track of their pension savings.

The key measures in the Pension Schemes Bill 2020, therefore, support pension saving in the 21st century, helping people plan for retirement in the knowledge that their pension savings are protected. These include:

- **providing more options for employers** by introducing Collective Money Purchase schemes (also known as Collective Defined Contribution (CDC) schemes) to ensure that people can adequately save for retirement and better predict their income in later life. In such schemes, contributions are pooled and invested with a view to delivering an aspired-to pension income in retirement. This differs from more traditional Defined Contribution (DC) schemes, where each member has an individual pot and has to make potentially complex financial decisions about how to use their pension savings to fund their retirement
- **strengthening protection for scheme members** by giving the Pensions Regulator stronger powers so that savers can be confident that their pensions are protected and that the Regulator will take action if pensions are put at risk
- **improving information** for savers by providing a framework for Pensions Dashboards which will enable people to prepare for retirement with confidence
- provisions that **require schemes to put in place effective governance and disclosure of climate change risk;** including, reporting annually on their governance, risk management and strategy to address climate change risk; assessing how their portfolios will be affected by different global warming scenarios; publishing a range of metrics, including their carbon footprint; and setting climate-related targets

The Pension Schemes Bill was introduced on 7 January 2020 and completed its journey through Lords Committee on 4 March 2020. The House Authorities are currently developing virtual proceedings for the Lords and we are liaising with them on the timeframe for the next stage.

Defined Benefit White Paper and Consolidation

The government remains committed to supporting a number of measures to facilitate the consolidation of Defined Benefit (DB) pension schemes. We believe the combination of economies of scale and better governance that consolidation can bring could provide more security for members of some DB pension schemes. Different forms of consolidation offer a number of potentially new and more efficient ways for employers and schemes to manage their legacy DB pension liabilities.

Our consultation “Defined benefit pension scheme consolidation” ran between 7 December 2018 and 1 February 2019 and sought views on a new legislative framework for authorising and regulating DB ‘superfund’ consolidators. Since the consultation closed we have worked closely with representatives from the Pension and Insurance Industry, other government Departments and regulators to develop an appropriate authorisation and regulatory regime. We intend to clearly set out the long term direction for the future regulation of superfunds when we respond to the consultation and we will publish this response as soon as we are able to do so.

Protecting pensioners on a low income

Pension Credit protects pensioners on a low income, 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. There is also an additional amount for every child or young person they have responsibility for with further amounts in cases of disability. As of August 2019, there were 1.6 million Pension Credit claimants.

In 2019-20 we continued to provide additional support to pensioners through Winter Fuel Payments helping pay the cost of heating their homes, as well as the Christmas bonus (a one-off tax free payment of £10 made to people in receipt of certain benefits, including State Pension). Cold Weather Payments are also available for periods of extremely cold weather.

In June 2019, the BBC announced its intention to limit free TV licenses to people 75+ and in receipt of Pension Credit from June 2020. The subsequent mass mailing to existing free licence holders contributed to a significant spike in calls to the Pension Service. However, during the COVID-19 pandemic the BBC has suspended the campaign and announced a postponement of the TV licence change until 1 August 2020. We have continued to engage with the BBC in order to manage future impacts and ensure there is operational capability to handle sudden large volumes of calls and claims.

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

Responding to COVID-19

In response to the COVID-19 pandemic, we introduced the 'Apply for Pension Credit' digital claim service on 6 May 2020. This is an online claim facility for Pension Credit which supplements the existing telephone and postal claims channels. This enables pensioners to apply for Pension Credit at any time online without having to leave home to post forms or wait to get through on the phone – helping them also to adhere to social distancing and shielding measures.

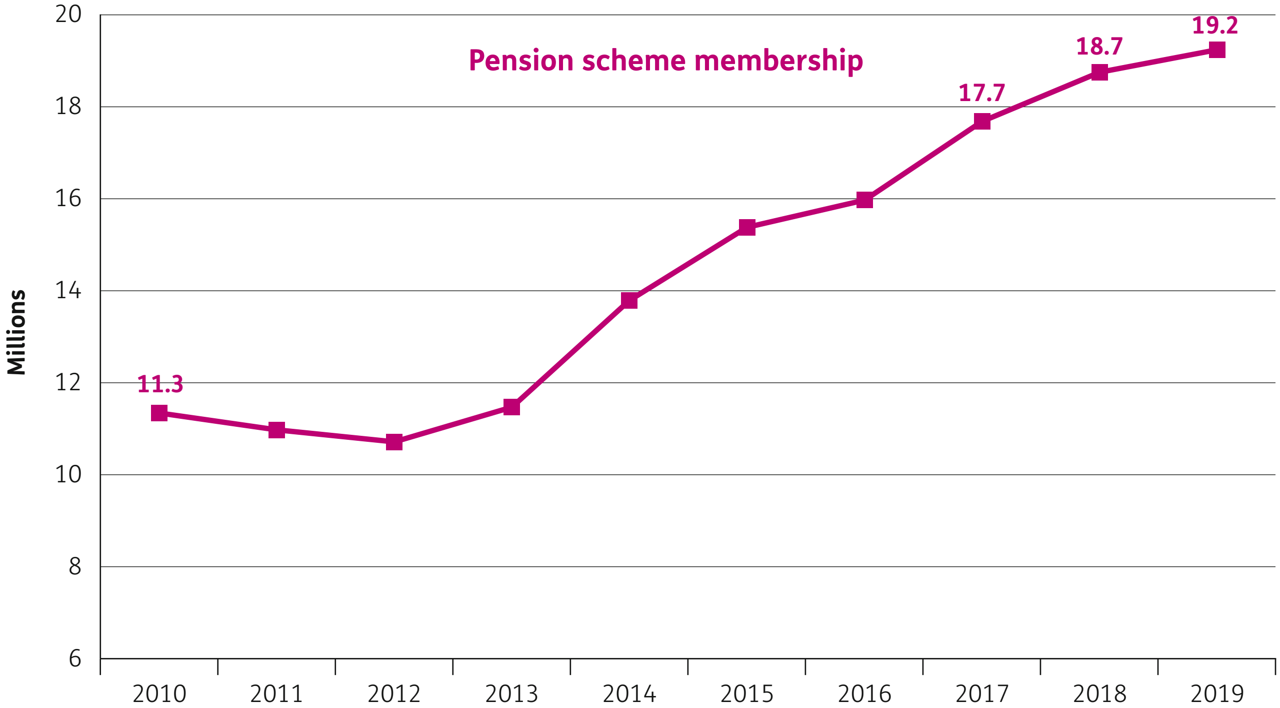
To further support our customers, we have worked closely with the National Shielding Service (NSS); which is contacting clinically vulnerable citizens who have been advised by NHS England to shield. We also launched a new service on 10 April 2020 for customers using Post Office card accounts who would normally leave their house to collect payments at the Post Office. For those needing help, we are able to offer a number of options to customers over the phone. For a small number of the most vulnerable, we have worked closely with Post Office Ltd to provide contact free cash payments by Royal Mail Special Delivery with guaranteed next day delivery.

Our performance

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

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

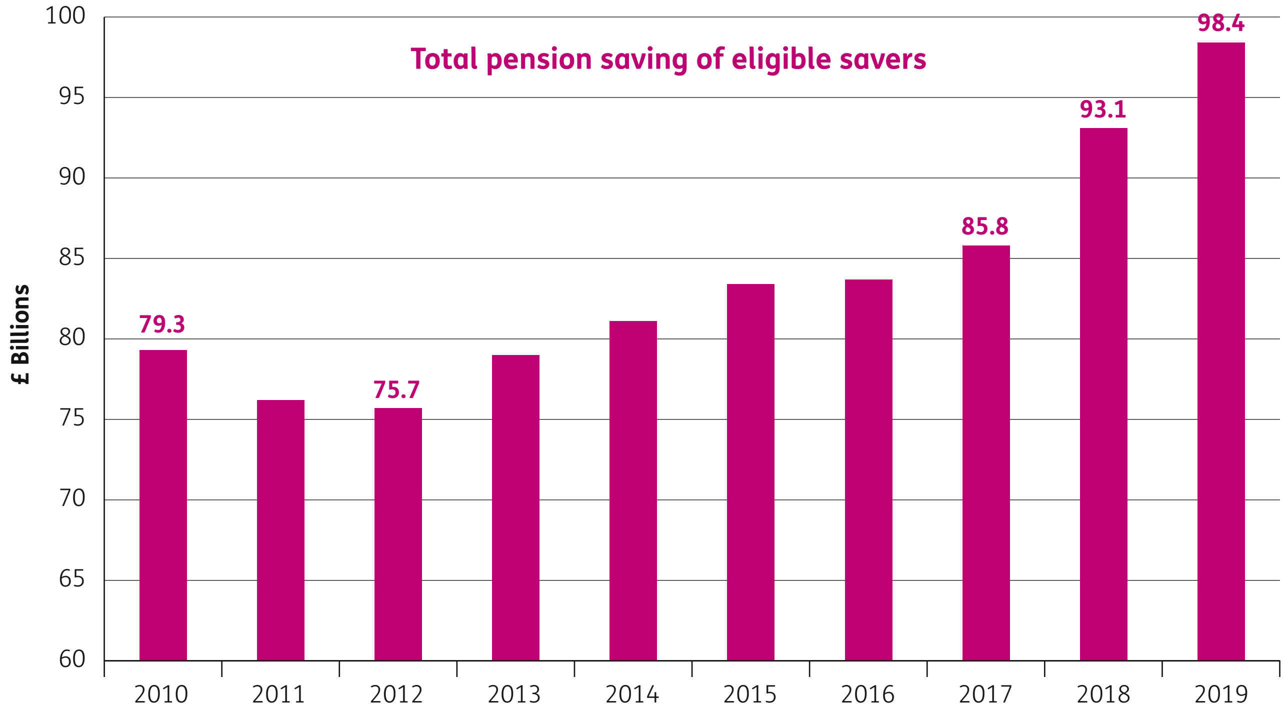
The number of eligible employees in a pension scheme sponsored by their employer in 2019 was 19.2 million compared to 18.7 million in 2018. The number of eligible employees in a pension scheme sponsored by their employer has increased by 9 million since 2012 when it was 10.7 million eligible employees.



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 2019-20) 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 £98.4 billion in 2019 compared to £93.1 billion in 2018. Total annual savings are now £22.7 billion higher than the £75.7 billion saved in 2012, when automatic enrolment 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'. 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 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 after housing costs (AHC) remains lower than for the overall population. The proportion living in a low income household in 2018-19 remained at 16% AHC and is low by historical standards.

Around 75% of pensioners live in homes that are owned outright and, therefore, they have minimal housing costs. This compares to around 20% to 25% of the working-age population. The government's preferred measures of low income for the pensioner population are, therefore, estimated on an after housing costs (AHC) basis to draw out the difference in living standards for the minority of pensioners who do have housing costs.

The percentage of pensioners falling below headline low income measures AHC remained broadly the same between 2017-18 and 2018-19. On the absolute basis, the percentage in low income was 13%, in line with the positive long-term trends observed for pensioners. Relative low income remained stable at 16% between 2015-16 and 2018-19.

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 AHC is now 13 percentage points lower than it was 20 years ago.

This indicator measures the percentage of pensioners living in low income households 'after housing costs' 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 low income rate 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[11]. 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.

11 https://www.gov.uk/government/collections/households-below-average-income-hbai--2

Strategic objective 4: Support the most disadvantaged and enhance social mobility by designing and delivering inclusive policies for all; supporting families and providing effective housing support

The Department plays a key role in supporting the government's commitment to families. Over the course of 2019-20 we have continued to support good quality relationships through the Reducing Parental Conflict Programme and make a real difference to the lives of children, including keeping money flowing between parents during the COVID-19 pandemic, through the Child Maintenance Service.

The Department also plays an important role in ensuring that people have the stability of a safe and secure home, itself an important stepping stone to finding employment. To help people with their housing costs, we have ensured the administration of over £23 billion of housing support through Housing Benefit and Universal Credit, with additional financial assistance through the Local Housing Allowance also having been announced to support those claiming benefits.

2019-20 Headline indicators	Previous data	Latest data
Percentage of children living with parents in relationship distress	11%	12%
Percentage of separated families with a maintenance agreement	46%	48%

See pages 56 to 57 for further details on these indicators

What we've been doing

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

In August 2019 we launched a new online Options service, which we continue to review and improve. It includes a child maintenance calculator to help inform parents making decisions about their arrangement, by providing an estimate of what might be a reasonable amount of child maintenance to pay. It encourages families to make a family based arrangement which promotes collaboration between parents and is flexible if circumstances change. It can include regular financial payments or parents can agree to pay for things like housing, school uniforms or trips, or make shared care arrangements.

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

The Child Maintenance Service (CMS) provides a statutory child maintenance scheme, to be used as a last resort where parents are unable to work together or will not meet their responsibility to pay maintenance for their children voluntarily. A key aim of the statutory scheme is to encourage collaboration wherever possible. Applications to the CMS can only be made once parents have considered the different options for maintenance outlined by the Child Maintenance Options service. There are two service types in the statutory scheme with differing levels of intervention, Direct Pay and Collect and Pay, both of which involve legally binding arrangements.

The latest statistics show:

- by December 2019 there were 723,500 children covered by CMS arrangements, an increase of 58,900 compared with December 2018
- in the quarter ending December 2019, 68% of collect and pay cases were paying some child maintenance, up from 66% for the same period in 2018
- in the quarter ending December 2019, £194.8 million was due to be paid through Direct Pay arrangements and £44.1 million paid through the Collect and Pay service

A key principle is that unpaid child maintenance should be paid immediately, and where a paying parent fails to pay in time or in full we will take action to re-establish compliance and recover the debt. We have a strong range of enforcement powers at our disposal and they are considered on a case by case basis, taking into account the welfare of all parties and what action is likely to be successful at securing the money owed. In April 2019 we brought in further changes to deliver a more consistent approach to the rate of deductions which can now be made from a wider range of benefits.

Another key element of the Compliance and Arrears Strategy is to tackle historic arrears that built up on the old Child Support Agency (CSA) schemes. Since December 2018 we have been contacting parents affected and offering one last attempt to collect the debt, where collection is likely to be cost effective. Taking action now means that uncollectable arrears will be written off and the last remaining CSA cases can be closed, drawing a line under the old schemes and enabling the CMS to focus efforts on collecting money that will benefit today's children.

In response to the COVID-19 pandemic, we have made temporary changes to ensure we can deliver our priorities to support separated parents. Paying parents are still expected to financially support their children by paying their child maintenance as receiving parents' incomes are impacted, and the CMS is passing on money via Collect and Pay arrangements as quickly as possible.

Child maintenance liabilities should remain affordable for paying parents at a time of substantial and rapid fluctuation in incomes. To help reduce the short-term financial pressure that will be experienced by many paying parents during COVID-19, the time period for reconsidering a maintenance liability on the basis of a change in income will be reduced from 12 weeks to two weeks. Child Maintenance services can also be accessed online, parents can report a change of circumstances on the self-service portal and new clients are able to apply online.

Continue effective implementation (in England) of the Programme to reduce parental conflict, especially in disadvantaged and workless families

We know that if children are exposed to frequent, intense, and poorly resolved parental conflict, it can negatively affect their mental health, educational attainment, and future outcomes. This includes conflict which would not be regarded as domestic abuse. We have invested £31 million over the last three years, and plan to spend up to £15 million in 2020-21, on the Reducing Parental Conflict Programme, which is supporting local authorities and their partners to integrate parental conflict support into their local services for families.

During 2019-20 we offered all top tier local authority areas in England funding to develop their strategic approach to embedding parental conflict support as well as designing and funding training for frontline practitioners working with families: 98% of areas took up this offer and to date over 1,900 classroom based courses have been delivered and in excess of 1,900 e-learning licences issued.

We are also developing and strengthening the evidence base on what works. We are testing eight interventions to reduce parental conflict in 30 local authority areas across England, enabling disadvantaged families to access support to reduce conflict in their relationships. We have awarded contracts in four areas to three providers which has seen over 800 parents starting an intervention to date and these services will run until 2021.

We are also collaborating with the Department of Health and Social Care on the Children of Alcohol Dependent Parents Programme to explore how to address parental conflict when parents also misuse alcohol. In our Challenge Fund projects, we are testing a range of innovative projects aimed at reducing conflict in families in particular disadvantaged groups.

Our team of regional integration leads are working with local areas to provide tailored advice and support on how to integrate services to reduce parental conflict, and to facilitate the sharing of good practice and peer learning between areas across England.

Providing housing support

In 2019-20 the Department spent around £23 billion in helping people across the UK with their housing costs. From April 2020, Local Housing Allowance (LHA) rates were increased to the 30th percentile of market rents to further support tenants. This applied to all private renters under the LHA scheme, new or existing Universal Credit housing cost customers and Housing Benefit customers. This injection of almost £1 billion means over one million households will see an increase in their Housing Benefit or Universal Credit housing costs, on average, of £600 per year. This change follows the LHA rates having been frozen for four years. To support those areas where LHA rates had diverged the most from local rental markets a proportion of the savings from the freeze were used as a Targeted Affordability Fund which, in 2019-20, was used to increase 361 rates.

The 2020 Budget also announced from October 2023 a widening of groups who would be exempt from the Shared Accommodation Rate (SAR) element of the LHA, which currently limits the support that they may receive. The exemption will be extended to: care leavers up to the age of 25, an increase from the current age of 22; those who have spent three months or more in a homeless hostel aged 16 to 34 years old from the current age bracket of 25-34; and victims of domestic violence and modern slavery. These changes will benefit around 8,000 people by an average of £41 per week.

Housing Benefit is administered on our behalf by local authorities. We are working closely with the Ministry of Housing, Communities and Local Government and local authorities to support delivery during the COVID-19 pandemic. We have offered a number of easements including supporting local authorities to practice social distancing as claimants receive benefits to pay their rent and housing costs, without having to attend local authority premises as well as de-prioritising duties which are not directly linked to the payment of Housing Benefit.

The 2020 Budget announced additional investment in staffing capacity to improve detection and prevention of fraud and error in Housing Benefit. This initiative has currently been paused due to the COVID-19 pandemic but we remain committed to its implementation in due course.

Since 2011 we have provided over £1 billion in funding for Discretionary Housing Payments (DHPs), enabling local authorities to provide additional support with housing costs in the social and private rented sector. As announced in the 2019 Spending Round, the DHP budget was increased by £40 million in England and Wales in 2020-21 to £179.5 million.

We continue to provide help through Support for Mortgage Interest (SMI). This changed from a benefit to an interest bearing loan in April 2018, balancing the needs of owner occupiers and the tax payer, while providing robust protections against repossession. Through 2019-20 we have continued to monitor the impact of the change and loan take up. The 2020 budget also announced that SMI claimants will now be able to transfer this support to their new property when moving home, rather than having to repay the loan immediately, which will be implemented in due course.

The government also announced at the September 2019 Spending Round funding for the Department to carry out additional outreach activities to tackle homelessness. Our jobcentres will benefit from up to £3 million in 2020-21 to boost outreach activities to help those who are homeless, including rough sleepers. This money is to help people access benefits, stabilise their lives and move into work. Ultimately, this will allow us to build on the important outreach activities that are currently underway across Great Britain helping our jobcentre staff to work more effectively with partners to help homeless claimants. More generally, we have continued to work with other government Departments such as the Ministry of Housing, Communities and Local Government, the Department of Health and Social Care, the Ministry of Justice, the Home Office and the Department for Education to support the Rough Sleeping Strategy including work to explore options to improve the quality of rented accommodation funded through the benefit system and tackle the stigma faced by some claimants when looking for a home to rent.

Our performance

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

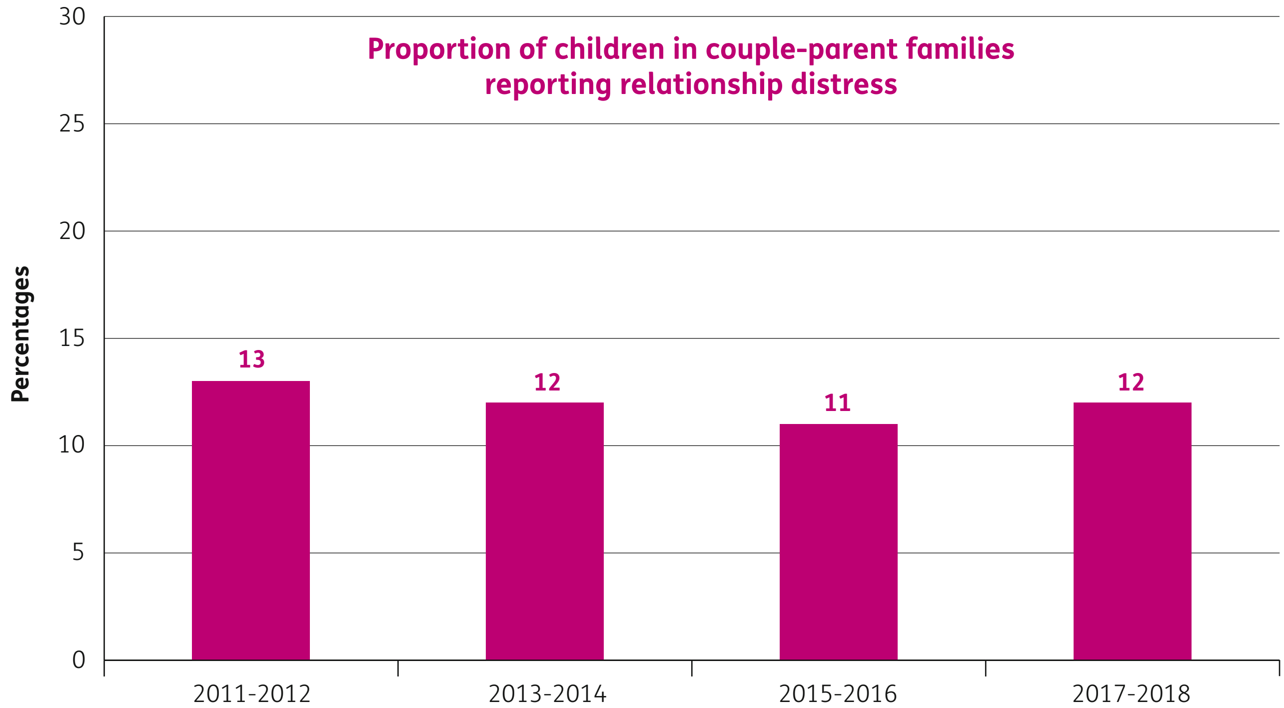
Headline indicator 9: proportion of children in couple-parent families reporting relationship distress

The proportion of children in couple-parent families reporting relationship distress was 12% in 2017-18. This represents an increase of one percentage point from 11% in 2015-16.

The 2017-18 data shows a decrease of one percentage point since 2011-12, which is the start of the current data series.

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. The current phase of the RPC programme is encouraging councils across England to integrate services and approaches which address parental conflict into their local services for families.

Through the support from this 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. As the Reducing Parental Conflict programme implementation didn't begin until April 2019 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 two years. 2017-18 is our latest available data. More detail on this indicator can be found in the DWP technical annexes on www.gov.uk.

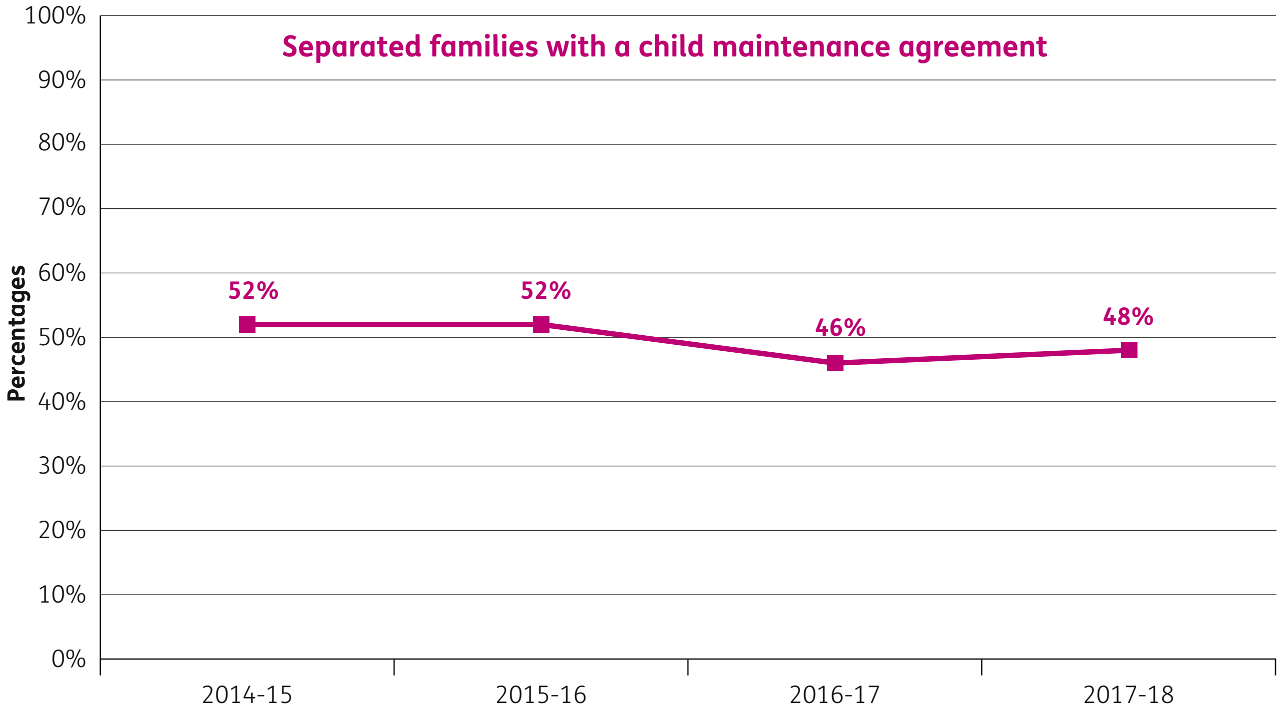
Headline indicator 10: percentage of separated families with a child maintenance arrangement

It is estimated that 48% of separated families had a child maintenance arrangement in 2017-18 (the most recent period for which data are published). Whilst this is four percentage points lower than in 2014-15 and 2015-16, the proportion with an arrangement increased by two percentage points between 2016-17 and 2017-18.

Any apparent trends over time are assessed in line with policy intent, but it is not possible to assess whether year-on-year changes are statistically significant as the estimates are derived from various data sources.

The reduction in the proportion of separated families with a child maintenance arrangement between 2015-16 and 2016-17 may in part reflect the fact that around that time CSA cases were being closed or transferred to CMS. Under CMS more freedom and support was provided to enable parents to choose the arrangement that works best for them and 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 and during 2018-19 we introduced new enforcement and collection powers to help ensure more money is collected.



This indicator is based on experimental statistics and is derived primarily from Family Resources Survey (FRS) data. Figures relating to 2015-16 and 2016-17 have been revised and differ from those previously. These revisions are the result of a number of methodological improvements.

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 deliver critical services to millions of claimants and customers every day across the UK, including to those that are the most vulnerable. The Department's ambition, building on significant progress to date, is to fundamentally reform its service delivery, continue to improve the support we offer our customers and their experience of our services and, with that, also deliver a more cost effective service.

We have a multi-faceted approach, underpinned by a clear business strategy, which includes shaping our workforce for the future, embracing and enhancing digital technologies and continuously improving our commercial contracting framework. The 2019 Spending Round announced a further £106 million (including £40 million for Discretionary Housing Payments) in funding to continue our programme of transformation.

The COVID-19 pandemic has created an unprecedented surge in demand for our services. Our well-developed business continuity plans – with respect to a pandemic flu and a sudden economic downturn – gave us a strong foundation and framework on which to execute our response. We were able to pivot the work of the Department to focus on getting money to people and support vulnerable people. Working hand-in-hand with the policy easements and re-prioritisation of service lines outlined under other objectives, we have had to change our ways of working at pace. In particular, and underpinned by a range of enabling functions, we have redeployed many thousands of staff to front-line roles under a virtual working environment while protecting their welfare, recruited additional people into the organisation, worked at pace to automate processes and ensure the resilience of our critical services. Moving forwards, we will continue to be flexible as events unfold, implementing a sustainable plan for the duration of the pandemic.

2019-20 Headline indicators	Previous data	Latest data
Net loss due to fraud and error as a percentage of overall benefit expenditure	1.5%	1.9%
Customer and claimant satisfaction with DWP services	81%	–
New claims processed within planned timescales	–	76.7%
Proportion of Universal Credit new claims that were paid (Full payment in time)	86%	89%

See pages 85 to 88 for further details on these indicators

What we've been doing

Building a workforce for the future

People Strategy

Our new departmental structure, outlined on page 15, is helping to strengthen how colleagues work together. Our vision is for the Department to become a truly flexible, inclusive and continuously learning organisation. Our People Strategy underpins this ambition and strives for flexibility to adapt at pace in an ever-changing and uncertain world, enabling us to put the right people in the right place, at the right time; for us to be a wholly inclusive organisation and representative of the customers we serve; and to continuously learn and improve to achieve better customer outcomes.

Underpinning our vision are six interdependent strategic outcomes including:

- an affordable, flexible and capable workforce
- an employee offer that balances employee needs and business outcomes
- a team based performance culture
- a continuously learning organisation
- a safe, healthy and inclusive environment
- leaders who coach, inspire and empower our people

Workforce Resourcing: an affordable and flexible workforce

Our workforce plans have focused on living within our means whilst continuing to deliver an outstanding service to our citizens. In 2019-20 we moved to a more strategic approach to managing our workforce while our new departmental Capacity Board has provided a stronger governance platform for resourcing decisions. We introduced a five-year strategic workforce plan, which has improved our understanding of the current workforce, as well as our forecasts of resources and capability, enabling us to better align our people plans with ongoing digital and workplace transformation.

Between March 2012 and March 2020 we reduced our core staffing by 19,832 whole time equivalents, with a reduction of 4,547 whole time equivalents in 2019-20 compared to the previous year. In 2019-20 we spent £3.04 billion on staff, an increase of £67 million on 2018-19. During 2019-20 our annual turnover rate was 8.2% with 6,240 whole time equivalents leaving the Department. Prior to COVID-19 we continued to refresh our workforce and redeployed internally 2,338 whole time equivalents and also brought in a total of 2,867 whole time equivalents, new recruits and transfers in from other government departments. We have also made further progress in securing leading digital experts to meet the demand identified by DWP Digital, using innovative approaches to source the best and most diverse candidates and tap into new markets. In total, there were 679 whole time equivalents new recruits into vacant departmental digital roles during 2019-20.

(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 1,043 as at 31 March 2020)

Throughout 2019-20 we have supported the needs of government in its European Union (EU) exit work. The creation of an EU resourcing team has enabled us to coordinate cross-government requirements meeting EU exit demand from multiple government departments.

The COVID-19 pandemic led to an exceptional surge in demand for our services towards the end of the reporting year. We made managing claims and making payments our number one priority. To deliver this, we reviewed and reprioritised our existing work and redeployed many thousands of people within our own department from non-critical work areas – this included existing front-line workers, such as those doing work search reviews and face-to-face interventions, as well as people from functional areas such as our finance and change directorates.

We also embarked upon an exercise to recruit people at an unprecedented scale and pace to support our response to the COVID-19 pandemic. This included people that were:

- on waiting lists having been successful through previous service delivery recruitment exercises across the UK
- seeking employment through Jobcentre Plus and identified as having the requisite skills by our work coaches
- signed with Brook Street recruitment agency (with whom the civil service has a contract for public sector resourcing)
- currently working in the Department on fixed term contracts and could be made permanent
- engaged resource from Capita and SERCO
- working for other departments that could be transferred in temporarily

An employee offer that balances employee needs and business outcomes

We have managed the successful implementation of extended working hours across some of our business areas, acknowledging the growing demand for citizens wanting to use our services outside previous opening hours. We have continued to deploy new technologies to support this with notice given to the whole Department in September 2019 of our intention to further extend our operating hours.

A team based performance culture

During 2019-20, we rolled-out a rating-less, team-based approach to people performance across the Department, with all teams now having shared objectives in place that align to their purpose and support civil service aims and ambitions. We have collected valuable insight on its implementation and impact so that we can continuously improve the approach. One-to-one performance discussions still remain an important part of our culture, but the emphasis has shifted to having more frequent, holistic and development-based conversations.

A continuously learning organisation

Throughout 2019 we embedded the new People and Capability group. This includes a dedicated capability, learning and talent directorate, enabling the closer integration of personal, professional, leadership and technical learning. We have continued with the robust programme of apprenticeships with significant apprenticeship starts since April 2017, the beginning of our 4-year programme.

Over the reporting year we achieved 1,428 apprenticeship starts.

The majority of apprenticeship activity has been paused for a short period due to the impacts of COVID-19, however there are some exceptions with apprentices in the Finance group; economists apprentices, and social mobility/ Talent Diversity Internship Programme (TDIP) learners continuing.

A safe, healthy and inclusive environment

We are committed to building a more 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.

A detailed update on our progress against these goals in 2019-20 can be found in the accountability report on pages 155 to 158.

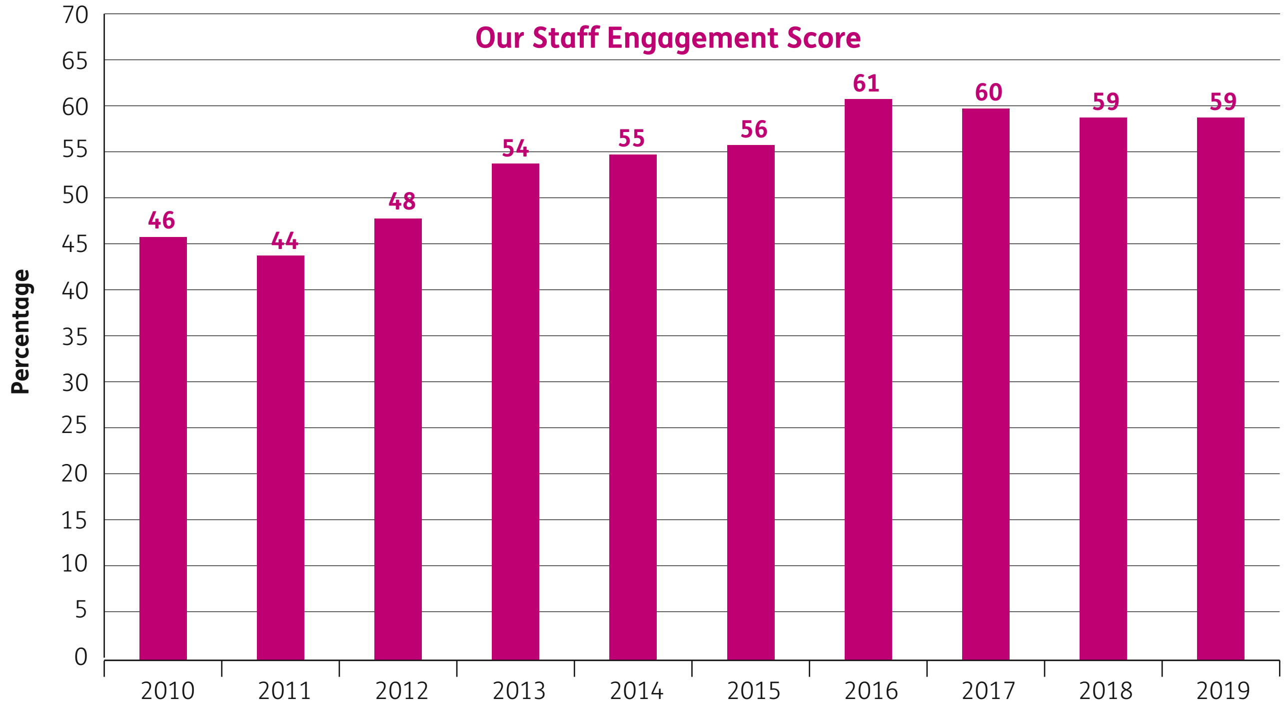
The health and safety of our staff, and the personal support we offer them, remains of paramount importance to the Department. In particular, for the COVID-19 pandemic, where our people were formally recognised as key workers, we put in place a wide ranging package of practical support. This included comprehensive internal communications to staff and managers through our staff emergency line and a hub page on our intranet site, with daily updates on issues such as physical and mental wellbeing; and renewed focus on maintaining safe work-places through, for example, ensuring that social distancing recommendations and hygiene and cleaning regimes were strictly adhered to in our work spaces.

Inspirational leadership

The Department continues to focus on building our leadership capability to support our leaders who coach, inspire and empower our people to deliver. One of the primary enablers for this is the continued roll out of our leadership essentials programme, which includes growing our community of leadership coaches to over 200. Our aim is to deliver this training to 6,200 leaders across the breadth of the Department. We are also piloting bespoke leadership essentials events.

Engagement

Over 53,000 of our employees (67%) completed the 2019 people survey. We achieved an engagement score of 59%, unchanged from 2018. The underlying results showed that our people continue to believe that what we do matters; that we are working well in teams; and that we are continuing to build an inclusive culture.



Although the score for 'Inclusion and Fair Treatment' remains the same as 2018, we continue to focus on Wellbeing, Inclusion and bullying, harassment and discrimination (BHD) in particular through a range of initiatives. This includes the creation of a wellbeing advocate network; the roll-out of wellbeing confident leader training to all Senior Civil Servants; and the continued training of mental health first aiders, with 1,600 colleagues now trained, and achieving parity of mental health first aiders with physical first aiders in February 2020.

In addition, we have this year introduced Ambassadors for Fair Treatment (AFTs). Their role is to provide support to those who believe they are facing, have witnessed or have been accused of BHD, and to signpost to further support where appropriate. Selected individuals are being trained with an aspiration to have 1,600 AFTs by March 2021. We have also produced a BHD digital toolkit for anyone experiencing BHD in the workplace.

Embracing new digital technology

Digital transformation is enabling us to improve our services for our customers and to be more efficient and effective as an organisation. In 2019-20, five goals drove our digital delivery.

Enabling DWP policy and strategic transformation

We have continued to deliver new functionality across our portfolio. Examples of digital delivery have included:

- fortnightly improvements to Universal Credit's digital service based on user feedback. These changes improved the experience of colleagues, claimants, landlords and other users, delivered internal efficiencies and enabled us to upscale the service to the volume of claims coming into the business
- new solutions to verify customer identity, for example by enabling Universal Credit customers to prove their identity online rather than having to visit a jobcentre
- further growth of the Check your State Pension digital service which provided its 19 millionth State Pension forecast. Around 530,000 forecasts are viewed on average each month, in addition around 31,000 forecasts are issued each month for those unable to access the digital service. Online take up was 94% and user satisfaction 85%
- 'Straight-through processing' on the Get your State Pension service, enabling faster claims without the need for colleague intervention. It now takes on average eight minutes to make a State Pension claim online, and user satisfaction has remained consistent at 96%
- new features on Find a Job to promote Disability Confident job opportunities, including improved job search and simplified interaction for employers. There are now more than 10,000 Disability Confident jobs available on Find a Job
- roll-out of 7,082 new customer computers in jobcentres, providing a faster and more flexible experience when searching for jobs, and improving digital inclusion
- significant progress in provision of modern tools and services to our colleagues to enable them to work efficiently and effectively across a large organisation. These include 50,000 fast PCs, 20,000 laptops, full Wi-Fi roll-out and new collaboration tools

We exploited digital technology to provide fast support to colleagues and customers around the COVID-19 pandemic. We enabled a huge increase in home working by quadrupling capacity on our Virtual Private Network (VPN) and provided 16,000 new devices to allow self-shielding colleagues to work remotely, enabling the creation of a Virtual Service Centre. We made rapid changes to Universal Credit to streamline transactions and fast-tracked delivery of the Confirm your Identity service to speed up new applications. This all helped us respond quickly to a six-fold increase in Universal Credit claims. As part of 3,500 wider digital changes from February to April, we significantly increased payment capacity, enabled digital access to additional benefits such as Employment and Support Allowance and made it easier to apply for Bereavement Support Payments and support for funeral expenses.

Improving the performance and stability of DWP's digital services

We continued to make significant year-on-year improvements to service stability. Downtime (as a percentage of DWP's service hours available) stood at 0.02% compared to 0.1% last year – equating to 727,000 extra service hours. This was achieved by:

- re-hosting all our services to the cloud, providing more stable, flexible and efficient infrastructure from which to run our digital services
- improved service monitoring and incident management processes enabling us to identify and address potential service issues more quickly. This helped reduce colleagues' IT incidents by 21% compared with 2018-19
- updating resilience and protection capabilities for our critical benefit payment services by re-platforming them on modern hardware and software. So far, we have successfully created eight of 11 replacements up to 13 April 2020; with the remaining three to be completed by the end of 2020-21

Continuing to strengthen cyber security

We have continued to strengthen the protection of our digital services – further details are on pages 65 to 66.

Building a strategic digital approach for the future

In 2019-20, we outlined our aspirations to accelerate digitalisation of our services, setting out a blueprint for how we will design and build digital services in the coming years and beginning to implement it across a range of products. Our strategy will join up individual services for customers, building them more intuitively around life events rather than particular benefits. It will provide colleagues with better digital tools to offer more rounded support to customers. And it will improve efficiency by reusing components and data, and by using automation to free up colleagues' time for the challenging and important work.

Building specialist capability and capacity

We have continued to reduce our reliance upon external contractors and suppliers, strengthening our own digital capability in 2019-20 by recruiting hundreds of digital specialists and growing our dedicated service provider BPDTS Ltd. A series of digital and technology sector awards help us attract more talent. Growing our effectiveness through a diverse workforce remained a priority, and we made progress in improving the gender balance in senior digital roles.

We've enhanced capability of our existing workforce, recognised through internal promotion, with up to 40% of successful candidates for advertised roles coming from within the Department.

Securing the Department; protecting people, information and physical assets

We hold large amounts of personal data for both customers and other organisations, and we make large amounts of payments to citizens; therefore, security continues to be one of our top priorities.

In 2019-20, we further improved our ability to detect and respond to threats to our infrastructure and services, enhanced the management of security risks and provided training and awareness resources to enable all our colleagues to take personal responsibility for security and data protection.

During the COVID-19 pandemic, security and data protection advice and guidance was integral to the departmental response, and assessment of the potential security risks arising from business changes was built into departmental decision-making processes. Regular security advice was provided to all those working from home and in unfamiliar situations, about working securely and protecting information and citizens from harm. That advice was extended to our customers, where new ways of communicating with them were set up, to support them in avoiding threats from online and other fraudsters.

400 data champions are embedded throughout the Department.

Data Protection Law requires us to collect and process personal data legally, store it securely and delete it when no longer required. We see this as a minimum requirement and have set ourselves the highest legal, security and ethical standards as we move towards becoming a data driven organisation. We have embedded further robust standards in response to our Data Protection/GDPR obligations:

- all our information assets are identified and held on one system inventory
- Right of Access requests are responded to quickly, through a new service line introduced this year, with digital support to enhance performance
- IT systems, voice recordings, clerical records, and un-structured data all have plans in place to progress towards a compliant status with regard to purging, archiving and retention functionality
- a departmental data sharing inventory is being compiled and a review of all data sharing agreements ensuring their compliance is underway
- 400 data champions are embedded throughout the Department. They were supported through 15 information management events, which allowed them to cascade key messages into their business areas, which in turn supports our aim to build a data capable workforce
- we are upskilling our people through mandatory security e-learning and targeted communications
- in order to develop trust with our service users we have published our Personal Information Charter on www.gov.uk
- our Data Protection Officer team ensured our arm's length bodies (ALB's) are compliant through their annual assessment process
- Data Protection by Design processes are built into the development approval processes for all change programmes and new digital services

The work to achieve GDPR compliance is managed by a dedicated task force with senior oversight from a dedicated board under the leadership of a Chief Data Officer. The board actively review and monitor performance through a compliance dashboard which tracks the status of remedial activities and the performance of key service lines. Progress is reported to the Permanent Secretary and the Executive Team and the Information Commissioners Office via the Data Protection Officer.

We are members of a global best practice data protection network which shares learning and best practices, and assists us to hold ourselves to the highest data security, protection and quality standards. This all ensures data is collected, stored, archived and disposed of legally and securely and we improve our and the public's confidence in the accuracy, validity and timeliness of the data we hold.

Commercial contracting

We continually review and scrutinise our commercial contracts to ensure we receive high quality services and value for money. In 2019-20 we delivered total savings of around £335.1 million (£246.4 million cash savings and £88.7 million efficiency savings).

Some of the key initiatives included in the overall savings figures for 2019-20 are:

- £10.8 million in Employment category for Work and Health Programme, derived through the commercial process, which has resulted in funding being released to support more people back to work
- £11.94 million saved through the estates operating model through the continuation of the People and Locations Programme
- £32.5 million of savings achieved in the Health category, through health assessments contracts for Personal Independence Payment and the Health and Disability Assessment Services contract

The following sections describe our commercial activities in more detail.

Estates

The new operating model entered into in 2018, ensured we have improved understanding of our assets and use more data to inform investment decisions. Last year we saw, through the Telereal Trillium commercial agreement, enhanced lifecycle investment spent on our core assets (boilers, lifts, roofs) to provide greater resilience to our operations and better conditions for our people and customers.

The emphasis throughout 2019-20 on developing estates management information and internal benchmarks has allowed us to target spend more effectively and to manage our supply chain in a proportionate way. At the same time, it has highlighted the urgent need to address the legacy issues of under-investment of maintenance across the Estate. This investment was needed to replace critical aged assets in our buildings.

In relation to suppliers, the Department undertook a mutually agreed managed exit of the current facilities management provider, as at December 2019, a new interim supplier had been contracted for the delivery of certain services relating to statutory compliance.

By introducing portfolio capability within the estates directorate we have been able to work closely with programmes such as the Workplace Transformation and Health Transformation to develop an estates plan through to 2023 for our operational buildings, our corporate centres and our healthcare facilities.

Throughout the COVID-19 pandemic, we have ensured that our buildings have the capacity to accommodate social distancing, increased supplies of sanitary products, and stepped up cleaning regimes to keep our staff as safe as possible.

Contracted employment support

We have continued to focus on strategically driving and engaging the market to meet our goals over the course of the year. We conducted a number of procurement exercises, letting and implementing the Intensive Personalised Employment Support (IPES) service, and a number of European Social Fund Contracts and we have introduced the virtual visa system to support front-line staff engaged in helping participants. Overall for 2019-20 savings of £45 million (£25 million cash; £20 million efficiency) were delivered. Through the COVID-19 pandemic the Department has provided support to the market and providers under the guidance of Procurement Policy Note 02/20 [12] which aims to ensure service continuity during and after the COVID-19 pandemic.

Work and Health programme

The Work and Health Programme five year contracts, with a total value of £400 million, were launched in England and Wales 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 Combined Authority who have developed, procured and are delivering local versions of the programme.

Health assessments

Entitlement to benefits for disabled people or people with a long-term health condition is partly dependent upon health assessments delivered through the Personal Independence Payment (PIP) and the Health and Disability Assessment Services (HDAS) contracts.

We continue to manage our existing contracts, driving efficiencies and achieving value for money, whilst continually looking forward to design and implement ambitious future delivery options. Overall performance across our health contracts has continued to improve, and we will work closely with assessment providers to continue this trajectory. Both the PIP and HDAS contracts have been extended to allow for a successful transition to a new service from 2021.

The PIP contracts consist of two assessment providers, divided into three separate Lots, providing functional health assessments across England, Wales and Scotland. Since the start of the contracts in 2013, overall both performance and quality have improved significantly, whilst claimant satisfaction figures have exceeded targets since measurement began in 2016.

Following the video recording pilot of PIP assessments, we are currently developing an approach to provide consistency for claimants across audio recording of Work Capability Assessments and PIP assessments. This, along with close collaborative working, focus on improving the quality of assessments.

The HDAS contract includes the delivery of Work Capability Assessments. Service delivery, in terms of assessment volume, quality and customer service, has improved through the life of the contract to date and we continue to see service improvements in 2019-20. Continuous improvement remains the Department's focus as the contract enters its final full year.

In 2019-20 we delivered commercial savings of around £335.1 million

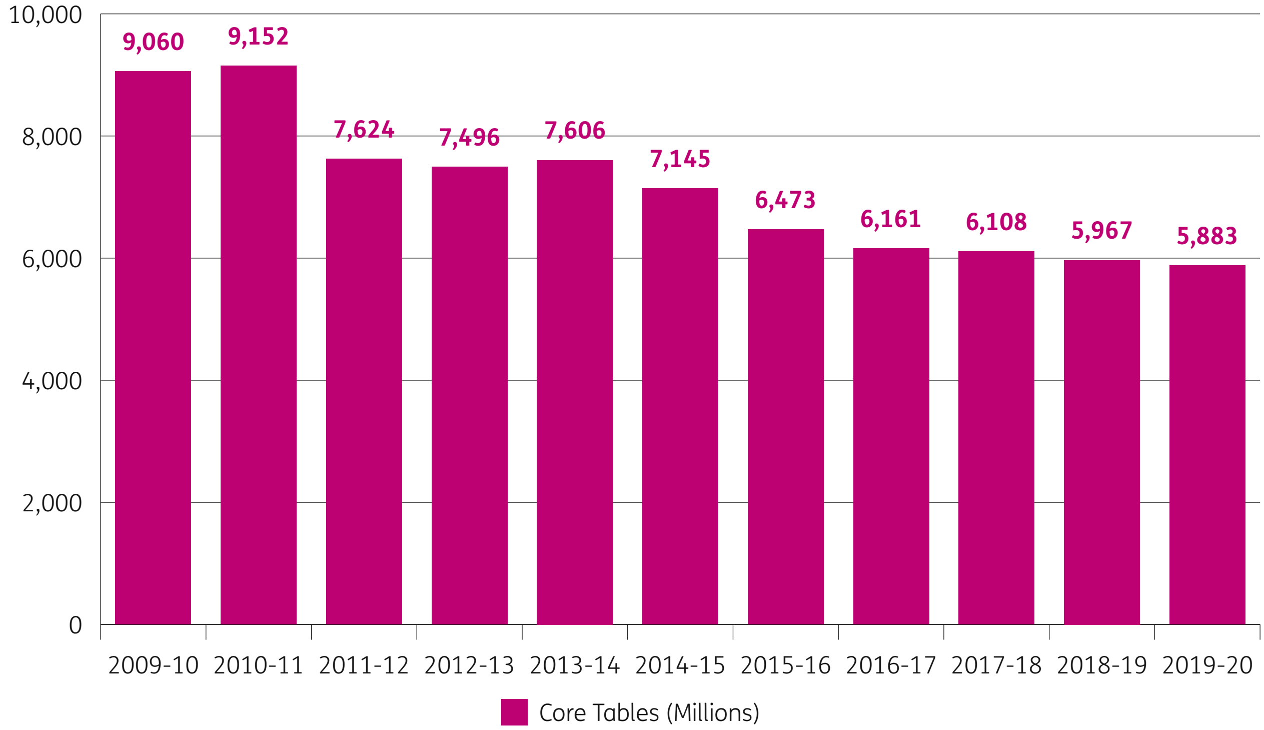
12 Available at www.gov.uk

Our Expenditure

In 2019-20 we faced the final and most challenging year of the 2015 Spending Review Settlement. The DEL budget was set at £6 billion, which later increased to £6.1 billion, with funding reducing by 5% or by £300 million from 2018-19. Cumulatively year-on-year since 2009-2010 we have saved £21 billion through reducing expenditure, including reducing headcount and delivering commercial savings in estates and IT contracts.

Spending Round 2019 set the budget for 2020-21 at £6 billion protecting our resource budget in real terms, with an additional £106 million to deliver the DWP Excellence Plan which will help us to deliver a culture of improvement and reform to support the most vulnerable in society.

Annual running costs (DEL resource) in £s million



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

In 2019-20 these payments totalled £191 billion. This was nearly £10 billion more than in 2018-19, with the increase being mostly accounted for by the annual up-rating of pensions and benefits, and the roll-out of Universal Credit as it absorbs payments formerly made through personal Tax Credits paid by HM Revenue and Customs.

DWP resource AME benefit expenditure summary	2019-20 expenditure £billion[13]
Benefits paid to pensioners, of which:	**124.1**
State Pension	98.7
Support for disabled people and people with health conditions	11.7
Other benefits	13.7
Benefits paid to working age people and children, of which:	**66.7**
Support for disabled people and people with health conditions	43.9
Other benefits	22.8
Total resource AME expenditure	**190.8**

Other benefits include Housing Benefit, Universal Credit and Pension Credit.

Overall, around two-thirds of our benefit spending went to pensioners, with the State Pension, at £98.7 billion, accounting for more than half of all spending. Spending on State Pension increased in 2019-20. Despite equalising the State Pension age for men and women, and raising it to 66, causing the number of people receiving a State Pension to continue to fall slowly; uprating of the basic State Pension by 2.6% in line with the "triple lock", and additional pension in line with the Consumer Price Index at 2.4%, caused overall State Pension expenditure to rise.

Nearly 30% of AME (£55.6 billion) supported people with a disability or health condition (including pensioners)[14].

Apart from the State Pension and benefits to support disabled people and people with health conditions, around £36.5 billion was spent on a range of other benefits, with slightly more than half (around 62%) going to working-age people, and the remainder to pensioners.

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.

The current welfare cap and pathway was reset at the Spring Budget 2020, in line with the OBR's forecast for welfare expenditure at the time. This current welfare cap applies in 2024-25 with the next formal assessment to be based on the forecast at the first fiscal event of the next Parliament.

At the Spring Budget 2020, relevant spending was also assessed against the previous welfare cap. OBR forecasts for 2022-23 showed that the terms of the cap were met, as published in their Economic and Fiscal Outlook publication[15].

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

13 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.
14 Disability, incapacity, industrial injuries and carer benefits, associated Housing Benefit, and an estimate of equivalent spending in Universal Credit.
15 https://obr.uk/efo/economic-and-fiscal-outlook-march-2020/

The estimated level of fraud and error in benefit expenditure

1. Fraud and error estimates

The fraud and error estimates used in this publication reflect the period 2019-20 and are based on a revised methodology. This means it is not possible to make detailed comparisons over time, other than with 2018-19, where figures have been restated. Any comparisons in this section have been made with reference to those restated 2018-19 estimates.

The estimates are retrospective and do not take account of COVID-19 as the checks on which the estimates are based were carried out before the pandemic. We introduced a number of temporary changes from March 2020 to process the additional 2.4 million new household claims to Universal Credit as a result of the emergency. Paragraph 22 onwards of this section covers our handling of fraud and error during the COVID-19 crisis in more detail.

2. Our 2019-20 results

Our fraud and error results show that the global (overall) level of overpayments in 2019-20 was 2.4% (£4.6 billion), compared with 2.1% (£3.9 billion) in 2018-19. The global level of underpayments remained at 1.1% (£2.0 billion).

The growth in Universal Credit expenditure as a proportion of overall benefits expenditure means that Universal Credit fraud and error now has more of a role in determining the overall level of overpayments. There has also been a slight increase in the Universal Credit fraud and error rate, which has a higher rate of overpayments than the other benefits we measure. These factors are the main cause of the increase in the global estimate.

3. Fraud/Claimant Error/ Official Error

At a granular level, the 2019-20 fraud and error estimates saw an increase in fraud overpayments, which were 1.4% (£2.8 billion) compared to 1.1% (£2.1 billion) in 2018-19. Claimant Error overpayments (0.6%) and Official Error overpayments (0.4%) both remained constant, although the monetary values increased slightly due to the rise in overall benefit expenditure.

Further detail can be found in the Incorrect Payment Note at page 237 or in our annual Fraud and Error in the Benefit System 2019-20 publication on www.gov.uk

4. Individual benefits

Overpayments in Universal Credit increased from 8.7% in 2018-19 to 9.4% in 2019-20. Total Universal Credit expenditure increased from £8.1 billion to £18.4 billion.

Employment and Support Allowance (3.5% to 4.1%) and Pensions Credit (4.2% to 5.3%) also saw increased fraud and error rates, whereas Personal Independence Payment (3.1% to 1.5%) and Housing Benefit (6.3% to 6.0%) recorded reduced overpayment levels.

Carer's Allowance fraud and error, previously measured in 1996-97, was estimated to be 5.2% in 2019-20.

5. Underpayments

The estimate of the total rate of underpayments in 2019-20 was unchanged compared to 2018-19, at 1.1%, with the estimate of the monetary value being £2.0 billion. Both Claimant Error (0.7%) and Official Error (0.4%) were unchanged, as were the monetary values.

6. Separating out figures net of State Pension

Expenditure on State Pension increased from £96.8 billion in 2018-19 to £98.8 billion. It accounts for just over half of total benefit expenditure. If we take State Pension out of the equation, the level of overpayments increases from 4.4% last year to 4.8% in 2019-20.

7. Fraud and error across welfare

The roll-out of Universal Credit will lead to the Department taking responsibility for a considerable number of new claimants as it includes those who previously would have claimed Tax Credits from HM Revenue and Customs.

Differences in how Universal Credit is calculated (monthly entitlement rather than annual entitlement) means that the levels of fraud and error in Universal Credit and in Tax Credits are not directly comparable.

The Department always expected that the transfer of the Tax Credits caseload would lead to an increase in the Department's fraud and error levels because of differences in how the benefits are administered. We still expect that, when fully rolled out, Universal Credit will lead to a reduction in the overall proportion of money that is lost due to fraud, error and other overpayments when compared to that which would have occurred across the whole welfare system, including Tax Credits, had Universal Credit not been introduced.

8. Causes of loss

Our fraud and error results continue to show certain themes across benefits, the incidences of which depend on their eligibility rules. Means-tested benefits offer more potential risk, owing to rules on savings thresholds, living with partners, and earnings. Analysis shows that earnings, capital and living together continue to offer a disproportionate amount of risk. We are increasingly assessing and tackling loss by theme rather than by benefit.

'Heat maps' (a traffic light picture which breaks down each benefit by cause of loss) enable us to see the overall picture and helps ensure we have a good understanding of the risk areas, which means our initiatives can be targeted to ensure they achieve the best results.

9. A changing picture

Unreported or undeclared earnings remain one of the biggest causes of fraud and error. For example, the 2019-20 estimates show that earnings and employment accounted for £449 million (or 26%) of Universal Credit overpayments and £459 million (or 42%) of Housing Benefit overpayments. For Universal Credit in particular, this loss is increasingly made up of self-employed or self-declared earnings that are inherently harder to verify.

As Universal Credit roll-out completes, we expect the primary causes of loss to change over time, with capital and living together overpayments becoming proportionally higher. Former Tax Credits claimants will not have been required to report certain changes, including capital, whilst in receipt of Tax Credits, and this will make a difference to the Department's future fraud and error levels, although the Department accepts that it will be possible to mitigate the risk by reminding claimants of their responsibility to report change and by having effective controls in place.

This change in the Department's caseload presents new challenges and we will need to be increasingly innovative in our approach when it comes to tackling fraud and error.

Tackling Fraud and Error

10. Counter Fraud, Compliance and Debt (CFCD)

CFCD, part of the Department, leads on fraud and error prevention and on recovering outstanding benefit debts. The organisation comprises approximately 8,000 staff working in over 400 sites across the UK, although this changed temporarily, with many staff helping process new claims in response to the COVID-19 emergency.

In 2019-20 our operational staff completed 46,000 fraud investigations and 332,000 compliance cases, which is a review of a claim where there may be an overpayment, but benefit fraud is not suspected. We successfully referred over 2,000 fraud cases for prosecution, with administrative penalties of up to £5,000 being considered in other instances, dependent on the particular circumstances of the case.

We continue to work closely with the Home Office on Serious and Organised Crime, including Modern Slavery and People Trafficking.

11. Debt Management

Part of CFCD, the Department's Debt Management recovers debt, including benefit overpayments, Universal Credit Advances, Tax Credits debt and Social Fund loans. The Department takes great care to ensure that recovery plans are sustainable. Repayment rates are determined by legislation but can be reduced for a period should someone represent hardship.

Around £1.0 billion in benefit debt (this is debt accrued over time) was recovered by the Department and Local Authorities in 2019-20, meaning that the overall fraud and error loss to the exchequer was 1.9% (£3.6 billion) compared to 1.5% (£2.8 billion) in 2018-19.

Debt Management continues to recover 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). Debt Management's total recovery (excluding Housing Benefit recovered by Local Authorities) amounted to £2.2 billion in 2019-20, an increase of £432.3 million on 2018-19.

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12. Moving to prevention

We understand that it is far better if we can stop claimants incurring debt in the first place. Internal estimates show that the Department prevents around £1.5 billion in fraud and error each year through processing changes of circumstances, investigating fraud and undertaking compliance activity.

We have developed a new strategic approach to fraud, error and debt, with prevention, rather than detection, at the heart of what we do. As a result, our fraud, error and debt activity and investment has increasingly been focused on the prevent agenda.

As part of this approach, we need to ensure that we have the right controls in place and, that we continue to use behavioural insight to find ways in which we can encourage claimants to keep their claims up to date. At a holistic level, preventing fraud and error needs to be central to policy design, new services, objective setting and investment decisions.

13. Our Integrated Risk and Intelligence Service (IRIS)

IRIS brings together a number of expert intelligence teams from throughout the Department. It is significantly increasing our prevention capability through the use of new data matching rules. These allow us to route cases to our investigators where discrepancies are identified.

We are exploring, with other Government Departments, the optimum use of data across Government. We are also utilising existing 3rd party frameworks to bring data in from trusted partners. This will help us verify what claimants to tell us. We have built strong relationships with all our partners, which includes robust data security protocols.

We are increasingly working towards a scenario where our benefit processors have access to information and intelligence from other sources, prior to any payment, which will allow them to make a real time risk assessment on the case.

14. Tackling earnings related loss

HM Revenue and Customs' Real Time Information (RTI) system collects PAYE information for wages and tax approved pension schemes. RTI is a key element of Universal Credit, enabling us to adjust monthly Universal Credit payment according to people's earnings. RTI earnings related errors are now comparatively low.

The Verifying Earnings and Pensions (VEP) Project has increasingly provided real time access to the RTI data through digital web services in advance of a benefit payment being made across a range of legacy benefits. Our use of real time Verify Earnings and Pensions alerts may well have contributed to the improvement in our Housing Benefit fraud and error results.

15. Self-employed and hidden economy cases

As we reported last year, around 15% of earners in the UK are now self-employed. Earnings from self-employment are outside the scope of RTI or any other single data set. However, IRIS is increasingly uncovering self-employed fraud and error as a result of multi layered data matching.

We are also reviewing cases more frequently. The Department's analysts recommended that a review of Housing Benefit cases where self-employed earnings were 'unchanged' for over 12 months would produce significant savings. In the event, an investment of £4.6 million saw our Local Authority partners action 59,000 referrals and generate estimated savings of £73 million from identifying and correcting cases. We will look to repeat this exercise in 2020-21.

16. Tackling Living Together fraud

IRIS has developed data matching rules to help identify cases where an undeclared partner might be living in a household. We have at the same time continued to work with the Government's data supplier to see how they can help us design a service which generates an 'alert' in real time, potentially allowing us to review claims where circumstances might have changed.

Our overriding objective however, is to see how we can work with our customers so that they respond and report their circumstances and all changes (not just Living Together) accurately and on time. We are exploring the current process for reporting a change of circumstance and what options there are to make this easier for claimants.

17. Addressing capital loss

The Department overpaid around £880 million across all income related benefits that were reviewed for fraud and error in 2019-20 as a result of incorrectly reported or fluctuating capital holdings.

We continue to use data based around information on interest bearing financial products to identify undeclared capital and this allows us to cleanse approximately 20,000 cases each year. Looking ahead, we are exploring how we can work with claimants to help them keep their declared capital up to date and doing more in-depth work on capital loss, with a view to introducing future business change.

18. Official Error

We continue to conduct internal assurance, focusing particularly on pre-payment checks. We also look at the customer journey and the critical points in the process. This gives us a more complete picture of our compliance with operational instructions and highlights areas of official error for us to address.

We use this information to ensure we have the right training in place. For example, we know that the award of 'premiums' across benefit lines can be complex, which is why we have strengthened induction training in this area and developed a technical evaluation package for all staff by way of refresher training. Moving forward, we will look at whether we can automate certain processes, so that underlying benefits automatically trigger the award of a premium where it is due.

In Universal Credit, official error overpayments fell from 2.1% to 1.3% in 2019-20, largely as a result of improvements in the way we handled the Claimant Commitment.

19. Underpayments

The Department understands the importance of paying the right money to each of its customers and will continue to tackle the causes of underpayments, as part of our wider approach to ensure claimants are paid the amount that they are entitled to.

Our Independent Quality and Assurance Team checks cases to gather insight into the levels of both over and underpayments, whilst our data matching rules allow us to identify errors and also pay any shortfall in entitlement. We have reviewed and where necessary corrected benefit awards which arose while reassessing Incapacity Benefit claims and have carried out a similar exercise to check whether people might be eligible for more support under PIP following a Tribunal ruling.

The drop in the Employment and Support Allowance underpayment figure (3.1% to 2.8%) reflects the work the Department has done here.

20. Universal Credit Advances

Fraudulent Universal Credit Advances created a challenge for the Department during 2019-20. The impact of fraudulent advances was not captured via our fraud and error results as the benefit review process only examines cases where benefit is in payment. A benefit advance is not a benefit payment. However, the DWP's fraud and error publication did report separately that between £142 million and £213 million may have been claimed fraudulently in the 12 months ending December 2019, and we continue to take the issue very seriously.

Advances are available to claimants who are in financial need and have no other source of help up until they receive their first payment of Universal Credit. Certain individuals and third parties looked to exploit this and made false claims.

We set up a dedicated team to investigate this very specific type of fraud and took robust action where appropriate, such as prosecutions and financial penalties. We also changed the application process, so that applicants have to meet with Jobcentre staff to verify their identity before obtaining an Advance. This rule, however, has been temporarily relaxed during the COVID-19 pandemic, as face-to-face contact is not possible.

In December 2019, we introduced additional real time verification procedures. Together, these changes in the process helped strike the right balance between allowing swift access to support for those who need it and enhancing safeguards against fraudulent behaviour.

21. Refreshing our Fraud and Error Strategies

We will continue to refocus our fraud and error strategies to reflect the latest fraud and error results. We will also look to ensure that where business decisions are made and resources deployed, fraud and error has been considered.

There is an acceptance that our approach to tackling fraud and error needs to be balanced against policy and claimant requirements, and that we only rule out options that either conflict with this or that are simply not cost effective.

COVID-19

22. Our priorities

COVID-19 only impacted the Department towards the very end of the financial year covered by this report. We would expect to give a full account of the measures we adopted and their impact on fraud and error in next year's Annual Report and Accounts when the picture is far clearer. However, we have taken this opportunity to set out some of the key issues as we know them at this time.

The Department reacted quickly to the onset of COVID-19 and the extraordinary increase in benefit claims that ensued. For example, by the end of May 2020, we had received an additional 2.4 million Universal Credit claims. Inevitably, our focus was on paying these claims and providing swift financial support for those in need.

In order to do this, we moved somewhere in the region of 10,000 staff – including fraud, compliance and debt staff – to help process claims. We also turned off some of our usual controls or checks that normally mitigate against the risk of fraud and error, including identity verification and verification of claimants' circumstances. These easements were partly driven by the temporary cessation of face-to-face contact, but also because it was imperative to pay people impacted by the crisis.

23. Our risk appetite

Having introduced certain easements, we logged each one in order to understand its potential impact on fraud and error. Indeed, we remained aware of the risks throughout this time and introduced controls to manage them. The following paragraphs highlight some of the key measures we put in place.

We retained our Serious and Organised Crime facility. This meant we could investigate any emerging or systemic threats and ensure that any organised attacks on the benefit system were unable to grow.

We brought together the work of our Risk and Intelligence Service, our Cyber Resilience Team and our Serious and Organised Crime investigators in order to create the Integrated Risk and Intelligence Service. This allowed us to monitor risks and use data matching and analytical expertise to help identify fraudulent activity. Cyber threats, scams and social media were monitored and we took action to shut down any social media post that promoted benefit fraud.

We established our Enhanced Checking Service. This new function, comprising 600 trained fraud investigators, meant benefit processing staff could refer any suspicious cases for further investigation and additional verification. This proved to be very successful and helped prevent fraud from occurring.

Critically, we are able to identify claims impacted by the temporary easements. This means that we can revisit these claims to raise any resulting over (or under) payments that might have occurred, including where there is later doubt about someone's entitlement. We will be starting this work during 2020-21.

24. The impact on fraud, error and debt

Universal Credit has stood up well to the challenges posed by COVID-19. Inevitably there will be lessons to learn and we would look to apply these as we continue Universal Credit roll out.

We expect that there is likely to be an increase in the level of fraud and error due to the temporary easements we introduced in order to prioritise payments to claimants. The actual level of fraud and error will depend on how long the pandemic lasts, and consequently how long the easements are in place, as well as the impact of the prevention and detection controls we have in place.

We will continue to monitor the level of fraud and error detected, and as soon as is feasible, provide an estimate of the overall level of fraud and error that has resulted from the easements.

In March 2020, we also paused debt recovery for a period of 3 months in response to COVID-19, which helped support claimants through the emergency. This also allowed us to redeploy staff to help process the influx of new claims.

25. Post COVID-19 recovery

We continue to work closely with other Government stakeholders, and have built on our very successful working relationship with the Cabinet Office led 'Joint Fraud Task Force' in order to combat fraud during the COVID-19 period.

Working with our partners, we are developing a plan which will re-introduce measures to counter fraud and ensure compliance as we come out of this period. The plan will look to apply learning from the COVID-19 period to enhance our approach, including how we can improve our control of the Universal Credit gateway. It will also consider opportunities for new policy proposals and establish a timetable for revisiting doubtful claims in order that we can raise any resulting over (or under) payments.

We will consider how and when we recommence our normal fraud and error measurement as part of this work and will publish any changes should this be appropriate.

Communications and publicity

Our Communications Directorate continues to contribute to the successful delivery of major policy areas from Universal Credit 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, with examples including:

- **Workplace pensions campaign – You Work, Your Pension Works**, which continued to support automatic enrolment for Workplace Pensions (WPP). The campaign continues to surpass communications Key Performance Indicators (KPI) set by Departmental analysts and Ipsos MORI. Results from our November 2019 survey of 2,000 people eligible for automatic enrolment found that 84% agree a WPP is a good thing for them (target: 65%); 77% affected by automatic enrolment agree that saving into a WPP is normal (target: 65%); and 77% affected by automatic enrolment understand the benefits of a WPP (target: 60%).

- **Pensions Get the Retirement you Want**, a campaign that challenged people to think about how much they will need to support their lifestyle when they come to retire and encouraged them to find out more about their State Pension so they can build on it with other savings. The campaign ran for two months from September 2019 and has already led to ad-recognisers being over 10% more likely to agree with a range of statements about their financial planning for the future; resulted in 71% of those aged 35 to State Pension age agreeing that they need to save to make sure they get the retirement they want (exceeding KPI of 65%); our attitudinal tracker found 48% campaign recognition in core audiences – a record for retirement planning campaigns, with our radio adverts having the highest recall.

- **Disability Confident employment**, which helped employers think differently about disability, and improve how they attract, recruit and retain disabled workers.

We have not entered into any sponsorship arrangements in 2019-20.

Our Communications Directorate played a crucial role in informing and supporting our people and customers through the COVID-19 pandemic. Activities included:

- raising awareness, among new and existing customers, on how to make a claim to benefit and of the measures and easements undertaken by the Department. This included a regular presence on social media where, for the first time, we used Twitter Q&As and reached over 800,000 people to answer the most frequently asked questions. We also provided clear explainer content on the internet, such as the Understanding Universal Credit website
- supporting the business in its management of the flow of applications to Universal Credit. The "Don't call us, we'll call you" announcement to press and on social media resulted in a dramatic drop off in calls to the Universal Credit helpline, taking some of the worry and frustration out of submitting a claim and reducing call waiting times
- our Press Office hosting national and regional media briefings with senior leaders to set out how the system was standing up to the challenge, better inform media of how Universal Credit works and explain what new claimants could expect
- supporting the jobs market, by producing and promoting a new jobs website to help match those looking for work to critical sectors. This campaign is designed to evolve and flex as and when social distancing measures are amended and to reflect the changing labour market. We promoted the campaign in national media and our "Work Heroes" video was embedded in a national newspaper website
- providing comprehensive internal communications to all colleagues – whether they were based in offices, working from home or were at home as they are in the vulnerable group. Information has been timely and based on feedback about the key areas of concern and interest, such as office safety and wellbeing

Transforming the customer service experience

In Summer 2019 a new Customer Experience Directorate was created, with the intention of rationalising and improving current customer experience in the Department, and building on this with new processes, policies and governance to ensure cross-cutting organisational learning is taken forwards and embedded across the Department.

The Customer Experience and Organisational Learning team within that directorate is responsible for driving the development of a learning culture by gathering and using data, insight and past learning to make Service Delivery more efficient and effective while improving the customer experience. This includes the creation of the Serious Case Panel to ensure we are learning from themes and systemic issues arising in the customer experience. The Panel provides a route to consider these themes at the most senior level and take forwards recommendations for change.

Customer Feedback

We aim to provide our customers with a good service, and if something goes wrong, we will try to put matters right at the earliest opportunity. However, if matters are not resolved to the customer's satisfaction, they can make a complaint.

Before the COVID-19 pandemic, we had started to review the existing complaints service to make improvements, drawing on best practice from other organisations and a framework the Parliamentary and Health Service Ombudsman is developing, which focuses on customer experience. Following the COVID-19 pandemic, we had to make a change to our process to allow staff to be deployed to front line services. We are planning to use what we learned from the review, and in response to the pandemic, to move from a two-tiered complaints process to a priority-led one tier approach. The new approach will be managed by a national, virtual team, built from experienced complaints handlers from across the country, which is centrally managed in the Customer Experience Directorate.

Proposed COVID-19 complaints process

As is currently the case, our front line staff will try to put things right as soon as they can when a customer raises an issue. If the customer is still dissatisfied they can make a complaint.

The newly established DWP Complaints Team will then triage the complaints, prioritising those from customers who meet our priority criteria and most need our help (including vulnerable people, those at risk and payment issues). Our aim is to contact the customer within 15 working days to clear the complaint or agree how to investigate it, if it will take longer.

Non priority cases (such as those that are already resolved, or those which do not affect benefit payment), will be answered as soon as resources allow, when the business moves into recovery from COVID-19. We will contact these customers by letter to manage their expectations and they will be categorised at triage, so we can take a targeted approach once resources become available.

If a customer remains dissatisfied with the response from the DWP Complaints Team, they can ask the Independent Case Examiner to review their case.

Complaint data

DWP complaint data	2017-18	2018-19	2019-20
Tier 1 (Complaint Resolution)	43,222	40,881	36,308
Tier 2 (Complaint Review)	6,752	3,870	3,011
Total	**49,974**	**44,751**	**39,319**

Whilst complaints about our service represent less than 1% of our customer base and they have reduced over the last three years, we continue to treat them all seriously and use the feedback to improve our services.

Improvements

Our focus for 2019-20 has been on feedback and quality. By learning from the issues raised in complaints, we have built relationships throughout the business to improve our customers' experience from their first point of contact with the Department. As a learning organisation, we continue to seek opportunities to make improvements, particularly around supporting vulnerable customers.

Focused feedback on the customer's journey has led us to improve:

- our Industrial Injuries Disablement Benefit claim packs
- processes and guidance on managing customer requests to communicate with us in alternative formats
- our complaint recording and management system
- the information on DWP's GOV.UK page to:
  - clarify the process for appointing a lasting power of attorney
  - explain how changes during the assessment period can affect a customer's entitlement to Universal Credit
- the debt management contact process

Last year we explained that we had suspended action on complaints about State Pension age changes because the same issues were being considered by the High Court. Although we received the judgement in October 2019, finding in the government's favour on all grounds, the claimants have since applied to the Court of Appeal and have been granted permission to appeal. The hearing is set for 21 July 2020. As a result, these complaints remain suspended. In addition to the continuing litigation, we were advised in March 2020 by the Ombudsman that they have commenced their investigation of a sample of six State Pension age complaints.

Independent Case Examiner

Customers can ask the Independent Case Examiner (ICE) to investigate their complaint if they are not happy with DWP's final 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 eight weeks of the complaint being accepted for examination. However, most of the 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.

Despite managing high staff turnover during 2018-19, 82.5% of customers were satisfied with the service they received from the ICE Office.

ICE Table

	2017-18	2018-19	2019-20
Complaints received by ICE about DWP	5,342	4,189	3,285
Complaints accepted by ICE about DWP	2,531	968	835
Complaints about DWP cleared by ICE	779	3,456	891

Note:

1) 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).

2) Clearances in 2018-19 include 2,512 which were closed due to legal proceedings. The Office completed 944 complaint examinations in 2018-19.

In 2019-20 ICE cleared 891 DWP complaints. Of these:

- 23 were withdrawn by the complainant
- 250 were resolved or settled with the agreement of the complainant
- 412 were upheld, fully or partially, by the ICE
- 206 were not upheld by the ICE

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

The PHSO provides a free and impartial service to make final decisions on complaints that have not been resolved by the Department.

	Complaints investigated by the Parliamentary and Health Service Ombudsman (PHSO)		
	2016-17	**2017-18**	**2018-19**
Number of complaints investigated	131	96	30
Number / % of complaints not upheld	68 (52%)	66 (69%)	21 (70%)
Number / % of complaints partly upheld	22 (17%)	11 (11%)	4 (13%)
Number / % of complaints upheld	16 (12%)	3 (3%)	0 (0%)
Number / % of other outcomes	25 (19%)	16 (17%)	5 (17%)

Our upheld rate for 2017-18 (14%) was a good improvement on the previous year (29%) and we were able to improve upon that figure in 2018-19 (13%). It is also worth noting that our upheld rate has always compared favourably to the overall rate across all parliamentary departments including Health; in 2018-19 the overall rate was 41%.

Complaints to the Parliamentary Ombudsman in 2018-19

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 recommendation)
Jobcentre Plus	2	0	2	0	2	0	0
Child Maintenance Service	5	1	12	2	9	1	3
Pension, Disability and Carers Service	0	0	1	1	0	0	0
Debt Management	0	0	0	0	0	0	0
DWP (corporate)	12	0	5	0	3	2	0
Independent Case Examiner	10	0	10	1	7	2	1
Pensions Protection Fund	0	0	0	0	0	0	0
Pensions Regulator	0	0	0	0	0	0	0
Capita	1	0	0	0	0	0	0
Health and Safety Executive	0	0	0	0	0	0	0
Pensions Ombudsman	0	1	0	0	0	0	0
Total	**30**	**2**	**30**	**4**	**21**	**5**	**4**

Special payments

We make special payments to people who have incurred additional costs, losses or other effects due to our maladministration. In 2019-20 we authorised ex gratia payments totalling £0.98 million (£2.496 million in 2018-19[16]).

This figure excludes financial redress paid for Loss of Statutory Entitlement (LOSE), a special payment which can be made if maladministration has caused a claimant to lose entitlement to statutory benefit payments. LOSE is excluded as it is not an extra cost arising from maladministration, but payment that should have been made anyway. The total cost of LOSE in 2019-20 was £0.34 million (£0.33 million in 2018-19).

Ministerial Correspondence

We received 7,302 letters from MPs last year and responded to 63% 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.

In 2018-19 we received 9,544 letters from MPs and responded to 60.8% of MP's letters within 20 working days.

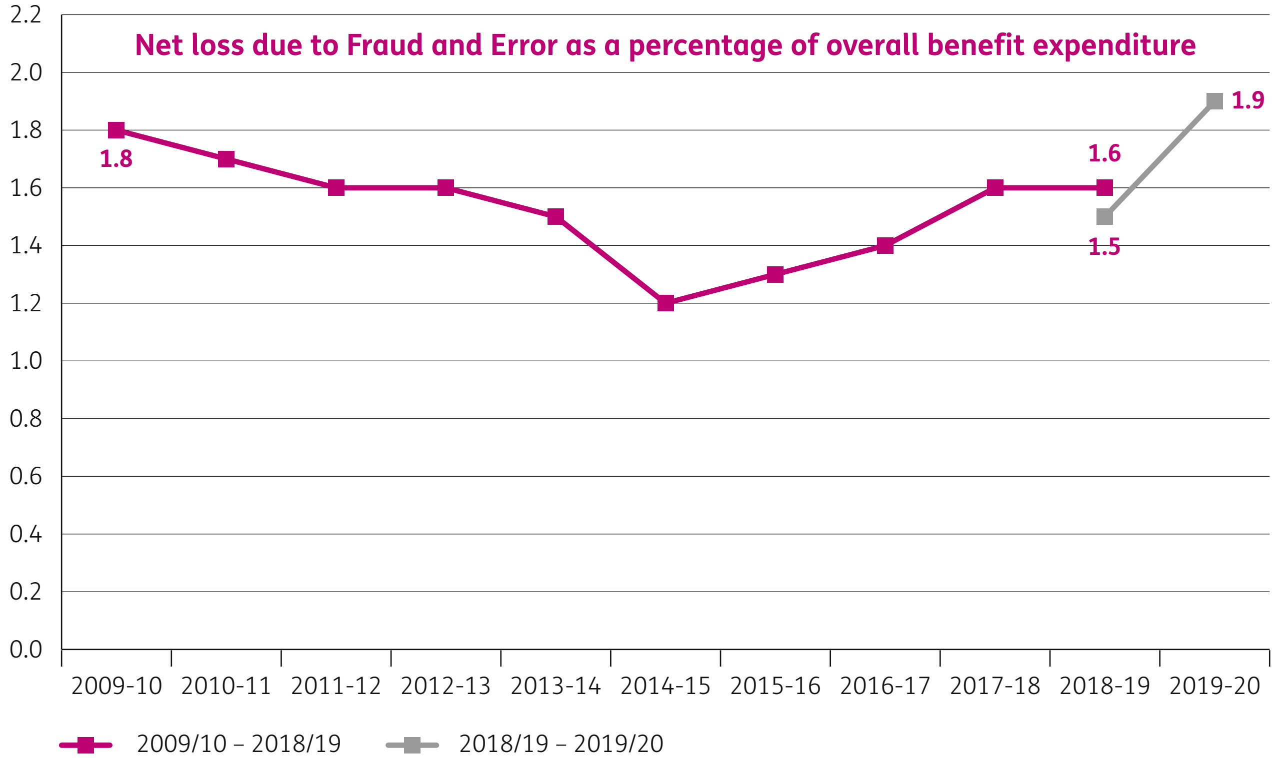
16 This includes a one off amount for £1.7 million of Support for Mortgage Interest ex gratia payments

Our performance

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

In 2019-20 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 1.9%[17].

This is an increase from 1.5% in 2018-19.[18,19] Due to changes we have made to our methodology, estimates for 2019-20 and 2018-19 can be compared, but comparisons cannot be made to earlier years.



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.

17 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 2019-20.

18 As of May 2019, the Department publishes fraud and error estimates annually, previously this was bi-annually. The figures quoted are from the estimates for 2019-20. These use a sample of benefit claims relating to the period October 2018 to September 2019 (August 2018 to July 2019 for Personal Independence Payment, and May-December 2020 for the review of Carer's Allowance for the 2019-20 estimates). 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.

19 The 2018-19 estimate has been revised in line with methodology changes made to the fraud and error estimates for 2019-20. Further information can be found on www.gov.uk by searching for Fraud and Error in the Benefit System 2019-20.

Headline indicator 12: customer and claimant satisfaction of DWP services

The Customer Experience Survey (CES) was re-contracted for three years from 2019-20 onwards. Due to the current COVID-19 pandemic we have had to cease fieldwork and consequently have not been able to complete the work required to publish an update this year.

In developing the new survey, we have made a number of fundamental changes to the survey design, including a move to mixed-mode survey delivery (now telephone and online delivery, as opposed to telephone only). We have designed research which will give us an estimate of the effect that these changes have made to results, which will now be conducted as part of the 2020-21 survey, and will be included alongside any future publication.

Last year's results – Claimant Service and Experience Survey 2018-19 – showed that we achieved an overall customer and claimant satisfaction rating of 81% in 2018-19, a reduction of three percentage points on 2017-18.

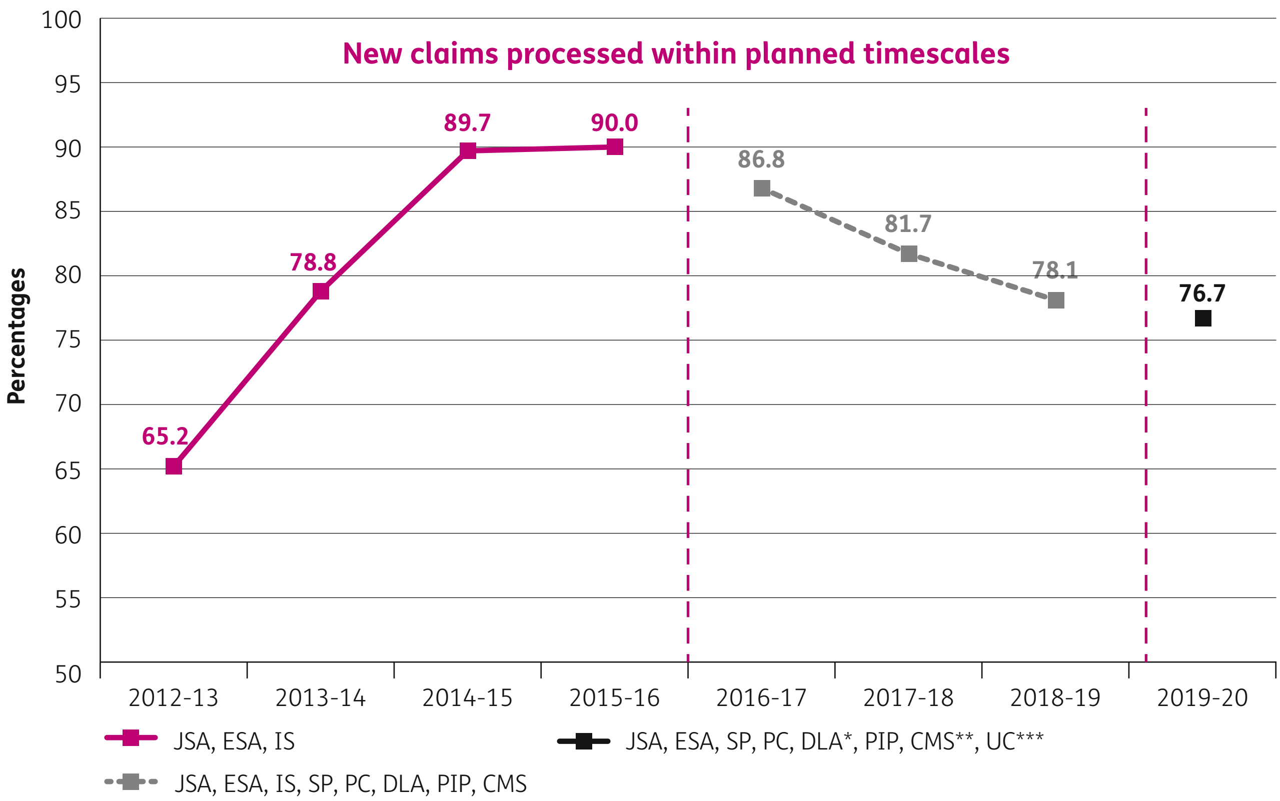
Headline indicator 13: new claims processed within planned timescale

In 2019-20, 76.7% of new claims for Universal Credit (UC), Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA), State Pension (SP), Pension Credit (PC), Disability Living Allowance (DLA), Personal Independence Payment (PIP) and Child Maintenance (CMG) were processed within planned timescales.

We have updated the definition of the indicator in line with changing caseloads and processes, building on the key 'claims processed within planned timescales' measure. Historical data for previous key 'claims processed within planned timescales' (JSA, ESA, IS, SP, PC, DLA, PIP and CMG -2016-17 to 2018-19, and JSA, ESA and IS – 2012-13 to 2015-16) is shown below for information. Due to the change in the methodology the measures are not directly comparable.

During the year, there was a continued and increasing movement of claim volumes from our legacy benefits into UC. UC payment timeliness continued to increase over the year. By January 2020 around 89% of new claims were paid in full and on time at the end of their first assessment period and over 96% of all households in payment received their full payment on time. A significant proportion of those cases which are not paid in full and on time are due to the customer not having provided full claim details on time.

We also invested additional resource into other key service delivery lines, most notably PIP and to support the increased demand in PC after the BBC announced its intention to limit free TV licences to people 75+. As we worked to balance and reallocate resource towards UC and other areas that showed higher demand, we saw deterioration in clearance times across some other products. We have continued to invest in digital technologies to streamline our services and have seen improvements in the later part of the year.



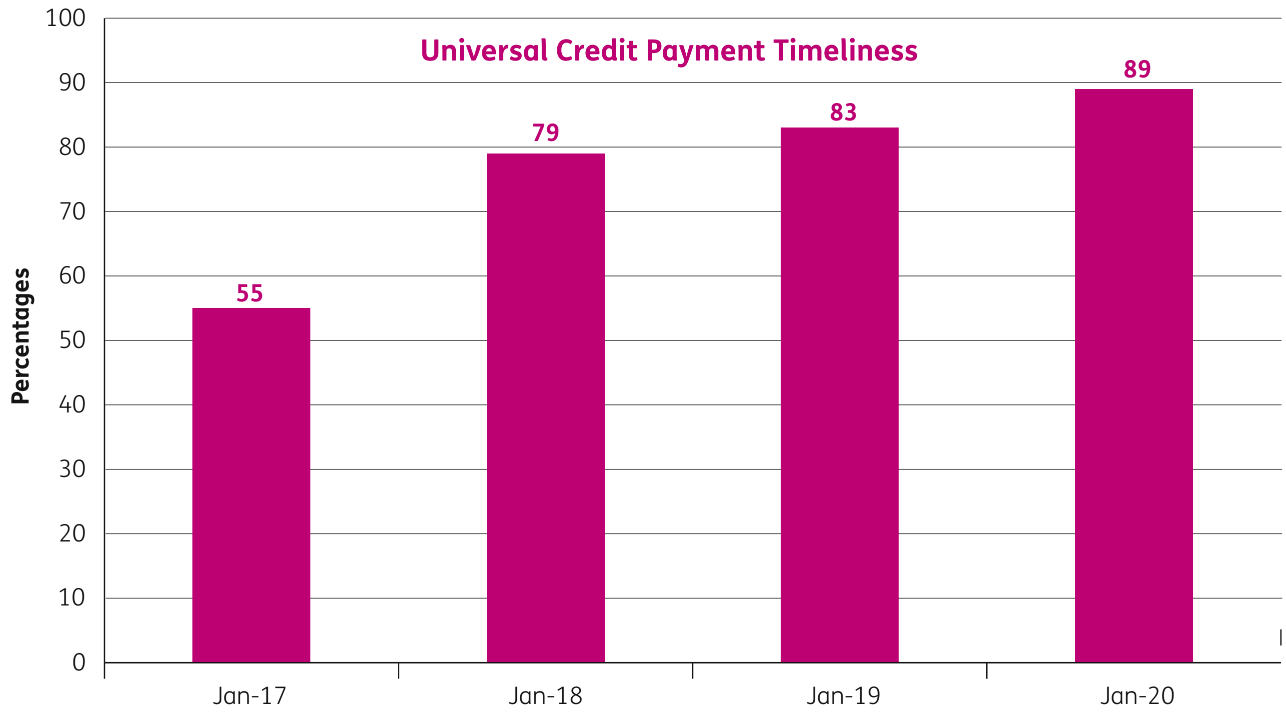
* DLA Child 40 day measure ** CMS 12 weeks measure *** UC data for April 2019 to January 2020

Data for years 2010-11 to 2015-16 is based on Jobseekers 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 (PC), Personal Independence Payment (PIP), Disability Living Allowance for Children (DLAc), and Child Maintenance (CMG). Data for 2019-20 no longer includes IS and now includes new claims for Universal Credit (UC) and reflects the current view of expected timescales for all products.

Headline indicator 14: UC payment timeliness

Performance for Universal Credit full service has continued to improve over the year with 89% of new claims to Universal Credit full service receiving full payment on time in January 2020, an increase from 83% in January 2019.

This is a significant improvement from the 55% achieved in January 2017.



Strategic Objective 6: Ensure DWP's policies, operations and arm's length bodies continue to operate effectively after exiting the EU.

What we've been doing

The UK left the EU on 31 January 2020. We are continuing to play an important role to ensure a smooth departure from the transition phase. We have been developing future social security coordination policy, supporting negotiations on the future partnership, and ensuring readiness to deliver services from 1 January 2021 at the end of the Transition Period. Our work is coordinated by the EU Transition Programme.

Under the terms of the Withdrawal Agreement, which was given legal effect in the UK under the European Union (Withdrawal Agreement) Act 2020, existing EU legislation, including the social security coordination (SSC) regulations, will continue to apply in the UK until the end of the transition period on 31 December 2020. We continue to work closely with other government departments to ensure consistency in implementing the SSC provisions in the Withdrawal Agreement and on policy development on future access to benefits and services under a new immigration system in 2021, to help meet the 2019 manifesto commitment to restrict migrants' access to benefits.

More generally, we worked closely with other departments on a number of other strands, for example with the Home Office on digital systems to share data and validate status of individuals applying under the EU Settlement Scheme.

We also established a specialist contact centre to deal with enquiries from UK nationals living in the EU. As part of the wider government *'Get ready for Brexit'* campaign, we used SMS text messaging and letters to reach all 490,000 UK state pensioners with reassuring messages about their continuing pension access. We also supported requests to meet demand for around 400 roles to assist wider EU exit preparations across government.

From December 2019 we began work on preparations for the Transition Period. This involved creating new processes to identify which customers are in the scope of the Withdrawal Agreement and which are not, in order to deliver the right benefit outcomes for customers from 1 January 2021.

The Health and Safety Executive (HSE) working alongside the DWP and the Department for Environment, Food and Rural Affairs prepared extensively for all exit scenarios, putting in place preparations to deliver national approvals and authorisations for chemical substances on the UK market alongside regulation of the supply chain and trade. This included a Statutory Instrument and a number of stakeholder events to prepare businesses for the UK's departure from the EU.

The HSE is now working to support the programme of work to achieve operating capability to enable effective regulatory frameworks for the supply and use of chemicals once EU regulations cease to apply at the end of the Transition Period, starting from 1 January 2021.

The Office for Nuclear Regulation (ONR) remains ready to deliver a UK State System of Accountancy and Control (SSAC) of Nuclear Material that enables the UK to meet its international safeguards obligations when Euratom arrangements no longer apply to and in the UK, at the end of the Transition Period. ONR are on track to meet the government's intent to deliver a domestic safeguards regime equivalent in coverage and effectiveness to that of Euratom by December 2020.

Supporting cross-government commitments and requirements

Devolution

We continue to work with all three devolved administrations in line with the agreed principles in the joint Concordats, which set out the high level framework for constructive cross-government working.

Scotland

Following on from the Scotland Act 2016, which devolved a number of social security benefits, we have provided resources and help which enabled the Scottish Government to pay their Carer's Allowance Supplement, Best Start Grant, Funeral Support Payment and Young Carer's Grant and continued to provide support for their employment programme Fair Start Scotland. We have also provided support to the Scottish Government as they prepare for delivery of new benefits including their Job Start Payment and the Scottish Child Payment. We continue to work with the Scottish Government to introduce new disability and carer benefits and put in place agency agreements to enable us to continue to deliver these benefits on their behalf, when executive competence for these benefits transferred on 1 April 2020. These arrangements enable delivery on the same basis as in England and Wales until the Scottish Government introduce replacement benefits and until such times as customers can be transferred in a safe and secure way. Robust governance arrangements for the implementation of the Scotland Act 2016 continue including through the Joint Ministerial Working Group on Welfare.

Northern Ireland

We continue to work very closely with the Department for Communities in Northern Ireland with the overarching aim of maintaining parity with the respective social security systems; most notably during the absence of the devolved institutions, where the Department laid a number of Northern Ireland regulations in the UK Parliament on behalf of the Department for Communities. Following the restoration of Northern Ireland Executive and Assembly on 10 January 2020, we have started the process to hand back the temporary powers held to bring in certain Northern Ireland social security legislation.

Wales

In Wales, welfare and benefits remain a reserved matter for the UK Parliament and changes are introduced in line with those in England.

Devolution Capability and Engagement

We are committed to building and maintaining our devolution capability. Working in tandem with the Cabinet Office “Devolution and You” programme, we continue to promote and deliver a series of learning opportunities to upskill and strengthen the understanding of the devolution settlements through bespoke and on-line training, interchange opportunities and a dedicated advice and guidance resource.

Devolution deals

We continue to work closely with other government departments, local government, learning providers, employers and local stakeholders in local areas to support people to enter, remain and progress in work. Working alongside the Ministry of Housing, Communities and Local Government we have contributed to the people chapter within seven Local Industrial Strategies (LIS) published across England in 2019, specifically;

- West Midlands Combined Authority
- Greater Manchester Combined Authority
- West of England
- Buckinghamshire Thames Valley
- Cambridge and Peterborough
- Oxfordshire
- South East Midlands

We are continuing our work across government to devolve key powers to regions, focussing support for the most disadvantaged. Following devolution of the North of Tyne combined authorities in 2018 we are working closely on an Employment Support Framework Deal and are also working with NHS England, West Midlands Combined Authority (WMCA) and Sheffield City Region Combined Authority (SCR) to trial variations of Individual Placement and Support, focussing on people living with severe and enduring mental illness.

Working in collaboration with the Department for Digital, Culture Media and Sport and the Department for Education we are developing a new digital service, `Examine the Place’, which aims to provide access to information. This information will help jobcentre work coaches and customer-facing staff to better understand the labour market and the emerging trends in skills and employment in local areas, enabling them to provide more informed advice and guidance to their customers. In October 2019 the Secretary of State announced funding for the next stage of this work.

We continue to support a number of city Regions and combined authorities developing a range of Innovation Pilots across five regions in England which look to test targeted levels of support for specific groups of under-represented people.

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 here's a summary of some of the activities undertaken this year:

Initiative	Activity in 2019-20 includes:
Mainstreaming sustainability	• assessing the social and environmental impact of policies during the development process • delivering sustainability training during staff induction process • we have rolled-out a revitalised network of volunteer Sustainability Champions across our organisation to help drive sustainability via staff behavioural change. The intention is to have a Sustainability Champion at each of our sites and to work with them regularly, including by promoting regular campaigns • collaborating with key suppliers and other government departments to develop and refresh our Sustainable Development policies and strategies • we are looking to recruit additional resource to work alongside the 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 • working with Cabinet Office, the National health Service, HM Revenue and Customs, Home Office, the Department for Business, Energy and Industrial Strategy, the Department for Transport and many other departments to develop Social Value through Procurement concept
Sustainable procurement	• the government's 25 Year Environment Plan requires us to work to remove certain consumer single use plastics from its estate by 2020. We have made good progress in this area – many items have been (or are in the process of being) removed from the estate • working towards the central government target of 33% of our expenditure with providers going to small and medium sized businesses – our figures for 2018-19 show we have achieved 11.9% which is a reduction from 15.4% in 2017-18. Figures for 2019-20 will be available in August 2020 • we have ensured that sustainability is embedded within DWP Estates' Design Standards, so that sustainability criteria are applied to new-build, refurbishment and life-cycle works. In line with government policy, we are ensuring that new-build and major refurbishment projects achieve the relevant Building Research Establishment Environmental Assessment Method (BREEAM) accreditation • to reach net zero carbon, significant investment in low carbon technologies on the government estate will be required. We are currently looking into funding opportunities that may be available to us, including the Re:fit scheme • we have been meeting with Department for Business, Energy and Industrial Strategy to discuss the potential of low carbon heat networks to reduce carbon emissions associated with space and hot water heating on our estate and have identified a number of potential opportunities which are now being developed further • the UK has recently committed to achieve 'net zero carbon' by 2050. In light of this, at some point this year we are expecting to be given a new and ambitious post-2020 Greening Government Commitments (GGC) target. Once we have the new post-2020 GGC targets, we will need to address these strategically

Initiative	Activity in 2019-20 includes:
Climate change adaptation	• we have been considering climate change in policy and guidance in areas such as pensions. With respect to our own operations, we apply criteria that considers the effect of climate change, such as flood risk, when deciding on future site strategy. We also undertake regular reviews of their location specific emergency planning, disaster recovery and business continuity plans. Our estate supply chain is undertaking site visits which include an assessment of climate change risk with recommendations on investment
Rural proofing	being flexible enough to meet the needs of rural communities, businesses and people Case Study: – • Aberdeenshire – Our colleagues attended The Rural Transport Committee on 9 December 2019. Funding has been secured to provide an additional Dial a Bus service, looking at targeting families that have difficulty getting to places such as supermarkets/libraries, clubs, jobcentres, etc. • in the West Midlands we have organised a minibus service in partnership with Premier Inn to transport night workers along the busy A40 at Ross to the out of town Premier Inn location. Our provider Recro provided transport for rural based customers to enable them to attend courses in Leominster
Biodiversity	under a revitalisation of our existing bio-diversity activity, screening surveys were carried out at 14 sites throughout the year. A further 18 are planned (but delayed due to the COVID-19) and the supplier awaits costed proposals to put forward to DWP for consideration. These include: • Gloucester House, Bognor Regis – Planting for raised beds; No-mow area • Kingsway House, Widnes – Bird and bat boxes; Wildflower area; Replanting gaps in shrub bed

Procurement of Food and Catering

Food and catering services come under the remit of the Facilities Management contract with Interserve Facilities Management. Most of this, such as the operation of catering services, is subcontracted to Compass Group. There are a few sites that have separate catering options for staff (such as Manchester) however this is where we share accommodation of the building so catering is not procured directly by the Department.

Forward look

We will continue to focus on activities that support the government's 25 year environmental plan and the UN Sustainability Goals. We will develop opportunities to increase the sustainability of our estate, including working to agree our new Greening Government Commitments targets and a plan to meet these. We are also working to determine our trajectory towards a Net Zero Carbon estate and to estimate the associated capital cost. We are working with Government Property Agency on their forthcoming sustainability requirements which we will look to apply within projects. Many activities have however been impacted or put on hold by COVID-19 and it is not clear yet what the post-COVID-19 landscape will look like.

United Nations Sustainable Development Goals

The Sustainable Development Goals (SDGs) were developed by United Nations (UN) member states and include 17 global goals for 2016 – 2030. UK government departments are required to look within their single departmental plans to identify policies and programmes which support delivery of the SDGs.

In July 2019, the UK presented its voluntary national review of its delivery of the SDGs to the UN. In preparing the review document, we took the lead in co-ordinating the chapter 1 – No Poverty.

The table below provides a summary of how we are supporting the delivery against some of the SDGs through our objectives in our 2019-20 Single Departmental Plan (SDP).

	SDP Objective				
Sustainable Development Goal (SDG)	**1**	**2**	**3**	**4**	**5**
SDG 1: No poverty	●	●	●	●	
SDG 5: Gender Equality	●	●	●		●
SDG 8: Decent work and economic growth	●	●			
SDG 10: Reduce Inequalities		●	●	●	

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**	**2017-18 performance**	**2018-19 performance**	**2019-20 performance**	**2020 target**
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[20]	99,833	81,567	77,902[21]	Exceeded
Scope 1 Emissions				36,150	N/A
Scope 2 Emissions				29,824	N/A
Scope 3 Emissions				11,887	N/A
Gross Expenditure on Energy				£26,149,667	N/A
Breakdown of expenditure on various categories					
Gas				£6,089,993	N/A
Oil				£216,078	N/A
Electricity				£19,843,596	N/A
CRC Efficiency Scheme				£0	N/A
Accredited Offset Purchases				£0	N/A
Official Business Travel				£25,257,130	N/A
reduce the number of domestic business travel flights taken by 30%					
Number of domestic flights	21,931	5,590	5,197	3,885	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	8,523	6,805	8,245[22]	Met

20 This baseline was adjusted due to new conversion factors. It was originally 204,621.
21 Includes 41TC02e for other travel which does not fall under Scope 1-3.
22 This figure does not contain ICT waste as it was not recorded in the baseline.

Summary of our performance against the Greening Government Commitments					
compared to a 2009-10 baseline, the government will by 2019-20:	**2009-10 baseline**	**2017-18 performance**	**2018-19 performance**	**2019-20 performance**	**2020 target**
volume of waste recycled (tonnes)	10,522	5,474	6,235	5,535[23]	Met
waste incinerated				2,135	N/A
percentage of total waste to Landfill	36.7%	35.8%	8%[24]	7%	Met
reduce the amount of paper used by 50%					
A4 reams	2,061,685	600,100	571,185	442,835	Exceeded
A3 reams	8,606	2,165	2,350	1,596	Exceeded
cost of cut paper	N/A	£1,041,016	£1,058,332	£1,093,254	-
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	606,501	559,609	581,468	Met
Water Costs (Finite Resources)				£675,951	N/A

23 Includes recycled and anaerobic digestion – Our waste management costs are included in our overall facilities management fee. It is not possible to separate out the cost of waste management.

24 Significant reduction due to change in process of measurement. Landfill waste now measured at after waste processed at sorting centre. Unable to retrospectively apply to previous years.

Helping our local communities

We continue to actively develop positive links with our local communities, through volunteering and fundraising for good causes.

Community 10,000 is our employer supported volunteering initiative. We work with a broad range of organisations who offer a variety of roles to departmental colleagues, including those of a practical, hands-on nature as well as those that are more skills based. A flavour of the types of activities include:

- in October 2019, a team from the Sheffield service centre visited St Luke's Hospice Charity Shop, spending the day sorting clothing and sundry items which had been donated, for onward sale to the general public
- in December 2019, the Employment Localism Team in Leeds supported Radio Aire's Mission Christmas, which helps disadvantaged children across Yorkshire. Several colleagues were tasked with collecting donated gifts, whilst another group sorted the gifts for onward distribution

The Big Idea is a vehicle for supporting and promoting fundraising activities across the Department. This year, we have seen the total raised through The Big Idea, since its launch in May 2017, exceed £1 million. A key feature of The Big Idea is the close, personal attachment that colleagues feel towards the cause for which they are fundraising. As a result, the stories are often deeply moving and genuinely inspirational.

This year, we have also launched the on-line "Heroes" magazine which highlights some of these stories.

Over £1 million raised for charities through The Big Idea since May 2017

Better Regulation

The government is considering how best to deliver its commitment to regulate more effectively over the course of this Parliament, including taking a view on a Business Impact Target (BIT). As a first step, a Call for Evidence is to be launched seeking business views on the scope and methodology of the BIT, as well as how the BIT might better reflect overall business experience of regulatory impacts.

Under the Small Business, Enterprise and Employment Act 2015, the government is required to publish the BIT in respect of qualifying regulatory provisions for the new Parliament session which commenced on 19 December 2019. The above Call of Evidence will inform the setting of the BIT, which must be done within 12 months.

In the previous Parliament which ran from 8 June to 12 December 2019, the government delivered £7.8 billion net business costs from qualifying regulatory provisions that came into force or ceased to be in force during this period.

This was against a BIT of £9 billion of net savings to be achieved over what was originally envisaged to be a five-year Parliament, with an interim target of £4.5 billion by July 2020. The Department delivered £203.9 million of those savings. The final validated figures are still to be published. More information can be found in the '2017-2019 interim BIT Report' on www.gov.uk.

Anti-bribery and corruption

The Department promotes a zero tolerance approach to fraud, bribery and corruption through departmental policies published on the intranet, training programmes and within commercial agreements with suppliers and providers. We have structures in place for the effective management of fraud, bribery and corruption threats. This includes meeting the required criteria set out in the Government Functional Standard for Counter Fraud, Bribery and Corruption (GoVS013). To further enhance its response, the Department has recently revised its Counter Fraud Strategy, detailing specific actions it will take by 2022. We also aim to include completion of the Civil Service Learning counter-fraud bribery and corruption e-learning course as a mandatory part of on boarding action for all new employees.

The Government Internal Audit Agency Counter Fraud and Investigation team provides specialist counter fraud services to DWP, which include the investigation, and where appropriate prosecution, of allegations of fraud, 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.

As part of our public sector equality duty, wherever possible 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 nine protected characteristics:

- age
- disability
- gender reassignment
- pregnancy and maternity
- race
- religion or belief
- gender
- sexual orientation
- and marriage and civil partnerships

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

Over the 2019-2020 operational year, our key achievements with regard to providing reasonable adjustments to our disabled customers are:

- working with stakeholders who are hard of hearing to expand and improve our British Sign Language (BSL) video content. We have created BSL videos on how to claim Personal Independence Payments (PIP) and Support for Mortgage Interest. We created Irish Sign Language videos on how to claim PIP for citizens living in Ireland. We have created BSL videos for disability confident and BSL surveys for Employment Support Allowance claimants
- providing the Video Relay Service, which enables hard of hearing customers to communicate with us in BSL using a computer, smartphone or tablet through an interpreter for the disability benefits
- working closely with organisations of people with learning difficulties to arrive at a DWP Easy Read standard and publish new Easy Read guides for Access to Work and Support for Mortgage Interest that citizens can access online. Easy Read products for Personal Independence Payment and Universal Credit are being developed
- working closely with the Government Digital Service to improve information on alternative formats on GOV.UK so our customers will be able to find the information they need quickly
- introducing an impact analysis as a mandatory part of the governance process for making operational changes. We have provided guidance and learning to support colleagues
- testing communications products with claimants and external organisations and applying insight from testing to other products

In addition, we continue to provide:

- a wide range of reasonable adjustments for customers, including production of communications in a range of different formats such as braille, electronic, large print and audio
- email as a reasonable adjustment
- notes to help customers complete claim forms in multiple formats
- face-to-face British Sign Language (BSL) interpretation
- a visiting service for vulnerable customers who are unable to use our other contact routes
- support for our staff including instructions, guides and awareness raising products on additional needs and reasonable adjustments

We offer guidance to our people to ensure that customers with one or more of the protected characteristics receives equal treatment. The guidance covers matters such as:

- legal background for each characteristic
- the language that should be used with regard to each characteristic
- how to record and treat information about transgender customers and gender reassignment
- programmes that may assist customers in specific age groups
- advice to support customers who wish to breast feed in public
- booking interpreters for customers for whom English isn't their first language
- dealing with discrimination complaints

We provide a telephony replacement for customers claiming disability benefits who are British Sign Language users to enable them to deal directly with us. It is available for all of our main disability benefits; prior to COVID-19 we were trialling its roll-out into UC. We fast tracked its roll-out in order to ensure that customers needing to claim as a result of COVID-19 received the assistance they needed as quickly as possible, and implementation was completed in April 2020.

We intend to make this additional service available to customers across all our benefits later this year.

Employment

As set out on pages 20 to 28, 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 four protected characteristics; we are seeking a reduction in the employment gaps:

Characteristic	Employment Gap Jan-Mar 2020	Employment Gap Jan-Mar 2019	Change (percentage points)
Gender (between males and females)	7.5ppts	8.5ppts	-1.0
Disability (between those who are declared disabled and non-disabled)	28.6ppts	29.9ppts	-1.3
Ethnicity (between those who are white and those from a BME background)	11.3ppts	10.9ppts	+0.5
Age (between those 50-64 and 35-49)	13.0ppts	12.9ppts	+0.1

Pension Participation

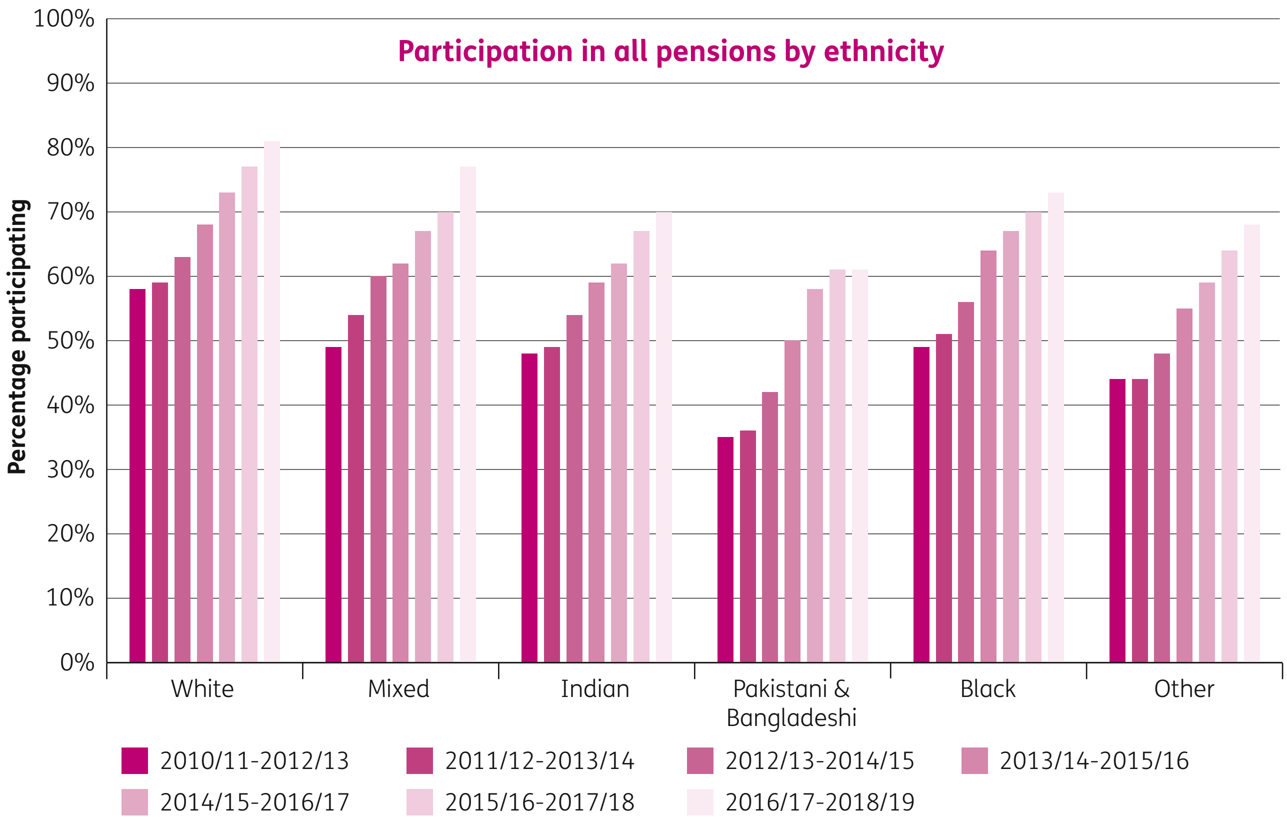
Through automatic enrolment, with the state pension system and initiatives to enable longer working lives, we aim to ensure financial security for future pensioners. Automatic enrolment into workplace pensions forms one part of an overall approach to retirement saving, with the state pension and voluntary savings making up the rest. Workplace pension participation has increased across the whole population; particularly among groups who were less likely to be saving before automatic enrolment. As a result, many gaps in participation have reduced, however some gaps across ethnicity persist.

Participation among eligible employees aged 22 to 29 in the private sector has increased from 24% in 2012 to 85% in 2019, and the participation gap between this group and the age group most likely to participate (those aged 40 to 49) has reduced from 26 percentage points to only two percentage points in 2019.

Participation rates for both male and female eligible employees in the private sector were 86% in 2019, compared to 2012 when the participation rate for male employees was three percentage points higher than for female employees (43% compared to 40%).

Both disabled and non-disabled eligible employees saw large increases in participation rates between 2012-13 and 2018-19, rising 32 and 27 percentage points respectively, and the participation rate for disabled eligible employees in 2018-19 (85%) was slightly higher than for non-disabled employees (83%).

Eligible employee participation continues to increase across all ethnic groups, but gaps persist. Between the 2011-12 to 2013-14 period and 2016-17 to 2018-19 there were large increases among all ethnic groups. The White ethnic group has had the highest participation rate over the entire time series, and had an average participation rate of 81% over the period 2016-17 to 2018-19. For the same period, the Pakistani and Bangladeshi group had the lowest participation rate, at 61%. However, the Pakistani and Bangladeshi ethnic group also shows the largest increase from 36% to 61% (a 25 percentage point increase)."



"* 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."

More Information:

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

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

Peter Schofield CB

Permanent Secretary

24 June 2020

Accountability report

Corporate governance report

Lead non-executive member's report

This has been another year of challenging conditions for the Department and the whole country. I write this as I step down, after three years as lead non-executive at DWP, amidst the upheaval created by the COVID-19 pandemic. This has come on top of a year in which both a general election and the developing agenda for the UK exiting the EU have created periods of considerable uncertainty, which the Department has successfully navigated, whilst continuing to deliver its core activity of running a stable and reliable welfare system.

Throughout this year, the four non-executives on the Departmental Board, and the many others who work on board committees and on the boards of our arm's length bodies, such as the Health and Safety Executive, the Office for Nuclear Regulation and the Pensions Regulator, have supported both ministers and Senior Civil Servants to adapt to the new challenges and to maintain momentum in the delivery of a huge programme of reform to the way welfare support is structured and provided.

The four non-executives who are part of the Departmental Board provide support to the Department in both formal and more informal ways, through:

- the Ministerial Departmental Board (which met four times during the year) in which the Secretary of State and her ministers can consider the Department's approach to major topics such as planning for EU exit or priorities for departmental spending
- the Delivery Board, comprising all non-executives and Senior Civil Servants, which I chaired (which met five times during the year), reviews progress against the Department's overall business plan, including looking at key risks and major programme implementation
- Board Committees, each chaired by one of the non-executive team (Nominations, Hayley Tatum; Audit and Risk, David Holt; Digital Advisory, Ashley Machin)

- one to one support to senior leaders, for example in developing talent, or in making senior appointments
- engagement in specific areas of work (such as budget planning, major programmes) where the non-executives have particular expertise.

A key area of focus for the Department this year has been in the continued embedding of Universal Credit to streamline the benefit system and support people into work. The UK employment rate reached a record high point of 76.6% by the end of March 2020 with the number of disabled people in employment increasing by 1,374,000 between 2014 and 2020.

This work was a valuable bedrock when the Department had to cope with registering an additional 1.4 million Universal Credit declarations in the first four weeks of the COVID-19 lock-down. I have been immensely impressed with the speed with which DWP's senior leaders reshaped the Department's capacity and focus to help claimants, new and existing, during this time, whilst also enabling staff across the country, who responded magnificently, adopting new ways of working, often rebasing themselves at home, to continue to provide support to those in the country who needed it most.

Membership of the Department's executive and non-executive leadership team have been stable through the year, and came together to scope out the future ways in which the Department's services could best be delivered. Much of what has been learned by the Department in the past two months will need to be embedded into these new ways of working as the Department continues in the coming year to transform the way it delivers services to make them easier to access, simpler to run and more effective at helping more people into work, progressing within work, and levelling up opportunities across the country.

Looking ahead, there remain substantial challenges for DWP to address. Along with many organisations across the country, attention is now turning to how the Department can support the economy and society more broadly as we emerge from the peak of the coronavirus impact. There are likely to be significant changes in the types of jobs available and substantially more claimants for at least a period while employers reshape themselves for a more digital future.

The Department's role in overseeing and regulating the pensions landscape, and in helping people plan for future financial security, will be vital as both employers and current and future pensioners react to recent shifts in the value of their savings.

In both of these areas, the Money and Pensions Service, an arm's length body of DWP, will provide invaluable information, advice and support to those who need it.

Alongside these challenges arising from our current situation, the Department's core programme of reform will continue, with the establishment of the most effective way to complete the transfer to Universal Credit, (move to UC), and to seek to improve the way in which benefits and support are delivered to those with health conditions that impact their ability to work under the Health Transformation programme.

And of course, later in the year, the Department will continue to be ready for the range of potential scenarios that could emerge as we complete our EU transition year.

Having spent three years working in DWP, I know how committed the whole team is to playing a central role in creating a country that supports people to access opportunity and get the help they need. I am confident that it will rise to all of these challenges, and continue to build an efficient and compassionate DWP, which works hard to get people into jobs, supports them to progress once in work, helps those with health conditions and makes it easier for people to plan for a financially secure future.

Sara Weller CBE
Lead non-executive

Our ministers

Ministers at 31 March 2020

Rt. Hon Thérèse Coffey MP
Secretary of State for Work and Pensions
(from 8 September 2019)

Portfolio:

- the overall departmental strategy, including financial management and planning
- final decision making across the whole departmental portfolio, including in particular overall Universal Credit implementation

Justin Tomlinson MP
Minister of State for Disabled People, Health and Work
(from 4 April 2019)

Portfolio:

- responsible for the Departmental strategy on disability and disability employment
- Cross-Government responsibility for Disabled people
- ESA, PIP, DLA, and elements of UC that relate to disabled people including SDP
- EU Exit oversight
- Work and Health strategy including sponsorship of the Joint DWP/DHSC Work and Health Unit
- disability benefit reform
- Devolution framework
- Carer's Allowance
- Motability and arms-length compensation schemes

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

Portfolio:

- Pensioner benefits, including new State Pension, Winter Fuel Payments, Pension Credit and Attendance Allowance
- Private and occupational pensions, including regulatory powers and the National Employment Savings Trust (NEST)
- Automatic enrolment into a workplace pension
- oversight of arms-length bodies, including The Pensions Regulator, Pension Protection Fund, Financial Assistance Scheme and Pensions Ombudsman
- financial guidance, budgeting, saving and debt, including the Money and Pensions Service and Financial Inclusion Policy Forum
- methods of payment and Post Office Card Accounts
- EU Exit preparation relevant to pensions

ALB responsibility: The Pensions Regulator, Pension Protection Fund, Financial Assistance Scheme, the Money and Pensions Service and Pensions Ombudsman.

Will Quince MP
Parliamentary Under Secretary of State for Welfare Delivery
(from 26 July 2019)

Portfolio:

- overall management and delivery of Universal Credit
- Support for disadvantaged groups in Universal Credit including care leavers, prison leavers, survivors of domestic abuse, people with drug or alcohol dependency, rough sleepers and those who are facing homelessness
- Housing policy and Housing Benefit delivery
- 'Help to Claim' service
- Poverty
- Benefit uprating
- Fraud, error and debt
- Military covenant

Mims Davies MP
Parliamentary Under Secretary of State for Employment
(from 26 July 2019)

Portfolio:

- responsible for Departmental strategy on the labour market, unemployment and in work progression, with a focus on under-represented groups, young people and skills
- In work conditionality including sanctions
- International labour market policy (ILO, G20, EPSCO)
- ESF and UKSPF
- Work services and JCP partnership working
- JCP campaigns
- JSA, Income Support
- People and Location Programme
- Youth Obligation Support Programme
- Flexible Support Fund
- Labour Market Interventions for Self-employment (including the New Enterprise Allowance and future offer and the Minimum Income Floor)
- Benefit cap
- Cross DWP spokesperson – shadowing Lords

ALB responsibility: Health and Safety Executive and Office for Nuclear Regulation.

Baroness Stedman-Scott OBE DL
Parliamentary Under Secretary of State for Work and Pensions (Lords)
(from 30 July 2019)

Portfolio:

- Spokesperson for DWP business in the House of Lords
- Child Maintenance
- Family Test
- Parental Conflict
- Legislation and Statutory Instruments Strategy
- Social Fund (Cold Weather Payments, Sure Start Maternity grants, Funeral Expenses Payment scheme and Budgeting loans)
- Bereavement Benefits
- Supported Accommodation
- Support for Mortgage Interest
- Maternity Benefits
- Departmental planning and performance management, including oversight of:
  - the Single Departmental Plan, including tracking progress against manifesto commitments
  - other external reporting and governance requirements
- Departmental business, including oversight of:
  - departmental capability in commercial and digital affairs
  - commercial contracting policy
  - transparency/data-sharing issues
  - research and trialling

ALB responsibility: Social Security Advisory Committee.

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. Details of outturn against these funding limits is shown in the Statement of Parliamentary Supply on page 161.

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 2020

Peter Schofield CB
Permanent Secretary and Principal Accounting Officer

Appointment

January 2018

DB	DyB	ET	NOMS

Debbie Alder CB
Director General, People and Capability Group

Appointment

January 2014

DyB	ET	NOMS

Neil Couling CBE
Director General, Change Group and Senior Responsible Owner Universal Credit

Appointment

October 2014

DyB	ET

Jonathan Mills
Director General, Policy Group

Appointment

August 2017

DyB	ET

John-Paul Marks
Director General, Work and Health Services Group

Appointment

April 2019

DyB	ET

Nick Joicey CB
Director General, Finance Group

Appointment

July 2018

DB	DyB	ET

Susanna McGibbon
Director General, Legal Services

Appointment

December 2018

ET

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

Appointment

Interim from January 2019, appointed March 2020

DB	DyB	ET	DAC

Emma Haddad
Interim Director General, Service Excellence Group

Appointment

April 2019

DyB	ET

Our non-executive board members

Non-executives at 31 March 2020

Sara Weller CBE
Lead non-executive

Appointment

April 2017

DB	DyB	NOMS

Ashley Machin

Appointment Departmental 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

David Holt

Appointment

May 2019

DB	DyB	DARAC

Other non-executives at 31 March 2020

Martin Hagen	Departmental Audit and Risk Assurance Committee Appointment April 2014
Tim Nolan	Departmental Audit and Risk Assurance Committee Appointment July 2019
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 141 of the Remuneration and staff report.

Data Management

Following the implementation of GDPR and taking into account all recent and relevant guidance, a new process for the assessment and reporting of data breaches was put in place by the Department's Data Protection Officer and 24 personal data incidents were reported to the Information Commissioner's Office in 2019-20. We still await the results of their investigations to determine whether personal data was compromised in any of these incidents. Further detail on security and information management can be found in the governance statement on page 130.

Changes to our senior decision making forums in 2019-20

The following changes took place between 1 April 2019 and 31 March 2020:

Role	Name	Change
Ministerial changes		
Secretary of State for Work and Pensions	Rt Hon Amber Rudd MP	left the Department 7 September 2019
Secretary of State for Work and Pensions	Rt Hon Thérèse Coffey MP	appointed 8 September 2019
Minister of State for Disabled People, Work and Health	Justin Tomlinson MP	appointed 4 April 2019
Parliamentary Under Secretary of State	Will Quince	appointed 4 April 2019 (and to current role 26 July 2019)
Parliamentary Under Secretary of State	Mims Davies MP	appointed 26 July 2019
Parliamentary Under Secretary of State	Baroness Stedman-Scott OBE DL	appointed 30 July 2019
Minister of State for Employment	Alok Sharma MP	left the Department 24 July 2019
Minister for Work and Pensions (Lords) (Parliamentary Under Secretary of State)	Baroness Buscombe	left the Department 29 July 2019
Non-executive level changes		
Non-executive board member	Sara Weller	term ended 24 April 2020
Non-executive member	Jim Arnott	term ended 14 June 2019
Non-executive board member	Andrew Graham	term ended 30 June 2019
Non-executive board member	David Holt	appointed 3 May 2019
Non-executive member	Tim Nolan	appointed 1 July 2019
Non-executive member	Sir Robert Walmsley	term ended 29 February 2020
Non-executive member	Martin Hagen	term ended 31 March 2020
Executive level changes		
Interim Director General, Operations	Susan Park	left the Department on 11 May 2019
Interim Director General, Service Excellence	Emma Haddad	appointed 15 April 2019

DWP Public Appointments 2019-20

ALB	NEW APPOINTMENT (up to 5 years)	REAPPOINTMENT (up to 5 years)	EXTENSION (up to 12 months)
Health and Safety Executive	**NED** • John McDermid • Ged Nichols • Claire Sullivan	**NED** • George Brechin	**NED** • Sarah Pinch
Office for Nuclear Regulation	**Chair** • Mark McAllister **NED** • Tracey Matthews • Janet Wilson		**NED** • Penny Boys • Bronwyn Hill
Industrial Injuries Advisory Council	**Member** • Dr Jennifer Hoyle • Dan Shears • Lesley Francois • Raymond Agius		
NEST Corporation	**Trustee** • Karen Cham	**Chair** • Otto Thoresen **Trustee** • Jill Youds	**Trustee** • Ian Armfield
Social Security Advisory Committee	**Interim Chair** • Liz Sayce	**Member** • Grainne McKeever	**Member** • Dr Jim McCormick
The Pensions Ombudsman	**Interim Chair** • Caroline Rookes		
The Pensions Regulator	**NED** • Sarah Smart • Christopher Morson • Katie Kapernaros		**NED** • Tilly Ross

The departmental family

As of 31 March 2020, the departmental family consists of the core Department and 13 public bodies. The core Department consists of our service delivery and corporate functions.

An arm's length public body is an organisation that delivers a public service, but is not a ministerial government department. Our arm's length public bodies consist of non-departmental public bodies and public corporations. They operate independently but are accountable to the Department. Collectively our public bodies employ around 4,500 people (FTE) with a net expenditure of £486 million in year.[1]

Classification	Pension bodies	Other bodies
Public corporations	• Pension Protection Fund • National Employment 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[2] • BPDTS Limited • Money and Pensions Service
Tribunal or advisory non-departmental public bodies	• Pensions Ombudsman[3] • Pension Protection Fund Ombudsman	• Industrial Injuries Advisory Council • Social Security Advisory Committee
Other		• Remploy Pension Scheme Trustees Limited

We manage our relationships with our public 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 on pages 122 to 138.

1 Excluding public corporations which fall outside our accounting boundary
2 Disabled People's Employment Corporation (GB) Ltd entered members' voluntary liquidation on 7 October 2017.
3 The role of Pensions Ombudsman and Pension Protection Fund Ombudsman are legally separate but, in practice, are delivered by the same body.

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 public 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 also include the departmental group's net resource outturn, application of resources and changes in taxpayers' equity 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 accounting 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

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 public 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 2019-20 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.

As the Accounting Officer, I have taken all the appropriate steps that I ought to have taken 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.

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), 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, including that made available to certain locally governed organisation, all public money raised as income, and major contracts and outsourced services and how the Department gains assurance about their satisfactory use. This governance statement provides assurance which he has received from his executive directors and the Government Internal Audit Agency on how the system of control described in the AOSS has operated in 2019-20. It concludes with his assessment of the effectiveness of the system of control, sets out in year control issues and the significant challenges facing the Department.

The system of control

The Department is governed by:

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

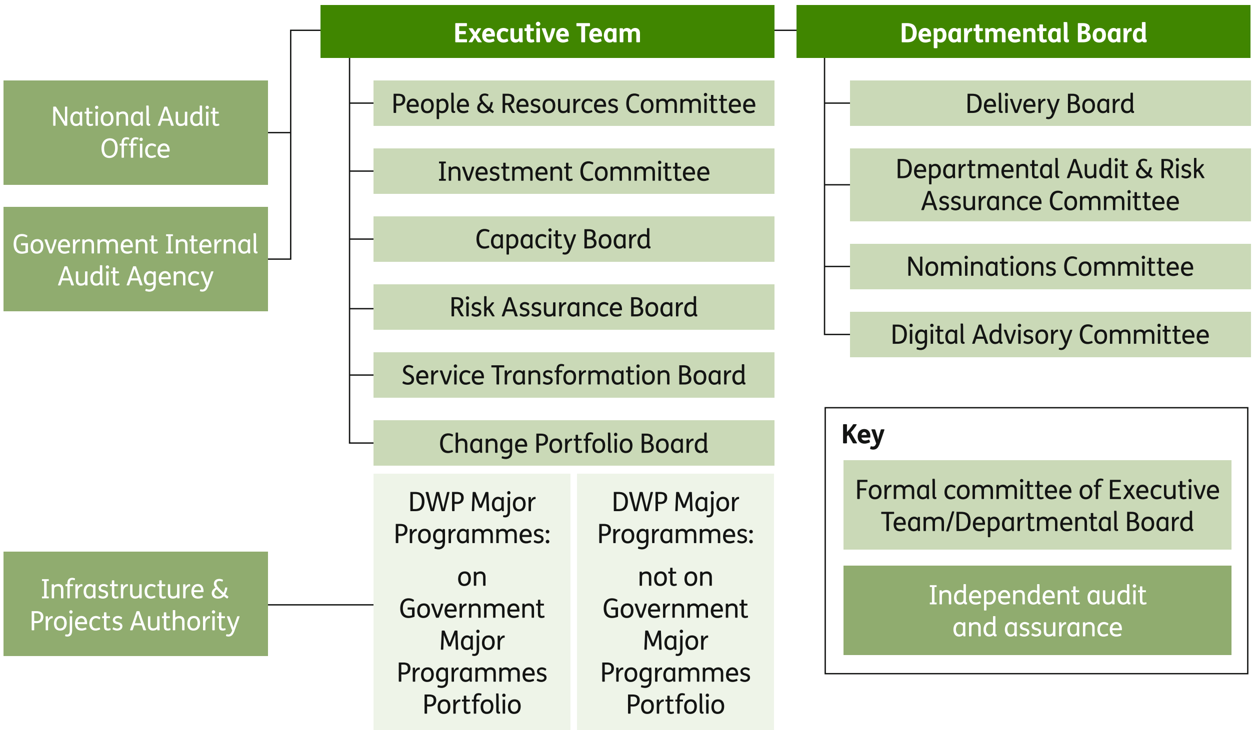
The system of control also includes the Departmental Board sub-committees, the Executive Team and its sub-committees, along with our control framework which is supported by internal and external assurance processes.

Impact of COVID-19

In response to COVID-19 additional activity was undertaken in the last weeks of 2019-20 which carried the risk that the related expenditure might not be contained within the Departmental Control Totals authorised by Parliament. Exceeding these controls would be a breach of Managing Public Money on regularity and propriety grounds. Therefore, on 7 April I sought an Accounting Officer Direction from the Secretary of State and a reply received on 8 April confirming the direction to authorise spend in response to COVID-19. However, the Department has ultimately contained expenditure within the 2019-20 control totals.

Senior governance board structure

The chart below sets out the structure of our senior boards as at 31 March 2020 and the lines of communication so that issues are escalated to the right level. This structure and board/ sub-committee terms of reference and membership is kept under regular review and, as part of our response to COVID-19, we have temporarily introduced new boards and suspended others as explained on page 127.



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. The Board met four times during 2019-20.

The Board supports and advises ministers and the Department on strategic issues linked to the development and implementation of the government's objectives including appropriate oversight of sponsored bodies. It also horizon scans for emerging issues, monitoring performance and overseeing the management of risks, setting the overall strategic direction for the Department in the light of ministerial priorities, the spending round settlement and the Single Departmental Plan.

The Board does not exist to provide policy advice but focusses on getting policy translated into results, giving advice on the overall running of the Department and the operational implications and effectiveness of policy proposals.

The Departmental Board acts in compliance with the Protocol for Enhanced Departmental Boards. The new lead non-executive Board member will lead the Board effectiveness evaluation during 2020-21. The evaluation incorporates 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 2019–20 and how it might be improved. The key findings of the 2018-19 Board effectiveness evaluation and recommendations were considered and implemented in 2019-20 and included 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 requested further and more regular management information covering departmental performance which we have addressed through a performance dashboard and has not raised additional concerns 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 which complies with the principles in 'Corporate Governance in Central Government Departments: Code of Good Practice'.

The Departmental Board has four sub-committees all of which are chaired by our non-executive board members.

- The **Delivery Board** is chaired by our lead non-executive director with the aim to support strategic, business and financial planning including Spending Review preparation, development of the Single Departmental Plan and our Business Strategy. Along with the chair, director generals and other non-executive directors have the responsibility to also support the executive review of departmental delivery performance and to challenge and input to high priority work streams. The Board worked on EU exit planning and the Spending Review, as well as our preparedness for COVID-19 response. The Delivery Board has been working with our stakeholders on the cross-government commitment to improve citizens' overall digital skills, which dovetails with our strategic objective 5 to deliver its services in an increasingly digital way.
- 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 2019-20, the committee discussed the Department's joint work with arm's length bodies to strengthen assurance and build stronger partnerships, and assessed the overall assurance ratings. The committee also discussed the Department's activity regarding fraud and error in the benefit system. The committee receive 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 committee also reviewed the Department's progress in implementing the findings of the 2018-19 PwC review into further strengthening the effectiveness of its risk management.
- The **Nominations Committee** advises on identifying and developing leadership and colleagues with high potential, our incentive scheme and succession planning. During 2019-20 the committee focused on director talent and director general succession planning and centred on being an exemplar employer specifically testing the Department to live up to the commitments we expect other employers to achieve in terms of inclusion, flexibility and continuous learning. The committee also reviewed SCS diversity and concluded that progress is being made on gender, disability and transgender; however more follow up and understanding is required on BAME.
- 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. The committee reviewed spending against its plan and ran an analysis with resulting proposals on how best to transform the services received by our citizens from DWP, and the associated costs of doing so. This conversation focussed on understanding the breadth of the proposed changes to services and the underlying replacement of ageing technology. The committee led an interactive discussion on the challenges around explaining, phasing, and building the proposed new services.

Board and committee attendance 2019-20, by member, of meetings eligible to attend

Name of board/ committee member	Departmental Board met 4 times	Delivery Board met 5 times	Departmental Audit and Risk Assurance Committee met 5 times	Nominations Committee met 6 times	Digital Advisory Committee met 4 times
Rt Hon Amber Rudd MP	1 of 1	–	–	–	–
Rt Hon Thérèse Coffey MP	3 of 3	–	–	–	–
Alok Sharma MP	1 of 1	–	–	–	–
Baroness Buscombe	2 of 2	–	–	–	–
Guy Opperman MP	2 of 4	–	–	–	–
Justin Tomlinson MP	2 of 4	–	–	–	–
Will Quince MP	2 of 2	–	–	–	–
Mims Davies MP	1 of 3	–	–	–	–
Baroness Stedman-Scott OBE DL	1 of 3	–	–	–	–
Sara Weller CBE	4 of 4	5 of 5	–	6 of 6	–
Lieutenant General Andrew Graham CB CBE	1 of 1	1 of 1	2 of 2	–	–
David Holt	2 of 2	4 of 5	4 of 4	–	–
Ashley Machin	4 of 4	5 of 5	5 of 5	–	4 of 4
Hayley Tatum	4 of 4	5 of 5	–	6 of 6	–
Martin Hagen	–	–	4 of 5	–	–
Tim Nolan	–	–	3 of 3	–	–
Jim Arnott	–	–	–	–	2 of 2
Keith Burgess	–	–	–	–	4 of 4
John Clarke	–	–	–	–	3 of 4
Peter Schofield CB	4 of 4	5 of 5	1 of 1	6 of 6	–
Nick Joicey CB	4 of 4	5 of 5	5 of 5	–	–
Simon McKinnon CBE	3 of 4	4 of 5	–	–	4 of 4
Debbie Alder CB	–	5 of 5	–	6 of 6	–
Jonathan Mills	–	5 of 5	–	–	–
Susanna McGibbon	–	0 of 5	–	–	–
Neil Couling CBE	–	5 of 5	–	–	–
John-Paul Marks	–	2 of 5	–	–	–
Emma Haddad	–	4 of 5	–	–	–

ministers non-executive members executives

The Executive Team

The Executive Team is the senior decision making body for departmental management and provides corporate leadership for DWP by:

- defining, promoting and clearly communicating the Department's shared values
- advising ministers on the overarching vision, departmental-wide strategy and supporting strategies for delivering ministerial objectives
- considering the strategic implications of major policy developments and agreeing significant corporate policies
- taking key corporate decisions in planning and investment to support delivery of departmental objectives and in managing corporate performance against its strategic targets and ensuring strategic risks are effectively managed
- communicating the aims, objectives and performance of the department, within and outside the Department itself
- promoting collaborative working with key stakeholders and partners both within and outside government
- designing and securing a sound governance framework and overall system of internal control that is complied with
- identifying and developing the Department's future leadership through talent management and succession planning and agreeing diversity strategies

During 2019-20, the team worked to drive the development of a target operating model for the Department against which future policy and operational options can be assessed. Other areas of focus during the year were EU exit planning, spending round, people performance and election planning.

There are a number of formal sub-committees of the Executive Team.

- The **People and Resources Committee** is chaired by the Permanent Secretary with membership the same as the Executive Team with the exception of the Director General, Legal Services who attends when relevant. The committee has responsibility for providing senior decision-making and governance on the key strategic people and financial issues relating to the running of the Department. In 2019-20 the committee has focussed on pay – primarily the principles on the consolidated awards and non-consolidated pay awards, the future reward strategy for 2020; SCS pay and, director talent.
- The **Investment Committee** is chaired by the Director General Finance Group and has executive oversight of the Department's overall in-year financial position, scrutiny of multi-year plans and responsibility for taking funding prioritisation decisions. The committee considers investment opportunities including all major change programmes prior to their joining the Major Change Portfolio and business as usual activities where HM Treasury approval is needed. In 2019-20 the Investment Committee has played an important role in helping the Department manage the latest financial plans in light of performance, emerging risks and forecasts and made appropriate recommendations to the Executive Team and ministers.
- The **Capacity Board** is chaired by the Director General for People and Capability and provides governance around people resourcing decisions and engagement on the affordability and management of the ever changing nature of departmental supply and demand, helping to improve workforce forecasting. It is also our governance fora for capability and our Workplace Transformation programme. Throughout 2019-20 the Board undertook a review to manage the risk of the service delivery workforce affordable supply position and the Departmental position on EU Exit resourcing. The Board developed initiatives within the long term Capability, Learning and Talent Strategy which, once launched, will provide recommendations and direction to key areas such as our approach to apprenticeships and continuous learning.
- The **Change Portfolio Board** is chaired by the Director General for Change and is the forum through which we manage our Major Change Portfolio. Through this Board the Department develops its understanding of cross-cutting risks and dependencies

across the Portfolio and take active steps to manage these. This Board is vital in helping the Department understand the priority order of major change activity. The Board has looked at the overall health of the Major Change Portfolio and addressed emerging trends and challenges in its programmes and has conducted a lessons learned deep dive into helping the Department better understand how we effectively and efficiently bring teams and activities together. The Board has also agreed our approach to the ongoing prioritisation of the activities on the Major Change Portfolio and its pipeline and considered the recommendations from the recent IPA review into DWP Portfolio Management and how we implement these to continue to improve.

- The **Service Transformation Board** is chaired by the Director General Service Excellence and has the responsibility to improve customer services so that they deliver better outcomes in a more effective and efficient way. The Board has made good progress in defining a high level transformation plan which shows the areas that need to be the focus of our transformation agenda over the next five years to implement the business strategy. The Board has also set six clear overarching priorities for 2020-21 to begin to focus our work and start delivering tangible change. All of these aim to prove a concept or build reusable architecture which can then be scaled up, and include a focus on automated processing.
- The **Risk Assurance Board** is chaired by the Chief Risk Officer and has responsibility for undertaking more detailed examination of risks whilst also providing periodic assurance to the Departmental Audit and Risk Assurance Committee on the effectiveness of plans. With revised accountabilities, the Risk Assurance Board has become more engaged in developing and reviewing the Department's principal risks, monitoring the effectiveness of risk management plans and supporting the identification of new and emerging risks.

Impact of COVID-19

Discussion of external risks to departmental business form a regular part of Executive Team (ET) meetings. As such, the Department and its senior leadership team was well placed to respond quickly to the COVID-19 pandemic and its impact on our business. Our well-rehearsed business continuity plans, first for a pandemic and, second, for an economic downturn that leads to a surge in demand for our services, provided the framework for our response.

Since March 2020 changes have been made to DWP organisation and governance during the coronavirus emergency. ET has been meeting three times a week to provide oversight as to how the short medium and longer-term planning comes together and to provide overall leadership of the Department including EU Transition. ET remains the Department's strategic design authority and will resolve issues arising from two new ET sub-committees that have been established from 1 April 2020 to lead work through the pandemic – the Implementation and Planning Delivery Executive (IPDE) and the Reform and Transformation Group (RTG). These two new boards have a direct feed into ET during this period.

The role of IPDE is to co-ordinate the Department's response to the surge in demand, assessing the ongoing challenge and delivering and implementing a sustainable plan for the duration of the pandemic. The focus of RTG is to look at how the Department emerges post-pandemic, learning from our response to transform services as we recover and not simply return to previous customs and practice.

ET will complete their risk and control impact assessment, looking at how decisions taken have impacted on our response to COVID-19 and whether risks change over the next few months.

The Change Assessment Gateway

The Change Assessment Gateway process helps to evaluate prospective projects and programmes across the Department. During the year, we reviewed the process to include the Service Transformation Board as the decision maker, further ensuring initiatives aligned to the Department's priorities.

Each project or programme that is placed onto the major change portfolio has a formal senior responsible owner appointed who is 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 (published on www.gov.uk). We currently have three programmes on the GMPP: Universal Credit, Health Transformation and Fraud, Error and Debt programmes.

We continue to 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

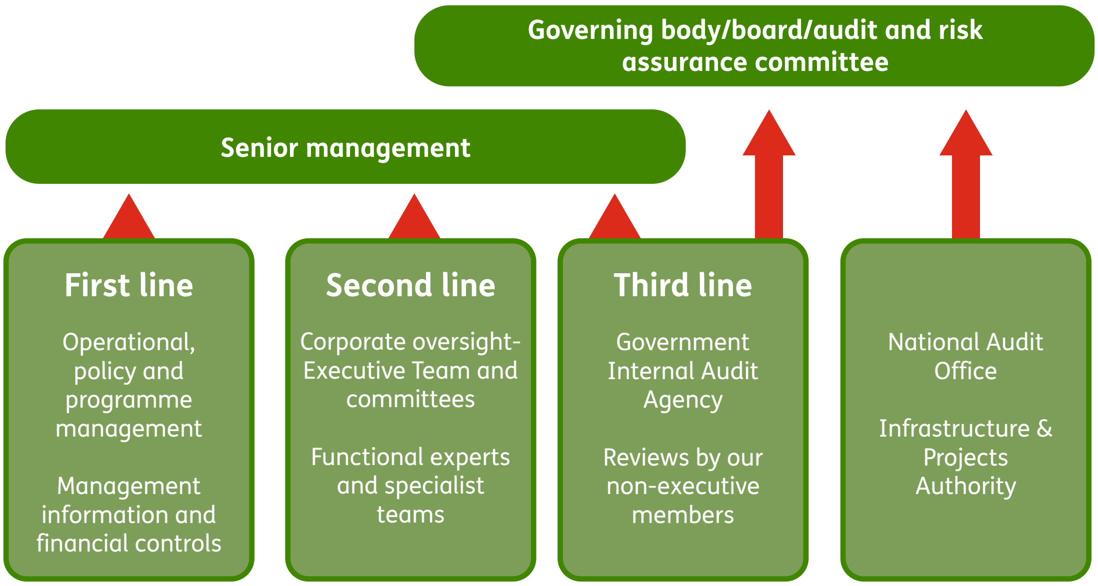
We jointly manage our annually managed expenditure (AME) with HM Treasury. HM Treasury is involved in all decisions involving DWP AME spend as the Department, while being responsible for the spend, has no delegated authority and we also meet regularly throughout the year to monitor AME spend.

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. Page 230 in the accounts set out details of benefit provisions.

Risk management

Risk management improvement has been a key priority in 2019-20. We have continued to operate the three lines of defence model across the Department and strengthened risk management in a number of ways.

Three lines of defence model



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

Step 1 – Identify
What: Identify risks which threaten the achievement of objectives of the Department or Business Unit, or threaten its reputation.
Why: To identify risks which need to be mitigated/ reduced if the Department is to succeed.
How: At defined times, risks should be identified having regard to DWP risk categories.
Outputs: Defined times specified. At each time point, risks documented (on preliminary risk register) including both causes and consequences categorised into one of the DWP risk categories.

Step 2 – Assess
What: Assess the potential likelihood and impact of each identified risk.
Why: To prioritise risks for management attention and action.
How: Risks assessed for both inherent risk (before controls) and residual risk (based on known effectiveness of current controls activities) using consistent defined Corporate criteria.
Outputs: Documented and prioritised key risks (on a risk register) with inherent and residual risk scores, and a documented understanding of existing controls to mitigate risk and the effectiveness of those controls.

Step 3 – Address
What: Agree a strategy/approach for addressing key risks.
Why: To ensure risks are managed in an appropriate way.
How: Decide the most appropriate treatment for the risk to either prevent its occurrence or manage the impacts if it does occur (or both).
Outputs: Documented (on a risk register) strategy and owners for each risk, accountable for designing controls and mitigating activities (also documented on the risk register) to reduce inherent risk to an acceptable level in an agreed period of time.

Step 4 – Review and report
What: Regular risk reporting to management.
Why: To provide visibility to management of current managed/unmanaged risks.
How: Key risks captured on a risk register, showing assessed risk levels, mitigating actions, and risk indicators, all reviewed regularly to confirm accuracy and identify potential new emerging risks.
Outputs: Risks fully documented on risk registers, with owners and actions, including residual and target ratings. Reports to Executive management, summarising the key risks and risk portfolio of the Department as a whole.

We introduced a new DWP Risk Management Strategy, taking into account the government's refreshed 'Orange Book' requirements for managing risk. We have designed the strategy to promote a consistent approach to risk management across the Department and is supported by an updated DWP Risk Management Framework.

We have applied the framework across the Department which means that risks to the Department, project and/or local objectives are regularly identified and managed using a standardised, four-step cycle. In practice, we regularly review business objectives, identify new risks to those objectives, manage old risks out and take mitigating actions throughout the year.

We have regularly reviewed and reported on the management of risks to our objectives with the Chief Risk Officer leading regular assurance reporting to the Executive Team, Delivery Board, Risk Assurance Board and other senior forums. Our Arm's Length Body Partnership Division manages an annual assurance assessment for these organisations using a tailored risk-based approach which is proportionate and flexible enough to react to external factors. This year, we reviewed and refined the approach and a recent internal audit of the ALB Partnership Division returned a "substantial" rating. External bodies, such as the National Audit Office and the Infrastructure and Projects Authority, continue to provide independent external reviews which complement other internal and external assurance activity.

We have restructured the risk management area to support delivery of a new assurance model and gather evidence from across the Department against a set framework, to better support a more integrated governance statement. We will be reviewing and refining those arrangements to strengthen our approach for 2020-21.

A Chief Risk Officer was appointed towards the end of 2018-19. During 2019-20, in the first full year in post, the role has driven improved oversight and visibility of principal risks with risk management embedded in senior leadership conversations. Our principal risks, linked to the Department's objectives, were reviewed in 2019-20 as part of our risk management conversations with the Executive Team and others. The majority of established risks remained with some revisions to refocus the current position and new risks were identified linked to 2020-21 plans and Departmental objectives. We have made good progress on many of the risks and as we mature and review them further we will focus on understanding our appetite and test our confidence in the deliverability of risk management plans.

A government internal audit review of risk management in 2019-20 provided independent assurance on the adequacy and effectiveness of the Department's Risk Management Framework. It reported significant improvements to the management of risk and recognised the progress that had been made to drive a more consistent and robust approach across the Department.

Continuous improvement in risk management across the Department will continue to be a key driver for 2020-21. We will focus on enhancing risk management capability, reporting and our understanding of risk appetite as the COVID-19 situation evolves, making sure that we provide a sustainable service that meets customer needs. We are updating our principal risks for 2020-21 and will prioritise the criticality of those, including the management of risks to the recovery phase following the onset of the COVID-19 pandemic. The development of key risk indicators will provide early signals of increasing exposure. Please refer to page 129.

Security and information management

Departmental security is managed and overseen by the Chief Security Officer (CSO), who chairs the Security Delivery Board and is a member of the Departmental Audit and Risk Assurance Committee. The CSO reports to the Department's Finance Director General.

We continue to improve our overall security maturity. We have increased the scope of technology system protective monitoring capabilities, and we have planned and are about to trial strategic security solutions across our estate. We have developed action plans to help mitigate personnel security risks across all business areas, and are working with Cabinet Office to implement the government's national security vetting reform programme. We are introducing a new supplier security assurance service, through joint working of Security and Commercial teams.

We are working with business delivery partners to improve accountabilities, introduce more effective controls testing and assurance, and enhance the management of strategic security risks, through a centrally led and business focussed security transformation programme. We have agreed a new DWP Security Strategy, aligned with the Department's 2025 Business Strategy to manage this.

We introduced a new Security Continuous Improvement Plan (SCIP) which will identify and collate the work for improving security. The Security Delivery Board will monitor progress and the Strategic Security Board will set priorities and ensure they are addressed.

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

The Data Protection Officer (DPO) continues to monitor and advise the GDPR Task Force working under the direction of the Chief Data Officer. The Task Force's main area of activity remains reducing areas of residual non-compliance with GDPR.

The DPO team's performance in clearing requests to the team (including specialist advice, over 300 Data Protection Impact Assessments, complaints and referrals from the ICO) was strong, with an average monthly clearance rate of just under 98%.

Service provider management

We continue to develop the commercial expertise that will deliver effective contract and supplier management with activity centred around the embedding of the measures contained in the Government Commercial Function's Outsourcing Playbook.

Following the development of a continuous improvement plan prompted by the revised Government Commercial Operating Standards (GCOS Iteration 3), activity is on track and is expected to yield positive results against the seven realigned commercial standards throughout 2020-21.

Commercial activity, management information and reporting is underpinned by our e-procurement system (Jaggaer). Following consultation with stakeholders, work is underway to implement a revised user requirement that will take advantage of the additional Jaggaer modules secured by Commercial Directorate that will facilitate an enhanced focus on In-Life Management of commercial arrangements and key suppliers.

We continue to work closely with Cabinet Office, HM Treasury and the Government Digital Service to ensure close adherence to Cabinet Office controls procedures. We are currently in discussion with Cabinet Office to develop a more dynamic engagement in respect of our Commercial Pipeline and Joint Assurance Review process that will provide improved, more timely visibility of commercial activity.

Impact of COVID-19

The impact of the coronavirus emergency on our supply chain has been considerable. In common with other departments, and in compliance with Government Commercial Function mandate, our priority has been to support and sustain our suppliers through this unprecedented crisis, through expedited payment and targeted easement of obligations where there is a clear need to maintain cash flow and sustain jobs. We have also streamlined certain governance processes to facilitate those urgent procurements arising from COVID-19. In making these necessary changes we have maintained strict adherence to the relevant policy instruments – PPN 01/20 and PPN 02/20 – and their associated management information and reporting requirements. DWP has made circa £15 million of suppliers awards in total as a direct result of PPN/02/20.

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)

GSS has summarised the findings from these various sources of assurance in the 2019-20 LoA. The letter, dated 25 May 2020, provides the GSS framework level opinion that SSCL's control environment is *generally satisfactory with some improvement required*, concluding that no material concerns have been raised in relation to SSCL's internal controls in 2019-20.

An annex to the LoA includes GIAA's framework level opinion of SSCL's internal controls. It references the audits completed by PwC, with GIAA concluding that these show *SSCL systems audited are designed and are operating reasonably well* and that this is supported by the customer audits completed by GIAA in departments which highlight *the need for a few improvements on both customer and SSCL side (but) do not challenge the PwC results.*

As a result of the impact of COVID-19 the LoA is not based on a full year ISAE 3402 report. In its' place PwC has provided an Agreed Upon Procedures (AUP) report covering the period 1 April 2019 to 29 February 2020 which includes details of the interim and period end testing of SSCL internal controls completed by PwC before March 2020. In the LoA GSS has *determined that the ISAE 3402 Agreed Upon Procedures (AUP) report provides sufficient assurance.*

The inability of PwC to gain access to SSCL to complete testing in March resulted in two controls relevant to DWP not being tested and a further six only being partially tested. Of the remaining 113 SSCL internal controls relevant to DWP, PwC found five control exceptions (three at interim report stage and a further two in the AUP).

SSCL accepted all of the interim report findings, agreeing and completing management actions to address these, with no exceptions found when the controls were re-tested by PwC. The two exceptions found towards year-end are still subject to SSCL agreeing management actions by the end of June and will be re-tested as part of the 2020-21 interim ISAE 3402 report.

These various sources of assurance of SSCL's internal control environment have been subject to scrutiny by relevant subject matter experts in DWP. On balance and taking account, in particular, of the GSS opinion in the Shared Services Letter of Assurance, SSCL controls can be considered to be reasonably managed with no DWP specific concerns that are likely to materially impact the statements included in the Annual Report and Accounts.

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 fiscal event. 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 (INFORM2) building on the success of our principal dynamic Working Age benefit model (INFORM). 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.

To develop closer working between modellers and forecasters along with greater oversights of models and forecasts, from April 2020, we created a Head of Profession for Microsimulation and Forecasting and bringing together a number of forecasting and modelling teams and creating three forecasting and modelling "hubs".

Assurance about the operation of the system of control

Assurance from executives

The Accounting Officer holds regular performance review meetings with each director general to gather evidence and assurance on business delivery and financial management, identify issues and agree plans to manage these. The Executive Team also have responsibility for delivery of their team objectives, supporting the delivery of departmental strategic objectives and they review their collective delivery of these on a quarterly basis.

Following the end of the financial year, each director general provides the Accounting Officer with their assurance on the effectiveness of the controls that support their business activities and delivery of the Department's policies. To support this process, we have introduced a second line of defence Risk and Control Assessment (RCA) on the identification and management of risk and controls within each group. This assessment is undertaken on an interim and year end basis. The Chief Risk Officer has assessed the overall appropriateness and reliability of systems of internal control as 'medium', consistent with the Group Chief Internal Auditor's moderate assessment.

A number of recommendations were made to strengthen the control environment as part of the interim assessment.

The Accounting Officer 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 Risk and Control Assessments (RCA), agreed by each DG, have identified a number of challenges this year which they are managing effectively within their teams and reflect recommendations from the RCAs. These include but are not restricted to:

Change Portfolio

External and internal reviews both identified the need for a portfolio framework with clear accountabilities and decision making, supported by second line assurance across all functional areas. This is being progressed and the Major Change Portfolio Office will identify opportunities to clarify expectations, arrangements and escalations relating to the second line of defence both within Change and across all areas of the business.

Level of Fraud and Error

Fraud and Error across all benefits remains a key control challenge, to protect the annual spend on benefits and pensions and ensure that the right people get paid the right amount of benefit they are entitled to. Our fraud and error results for 2019-20 show a further increase in the overall level of overpayments at 2.4% (£4.6 billion), compared with 2.1% (£3.9 billion) in 2018-19 and our accounts remain qualified (see page 180). The overall level of underpayments remained at 1.1% (£2.0 billion). The forecast is that these levels will continue to increase as the number of people claiming benefit increases, particularly Universal Credit which has a broader definition of what constitutes fraud and error. The expectation remains that Universal Credit will lead to a reduction in the level of money that is lost due to fraud, error and overpayments compared to historic benefits that it is replacing.

Full information on performance in 2019-20 can be found on pages 70 to 71 and information on and our approach to tackling fraud and error can be found on pages 72 to 75.

Universal Credit Advances

Advances are available to claimants who are in financial need and have no other source of help, up until they receive their first payment of Universal Credit. Certain individuals and third parties looked to exploit this and made false claims. This impact is not captured through our fraud and error results.

We have identified around 100,000 claimants that may have made a fraudulent claim for an advance with an overall value estimated between £142-£213 million. We have set up a dedicated team to investigate this very specific type of fraud who are reviewing all suspicious advances claims and working with law enforcement authorities as appropriate. We also changed the application process, and applicants are now required to meet Jobcentre staff to verify their identity before obtaining an advance. This rule has been temporarily relaxed during the COVID-19 pandemic, as face-to-face contact is no longer possible.

In December 2019, we strengthened real time verification procedures, using existing data that government holds to provide additional verification of a claim before an advance is agreed. Together, these changes in the process helped strike the right balance between allowing swift access to support for those who need it and protecting those same people's money from fraudulent behaviour.

Tax Treatment of Contractors (IR35)

DWP employs contractors with skills not available internally, primarily to support delivery of key programmes such as Universal Credit. During 2019, internal checks and additional HM Revenue and Customs guidance highlighted potential inaccuracies in the assessment of some contractor's employment status since April 2017 when new legislative requirements were introduced for public sector bodies. We are working with HM Revenue and Customs on the historic position and have introduced additional governance and policies to strengthen control and reassess all existing contractors.

Facilities management performance

The Department has faced a number of challenges in year to manage supplier performance issues in estates. A GIAA review of the integrator model set up to oversee the delivery of facilities management, security and lifecycle works made a number of recommendations to strengthen controls. In October 2019, the Department put in place an agreement to effect a mutually agreed managed exit of the current facilities management provider.

Health and Safety Standards

As part of effecting the mutually agreed managed exit of the current facilities management provider, as at December 2019, a new interim supplier has been contracted for the delivery of certain services relating to statutory compliance. The Integrator will continue to undertake audits to ensure relevant standards are met and contracts will require the new supplier to be compliant with relevant standards. Oversight in the management of this challenge sits with one of the Department's major projects.

Keeping our systems and data safe

We continue to work closely with Cabinet Office colleagues to strengthen cross-government security standards and capabilities: this will support the Department, its arm's length bodies and the other departments to which it provides services, in meeting minimum government security standards and raising maturity levels across all areas of security.

Full information on our activity in year can be found on page 130.

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 has developed a three-year strategy through which it is enhancing both the support and challenge it provides to our ALBs. Progress against the strategy and the first-year corporate plan is monitored at monthly Partnership Management Board meetings.

With the ALB Partnership Division being awarded the highest possible risk management rating of 'substantial' following an internal audit carried out in Summer 2019, the strategy is ensuring that our engagement is proportionate and focused on securing the best outcomes for the taxpayer.

This positive audit assurance is largely driven by the deep and proactive engagement between our ALB partnership teams and DWP ALBs. This provides a necessary conduit between DWP ALBs and the Department to allow us to understand, monitor and – where necessary – directly support DWP ALBs, particularly those bodies who are facing significant upcoming strategic challenges which have wider departmental/ Principal Accounting Officer impact. For example, our HSE facing partnership team is closely engaged with the governance and oversight structures involved in supporting HSE establish a new building safety regulator role in the wake of the Grenfell Tower disaster and upcoming domestic repatriation of EU functions following the UK's departure from the EU.

We are now in the final stages of the current Cabinet Office Tailored Review Programme through which we have been able to provide assurance and challenge about the continuing need, efficiency and good governance of our arm's length bodies. DWP is one of only a very small number of departments which has undertaken Tailored Reviews of all its in scope arm's length bodies, although the reviews of SSAC and BPDTS are yet to be concluded.

We expect Cabinet Office to announce the successor to the Tailored Review Programme in the coming weeks. The current planning assumption is that the first body to be reviewed under the new process will be the Money and Pension Service in late 2020.

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 fourth 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 conducted a review of the process in conjunction with our ALB partners to ensure that the AAA continues to be fit for purpose. Following the review, we made changes to enrich the process and sought feedback from the 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. DWP ALB key public appointments are listed on page 118.

The Central Assurance Team within the ALB Partnership Division arrange regular Forums for the benefit and attendance of senior staff from the bodies, as well as DWP staff. The Forums are specialist, and cover Finance, HR, Senior Leaders Forum and this year we also had our inaugural Friends of ALBs Forum, to bring together the different DWP corporate functions that work with the bodies. In early 2020, we also arranged a very successful Wellbeing Confident Leaders training session for senior leaders of the ALBs.

The COVID-19 pandemic towards the end of the financial year impacted on our delivery ALBs. Each body was able to enact its own contingency arrangements to ensure minimal disruption to business as usual. This included, for example, all bodies switching to homeworking for their staff, and regular website updates to inform customers of any changes to delivery.

For some bodies, the pandemic and its impact on the economy is potentially far-reaching. This includes the Pension Protection Fund (PPF), the lifeboat for Defined Benefit pension scheme members whose employer has failed. The impact of additional claims on PPF funding caused by possible insolvencies will depend on the extent and duration of the economic downturn, which employers become insolvent, and the funding levels of their Defined Benefit schemes. However, PPF liabilities are fully hedged to protect against changes in inflation or interest rates. The PPF currently holds a substantial reserve in respect of future claims and they do not expect additional claims to exhaust these funds.

The ALB Partnership Division continues to work closely with our bodies to understand how they are responding to the challenges of COVID-19 and ensure we can support them where appropriate.

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). Her assurance opinion is derived from a risk-based plan of work which has been agreed with Executive Team and approved by DARAC.

The GCIA's 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 2019-20, 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 during the year, the Department developed its strategy "DWP 2025 and beyond – Implementing the Strategy" alongside a principles driven Target Operating Model. The Department sought to further embed the Executive Team leadership objectives to deliver an outcomes focused culture, based on collaborative working, and a more empowered and informed workforce to deliver the strategy. The new Boards, including Service Transformation Board and Capacity Board, enabled the Department to work in a more collaborative way.

There were significant improvements in the management of risk since 2018-19, with the identification and management of 16 principal level risks, supported by the Chief Risk Officer who chairs the monthly Risk Assurance Board. Further improvements were identified to ensure that the Departmental Board provide effective oversight of risk management and for members of the Executive Team to take a more pro-active approach to driving the discussions around the principal risks within the Department.

The majority of the corporate systems and processes reviewed by Internal Audit in year have been rated "moderate" or better and there was a decline in the proportion of reviews where "limited" rated audit reports compared with 2018-19. Internal Audit have however, identified the following areas where improvements are required to strengthen the control environment:

- the management of fraud and error, including internal abuse and externally amongst welfare claimants. In 2019 the GCIA reported on the action taken by the Department in response to the increasing volumes of Advance Payment Frauds on Universal Credit and recorded that she was satisfied that the Department took appropriate steps to close the gateway and reduce fraud. The NAO subsequently reported that the cost of fraud for known cases could total £98 million to £147 million. Further action is also required in other areas, such as the management of International Fraud and delivering a long-term strategy on Housing Benefit fraud referrals. In response to the coronavirus pandemic, the Department has had to amend payment related controls covering UC payments, UC Advances and other benefit payments. Increased levels of fraud and error are expected in 2020-21 as a result and the Department continues to take steps to proactively prevent and detect fraud and error. The latest published data on the estimated level of fraud and error within DWP for 2019-20 show an upward trend with Universal Credit being the largest contributor.

- the extent to which protective monitoring and patching is deployed across all of the Department's critical business systems to create a consistently configured environment that is secure against known vulnerabilities in operating system and application software. Additionally, work is ongoing to implement the tooling necessary to monitor staff privileged user activity across all of DWP critical systems to identify and manage potential misuse of data. The work was delayed due to technical design issues, but deployment is now expected during 2020, with effective analysis of the resulting logs some three to six months after.
- the effectiveness of processes used to assure compliance with minimum security standards. The Department has developed a Security Continuous Improvement Plan which is intended to identify and track areas where the Department can improve its security governance, controls and capabilities. However, the plan is still in the early stages of development and will take time to implement.
- the adequacy of security controls in the public cloud hosting environment. The Department has put in place a Cloud Hosting Security Standard which aligns with industry good practice, providing a good basis to ensure at least a minimum level of security within Public Cloud. However, there remain gaps in security risk assessments around the sensitivity of data being processed in Public Cloud and there is a lack of granular security obligations within contracts to hold suppliers to account.
- undertaking adequate work to ensure that data shared with other organisations, supported by data sharing agreements, meets the legal criteria required under data protection rules for processing the data. To be lawful, the Department must ensure that the data share meets the required basis for processing the data, such as the individual has given their consent. As part of strengthening controls around data management, the Department has been compiling a data sharing inventory which is complete with the exception of service delivery. A further 12-18 months is expected to be required to complete the exercise.
- adhering to the requirements of IR35 raised challenges for the Department in year, both in terms of the risks of being found to be non-compliant with the requirements to accurately assess contractors as "on or off payroll" for tax and NI purposes and managing the operational impact of contractors choosing to withdraw their services. The GCIA provided advice to management in 2019 to increase the oversight and management of this issue which was proactively taken forward by the Department. HM Revenue and Customs were due to commence a review of the Department's arrangements in February 2020 but this has now been delayed.

The Department's change portfolio is generally being well managed with the majority of audit reports providing 'Moderate' or 'Substantial' assurance, with the exception of the Health Transformation Programme, where the GCIA reported earlier in the year that the programme remained challenging to deliver successfully and that a strategic outline business case was due to be developed in 2020. Significant steps were taken in year to strengthen the delivery architecture and decisions were made in year to de-risk the delivery position. Much of the transformation work was paused from March onwards in response to the pandemic and the requirement to redeploy resources to support the processing of new benefit claims.

Assurance from other sources

The National Audit Office (NAO) have undertaken value for money studies of specific aspects of DWP activity during the year as well as a number of studies across departments where DWP has had a role. Their reports are presented to Parliament, specifically the Public Accounts Committee (PAC) but the Department looks to implement the recommendations of the NAO. The NAO also undertook an investigation into UC Advances and the potential level of fraud resulting from fraudulent claims. All NAO reports on the Department are available at www.nao.org.uk

The Infrastructure and Projects Authority (IPA) undertook reviews of two of our GMPP programmes during 2019-20 and these programmes are working with the IPA to provide updates against their recommendations. Information on the IPA assessment of our GMPP programmes can be found in the IPA transparency report at www.gov.uk

Whistleblowing

We have encouraged all of our 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 has expanded, underpinned by a cast-iron guarantee of confidentiality and, where necessary, anonymity.

The number of concerns raised as whistleblowing in 2019-20 decreased compared to the previous year with 29 cases compared to the previous year's 56 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.

DWP are continuing to work with Government Internal Audit Agency (GIAA) to raise awareness of whistleblowing through a series of communications. Most concerns raised have 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.

In addition, we introduced a "Speak up Safely" telephone line in order for all employees to speak to someone within our HR Mediation and Investigation Team anonymously for advice in relation to their own experiences. This has proven a successful additional means of support to individuals and we have taken 158 calls from its launch on 11 November 2019 to 31 March 2020.

Permanent Secretary's assessment of the system of control and the significant challenges for 2020-21

From the governance arrangements recorded above, my performance review discussions through the year with my Directors General, and regular updates from my Chief Risk Officer and Chief Internal Auditor, along with other 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 and in face of the Department delivering its business as we move to the recovery phase following the onset of the COVID-19 pandemic, there are a number of challenges based on our principal risks that I regard as significant in 2020-21.

The top three risks facing the Department, and described below, are

- Maintaining the safety of our people (staff and claimants);
- Delivering a sustainable operation in response to service demand and staff supply challenges;
- Fraud and Error, including the effects of policy easements for COVID-19.

Significant strategic control challenges continue to be monetary value of fraud and error, overall affordability, keeping systems and data safe, delivering Universal Credit including advances and health and disability reforms. All of which are impacted by COVID-19.

In addition, the Department has work in place to manage EU transition at the end of December 2020. We also need to be prepared to respond as the COVID-19 situation evolves, making sure that we provide a sustainable service, as the needs of those we serve changes. This will involve recruiting additional colleagues, implementing robust social distancing in line with public health guidelines and on-going reorganisation of work including extensive use of home working.

Our top three risks

1. Maintaining the safety of our people (staff and claimants)

Ensuring the safety of our staff and claimants in light of COVID-19 is, and will continue to be, our top priority. A range of measures have been put in place to maintain a safe operating environment including temporarily closing Jobcentres for the vast majority of face-to-face services (Jobcentres are open by exception for the most vulnerable claimants), increased cleaning regimes, extensive homeworking and implementing social distancing within all sites. The Department's Estates team are working to identify robust solutions to deliver the necessary changes in light of the current impacts and updating site operating guidance as required. They are also seeking further estate, including other Government Department Sites where that is viable. This is an evolving area and we will continue to impact plans and adjust against the latest advice and guidance.

Work will continue to ensure our employee policies support our duty of care and promote staff welfare.

2. Delivering a sustainable operation in response to service demand and staff supply challenges

The Department has faced the challenge of handling huge increases in demand for welfare support alongside reducing availability of staff impacted by COVID-19. The Department has increased its capacity to handle the initial surge in welfare claims, particularly for Universal Credit, and applied a range of policy easements to ensure timely payments were received by claimants. Capacity will continue to increase to support any further economic changes, alongside continued policy and digital innovation to manage the risk of a mismatch between demand and supply. There are a range of increased capacity challenges including sustaining staffing resource in the event of further COVID-19 impacts, having sufficient estate, digital support and training capacity.

3. Fraud and Error, including the effects of policy easements for COVID-19

Benefit payments continue to be susceptible to fraud and error and the Department holds a continued risk that it is unable to maintain controls on fraud and error, exacerbating the audit qualification, eroding public trust, and leaving claimants with future debts or receiving underpayments. There is potential for that risk to increase as we respond to COVID-19. All easements introduced are impacted for fraud and error and are being reviewed as a priority to ensure we can continue to prevent fraud and error from entering the system. Full information on our approach to tackling fraud and error can be found on pages 72 to 75.

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 2019-20 relate to performance between 1 April 2018 and 31 March 2019.

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 2019-20. Copies of the register are available on request.

None of our ministers held directorships that conflicted with their management responsibilities in 2019-20. 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)

	2019-20					2018-19				
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[4]	Severance payments £	Total to nearest £1,000[5]
Rt Hon Thérèse Coffey MP from 8 September 2019	38,065	67,505	–	5,000	43,000	–	–	–	–	–
Rt Hon Amber Rudd MP from 16 November 2018 to 7 September 2019	29,440	67,505	16,876	3,000	49,000	25,314	67,505	7,000	–	33,000
Justin Tomlinson MP from 10 July 2018	31,602	31,680	–	8,000	40,000	16,240	22,375	4,000	–	20,000
Guy Opperman MP from 14 June 2017	22,375	22,375	–	6,000	28,000	22,375	22,375	5,000	–	27,000
Will Quince MP from 4 April 2019	22,189	22,375	–	5,000	27,000	–	–	–	–	–
Mims Davies MP from 26 July 2019	14,917	22,375	–	4,000	19,000	–	–	–	–	–
Baroness Stedman-Scott OBE DL from 30 July 2019	72,134	107,335	–	12,000	84,000	–	–	–	–	–
Baroness Buscombe from 15 June 2017 to 29 July 2019	35,201	107,335	–	–	35,000	105,076	105,076	–	–	105,000
Alok Sharma MP from 10 January 2018 to 24 July 2019	10,560	31,680	–	3,000	13,000	31,680	31,680	7,000	–	39,000

The Prime Minister has determined that government ministers in the Commons should receive salaries set at the same rate as that claimed by equivalent ministers under the government from 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.

Justin Tomlinson MP was promoted to Minister of State on 4 April 2020. He was previously a Parliamentary Under-Secretary in our Department. He was paid an annual salary of £22,375 for the three days in 2019-20 that he held that post.

The salary disclosed for Baroness Stedman-Scott includes Lord Office-holders Allowance of £24,440 for 2019-20.

The salary disclosed for Baroness Buscombe includes Lord Office-holders Allowance of £12,122 for 2019-20 (£36,366 for 2018-19).

Government departments bear only the cost of the additional ministerial salary. Salaries for services as MPs (£79,468 from 1 April 2019)[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)

	2019-20					2018-19				
Executive directors	Salary £000	Bonus payments £000	Pension benefits £000[7]	Benefit in kind £	Total £000	Salary £000	Bonus payments £000	Benefit in kind £	Pension benefits £000[7]	Total £000
Peter Schofield CB from 18 July 2016	180-185	–	1	–	185-190	175-180	–	–	23	200-205
Debbie Alder CB from 1 January 2014	145-150 (FYE 140-145)	10-15	58	–	220-225	135-140	–	–	53	185-190
Neil Couling CBE from 1 October 2014	155-160 (FYE 150-155)	10-15	80	–	250-255	145-150	5-10	–	44	200-205
Jonathan Mills from 29 August 2017	140-145 (FYE 135-140)	–	102	–	240-245	130-135	–	–	119	245-250
John-Paul Marks from 12 March 2018	135-140	0-5	117	–	255-260	125-130	10-15	–	83	220-225
Nick Joicey CB from 30 July 2018	145-150	–	98	–	245-250	95-100 (FYE 145-150)	–	–	125	220-225
Simon McKinnon CBE from 1 January 2019	155-160	–	60	–	215-220	35-40 (FYE 140-145)	–	–	14	45-50
Emma Haddad from 15 April 2019	115-120 (FYE 120-125)	–	142	–	260-265	–	–	–	–	–
Susan Park from 12 March 2018 to 11 May 2019	15-20 (FYE 145-150)	–	–	–	15-20	145-150	10-15	100	124	285-290

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.

For three of the directors who were in post all year, the salary column includes arrears due from 2018-19. We have shown a full year equivalent (FYE) figure that excludes such payments.

Peter Schofield joined the Civil Service Other Pension Scheme during 2019-20.

No executive director received any benefit in kind in 2019-20.

Susanna McGibbon (appointed 10 December 2018) holds the role of Director General, Legal Services and is our senior legal adviser. Our legal services are provided by the Government Legal Department (GLD) and as such, her remuneration is disclosed in GLD's Annual report and accounts for 2019-20.

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 2019-20 was £180,000 to £185,000 (2018-19: £175,000 to £180,000). This was 6.72 (2018-19: 6.78) times the median remuneration of the workforce, which was £27,142 (2018-19: £26,199).

	Pay band of highest-paid executive director	Median total pay	Ratio
2019-20	£180,000 – £185,000	£27,142	6.72:1
2018-19	£175,000 – £180,000	£26,199	6.78:1

In 2019-20 and 2018-19, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £18,000 – £18,500 to £180,000 – £185,000 (2018-19: £17,000 – £17,500 to £175,000 – £180,000).

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 ratio from 2018-19 to 2019-20 is due to an increase in our employees' median pay in year four of our Employee Deal. The effect of this pay increase on the fair pay disclosure ratio is partly reduced by a change in the disclosed pay band of our highest paid director.

Non-executive directors' fees

(This information is subject to audit)

Non-executive directors	Board	Fees 2019-20 to the nearest £000	Benefit in kind 2019-20 to the nearest £00	Fees 2018-19 to the nearest £000	Benefit in kind 2018-19 to the nearest £00
Sara Weller CBE from 20 April 2017	Departmental Board, Nominations Committee and Delivery Board	20,000	2,300	20,000	1,400
Lt. Gen. (retd) Andrew Graham CB CBE from 1 April 2013 to 30 June 2019	Departmental Board, DARAC and Delivery Board	5,000	–	20,000	–
Sir Robert Walmsley from 29 July 2013 to 29 February 2020	Universal Credit Programme Board	14,000	–	15,000	–
David Holt from 3 May 2019	Departmental Board, DARAC, Health Transformation Chair and Delivery Board	18,000	–	–	–
Tim Nolan from 1 July 2019	DARAC	11,000	–	–	–
Martin Hagen from 1 April 2014 to 31 March 2020	DARAC	15,000	–	15,000	100
Jim Arnott from 15 December 2015 to 14 June 2019	Digital Advisory Committee	3,000	300	15,000	–
Ashley Machin from 15 December 2015	Departmental Board, DARAC, Digital Advisory Committee and Delivery Board	20,000	–	17,000	–
Robin Johnson from 1 January 2016 to 31 December 2018	Digital Advisory Committee	–	–	11,000	–
Hayley Tatum from 13 November 2017	Departmental Board, Nominations Committee and Delivery Board	15,000	300	15,000	300
John Clarke from 13 November 2017	Digital Advisory Committee	15,000	200	15,000	–
Keith Burgess from 13 November 2017	Digital Advisory Committee	15,000	–	15,000	–
Lynne Shamwana from 1 April 2013 to 31 March 2019	DARAC	–	–	15,000	–
Total		**150,000**	**3,000**	**173,000**	**1,900**

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 2020 £000	Real increase in pension at age 65 £000	Cash equivalent transfer value at 31 March 2020 £000	Cash equivalent transfer value at 31 March 2019 £000	Real increase in cash equivalent transfer value £000
Rt Hon Thérèse Coffey MP	0-5	0-2.5	33	28	2
Rt Hon Amber Rudd MP	5-10	0-2.5	85	78	1
Justin Tomlinson MP	0-5	0-2.5	15	8	3
Guy Opperman MP	0-5	0-2.5	26	20	3
Will Quince MP	0-5	0-2.5	3	–	1
Mims Davies MP	0-5	0-2.5	10	7	1
Baroness Stedman-Scott OBE DL	0-5	0-2.5	16	–	10
Baroness Buscombe	–	–	–	–	–
Alok Sharma MP	0-5	0-2.5	22	19	1

Where a minister joined or 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 2020 £000	Real increase in pension and related lump-sum at pension age £000	Cash equivalent transfer value at 31 March 2020 £000	Cash equivalent transfer value at 31 March 2019 £000	Real increase in cash equivalent transfer value £000
Peter Schofield CB	55-60 plus a lump sum of 140-145	0-2.5 plus a lump sum of 0	1,068	1,067	(1)
Debbie Alder CB	30-35	2.5-5	420	360	34
Neil Couling CBE	65-70 plus a lump sum of 180-185	2.5-5 plus a lump sum of 2.5-5	1,439	1,318	56
Simon McKinnon CBE	35-40	2.5-5	648	562	46
Nick Joicey CB	40-45 plus a lump sum of 90-95	5-7.5 plus a lump sum of 5-7.5	826	722	62
Jonathan Mills	40-45 plus a lump sum of 80-85	5-7.5 plus a lump sum of 5-7.5	584	495	57
John-Paul Marks	35-40	5-7.5	450	363	62
Emma Haddad	30-35	7.5-10	450	339	89
Susan Park	75-80 plus a lump sum of 225-230	0-2.5 plus a lump sum of 0-2.5	1,737	1,732	–

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.

For part of the year Peter Schofield had opted into a partnership pension scheme. His employer contributions for the year to that scheme were £25,000 (rounded to the nearest £100). He joined the Civil Service Other Pension Scheme (CSOPS) during 2019-20. The 'cash equivalent transfer value' at 31 March 2019 refers to the value when he joined CSOPS. This value differs to that disclosed last year which related to pension accrued up to the date he left.

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 four sections: three 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 five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 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 three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the civil service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash equivalent transfer value (CETV) – ministers and executive directors

(This 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.

	Permanent staff	Others	Ministers	Special Advisers	2019-20 Number Total	2018-19 Number Total
Number of staff	72,260	3,431	6	2	75,699	78,482
Staff engaged on capital projects	101	–	–	–	101	81
Total	**72,361**	**3,431**	**6**	**2**	**75,800**	**78,563**
Of which:						
Core department	68,119	3,186	6	2	71,313	74,416
Arm's length bodies	4,242	245	–	–	4,487	4,147
Total	**72,361**	**3,431**	**6**	**2**	**75,800**	**78,563**

Senior Civil Servants

Our executive directors are all Senior Civil Servants. In total there were 217 individual Senior Civil Servants, totalling 212.2 whole-time equivalents, as at 31 March 2020. This is the same as last year.

Senior Civil Servant headcount by pay band		March 2015	March 2016	March 2017	March 2018	March 2019	March 2020
Permanent Secretary	£150,000-£200,000	1	1	1	1	1	1
SCS3	£111,500-£208,100	7	8	6	6	5	5
SCS2	£92,000-£162,500	47	49	42	38	43	46
SCS1	£70,000-£117,800	158	163	158	157	168	165
Total		**213**	**221**	**207**	**202**	**217**	**217**

Staff expenditure

(This information is subject to audit)

	Permanently employed staff £000	Others £000	Ministers £000	Special Advisers £000	2019-20 Total £000	2018-19 Total £000
Wages and salaries	2,149,171	134,733	293	104	2,284,301	2,334,707
Employers' National Insurance	206,741	150	31	12	206,934	210,827
Superannuation and pension costs	551,557	–	–	20	551,577	429,869
Total	**2,907,469**	**134,883**	**324**	**136**	**3,042,812**	**2,975,403**
Less recoveries in respect of outward secondments	(1,803)	–	–	–	(1,803)	(1,861)
Total net costs	**2,905,666**	**134,883**	**324**	**136**	**3,041,009**	**2,973,542**

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 the 31 March) and the number of actual people (rather than whole time equivalents).

Ministers' wages and salaries include a severance payment of £16,876 made to the Rt Hon Amber Rudd MP.

Special Adviser wages and salaries include severance payments totalling £29,750. Our Special Advisers transferred to the Cabinet Office during the year. The table only shows the amounts we paid them prior to their transfer.

	Charged to staff budgets £000	Charged to Capital budgets £000	Total £000
Core department	2,751,821	6,041	2,757,862
ALBs	290,991	–	290,991
Total	**3,042,812**	**6,041**	**3,048,853**

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 as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office (www.civilservicepensionscheme.org.uk).

For 2019-20, we paid employer contributions of £546 million to the PCSPS and the CSOPS (2018-19: £425.1 million). These were at one of four rates in the range 26.6% to 30.3% (2018-19: 20.0% to 24.5%) of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions of £54.4 million (2018-19: £45.2 million) were payable to the Civil Superannuation Vote at 31 March 2020 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 £4.8 million (2018-19: £3.7 million) to three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. We also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0.1 million, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump-sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £0.5 million. There were no prepaid contributions at that date.

In 2019-20, 30 people (2018-19: 93 people) retired early on ill-health grounds. The total additional accrued pension liabilities in the year were £40,618 (2018-19: £77,000).

Reporting of civil service and other compensation schemes – exit packages

(This information is subject to audit)

Table 1: 2019-20

	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	75	15	**90**	76	15	**91**
£10,001-£25,000	55	23	**78**	59	31	**90**
£25,001-£50,000	67	39	**106**	69	45	**114**
£50,001-£100,000	23	6	**29**	24	11	**35**
£100,001-£150,000	–	–	**–**	–	1	**1**
£150,001-£200,000	–	–	**–**	–	–	**–**
Total number of exit packages	**220**	**83**	**303**	**228**	**103**	**331**
Total cost £000	**4,909**	**2,214**	**7,123**	**5,114**	**3,046**	**8,160**

Table 2: 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**

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

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 six 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've 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 2019-20.

Off payroll

Table 1: All existing off-payroll engagements, as at 31 March 2020, that were paid more than £245 per day and that lasted longer than six months

	Core department	ALBs	Departmental group
No. of existing engagements as of 31 March 2020	**454**	**98**	**552**
Of which:			
No. that existed < 1 year	163	43	206
No. that have existed for between 1 and 2 years	142	28	170
No. that have existed for between 2 and 3 years	84	10	94
No. that have existed for between 3 and 4 years	36	17	53
No. that have existed for 4 or more years	29	0	29

Table 2: All off-payroll engagements that were new or reached a length of six months between 1 April 2019 and 31 March 2020, 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 2019 and 31 March 2020	**373**	**56**	**429**
Of which:			
No. assessed as caught by IR35 (In scope)	225	45	270
No. assessed as not caught by IR35 (Out of scope)	148	11	159
No. engaged directly (via PSC contracted to Department) and are on departmental payroll	0	0	0
No. of engagements reassessed for consistency/assurance purposes during the year	347	35	382
No. of engagements that saw a change to IR35 status following consistency review	219	1	220

- following a change to the Intermediaries legislation on 6 April 2017, the Department and its ALBs routinely 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 (HMRC) guidance
- during 2019, internal checks and additional HMRC guidance highlighted inaccuracies in the assessment of some contractors' employment status since April 2017. We introduced additional governance and policies to strengthen control and reassessed all existing contractors for consistency and assurance purposes. These reassessments have led to a rise in those caught by IR35 over previously reported figures

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

	Core department	Arm's length bodies	Departmental group
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	–	–	–
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements.	55	21	76

These are our most senior officials who hold the highest levels of delegated financial authority.

Consultancy and temporary staff

We occasionally use professional service providers to help with specialist work – including consultancy and contingent labour where it is necessary and prudent to do so.

Consultancy (£m)	2019-20	2018-19
Core department	19.4	17.0
Arm's length bodies	9.1	11.5
Departmental group	**28.5**	**28.5**

Temporary (off-payroll) staff (£m)	2019-20	2018-19
Core department	100.1	114.1
Arm's length bodies	18.0	14.8
Departmental group	**118.1**	**128.9**

Departmental group whole time equivalent off-payroll staffing as at 31 March	March 2020	March 2019
Core department	479	713
Arm's length bodies	209	72
Departmental group	**688**	**785**

The departmental group whole time equivalent off-payroll staff numbers relate to the position at the end of the year.

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 8.11 as at 31 March 2020.

Mindful that AWDL by itself is not a sufficient indicator of employee health we have continued our focus on wellbeing this year. This is discussed in more detail in the performance report.

Trade union facility time

DWP Facility Time	
Number of trade union representatives	1,211
Number of representatives with trade union facility time (between 1% and 50% of contracted hours)	1,211
Total time spent (hours)	65,999
Cost of facility time	£0.839 million
Total paybill	£2.625 billion
Facility time as a percentage of the Department's annual pay bill	0.03%

The number of trade union representatives (1,211) is the total headcount of accredited representatives in DWP from the PCS, FDA and Prospect trade unions.

It should be noted that some representatives hold multiple roles, so included in the total figure of 1,209 are 388 Health and Safety Representatives and 105 Union Learning Representatives(ULR).

Some facility time hours are spent on unpaid Trade Union Activities (TUA). We are currently 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	70
Number of representatives with trade union facility time (between 1% and 50% of contracted hours)	70
Total time spent (hours)	7,492
Cost of facility time	£0.251 million
Facility time as a percentage of the Department's annual pay bill	0.18%
Time spent on paid trade union activities as a percentage of total paid facility time hours	0%

Staff Loans

Over the period 1 November 2019 to 31 January 2020, we had a total of 91 volunteers loaned out across 10 different government departments. This equated to 5,715 working days with an associated staff cost of £936,535.06

The breakdown of grades for this activity is as shown:

Grade	Number	Total Days
SCS	1	92
G6	3	276
G7	13	1,113
SEO	20	1,270
HEO	31	1,727
EO	23	1,237

In addition to those formally loaned out we made approximately 250 staff available to HM Revenue and Customs from our Stratford benefit centre, to operate a cross-government helpline to advise traders of requirements after leaving the EU. We started moving staff onto helpline work from 9 September 2019. This was reduced to approximately 35 FTE from mid-November. The cost for this was met by HM Revenue and Customs with a full cost recharge in place from mid-September 2019.

Diversity and inclusion (including Public Sector Equality Duty – employees)

We are committed to the shared civil service ambition of creating an inclusive environment where all individuals have a sense of belonging, can be their authentic selves and feel they have a voice. We are dedicated to building a more 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. Our goal is to ensure these commitments are embedded into our daily working practices with all our customers, colleagues and partners. We have developed a DWP Social Mobility Action Plan to support the advancement of the Social Mobility agenda in DWP.

We are committed to increasing the representation of under-represented groups at all levels to reflect the diversity of the citizens we serve, in particular at our most senior grades, setting stretching targets for 2025 for new entrants to the Senior Civil Service for ethnic minorities (13.0%), disabled people (12.0%) and women (50.0%). We are making good progress towards our Senior Civil Servant (SCS) on-flow targets for new entrants to the SCS, reaching 10.8% for disability (June 2019 – latest data) and in 2019 achieved 70% of new entrants into SCS being women.

Our campaign 'I Can Be Me in DWP' is building an inclusive culture throughout the Department. It aims to help teams and managers to do things differently to be more inclusive and encourage the sharing of personal stories about what makes colleagues feel included. We have focused our activity in 2019-20 on helping more colleagues take part in the campaign, with a greater emphasis on team inclusion and the expansion of the 'I Can Be Me' resource centre, which contains numerous exercises and tools to promote inclusion. In the 2019 People Survey 73% of people said they feel comfortable in being themselves in the workplace.

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 2019-20 include:

- fully implementing both the core and enhanced thriving at work standards, becoming a green rated employer in 2019, recognising our support for mental health in the workplace
- developing a network of 1,692 Mental Health First Aiders
- achieving a ranking of 29th on the social mobility index and being awarded leadership of the year winners at the UK Social Mobility Awards
- led and piloted a cross-government Mid-Life MOT to support individuals to take the time to think about their future career paths, learning and financial planning
- achieving the Times Top 50 Employers for Women status
- awarded the Carer Confident benchmark of Level 2 Accomplished by Carers UK

We continue to encourage individuals to voluntarily share their personal diversity information and promote the benefits of gathering this. 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 2017	March 2018	March 2019	March 2020
Workforce	Women %	67.3	67.0	66.8	66.8
Senior Civil Servants	Women %	39.2	40.0	44.4	48.6
Ministers	Women %	33.3	50.0	40.0	50.0
Non-executive members	Women %	25.0	30.0	30.0	25.0
Executive team	Women %	33.3	40.0	33.3	33.3

The proportion of women within the DWP Senior Civil Service is above the Civil Service average for the Senior Civil Service grade (45.2% as of December 2019).

We 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 2017	March 2018	March 2019	March 2020
Workforce	Disabled %	8.7	7.5	11.3	16.2
Senior Civil Servants	Disabled %	6.1	6.0	8.6	9.1

As at 31 March 2020, the proportion of employees who had shared information about their disability was 92.5%.

At the Senior Civil Servant grade we are significantly above the December 2019 civil service average of 5.1%, and above the civil service all grade average of 11.7%. We are 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 2017	March 2018	March 2019	March 2020
Workforce	Ethnic minority %	12.2	12.7	13.2	13.5
Senior Civil Servants	Ethnic minority %	4.9	5.2	4.4	5.0

As at 31 March 2020 the proportion of employees who had shared information about their ethnicity was 85.9%.

The proportion of ethnic minority staff is above the December 2019 civil service average of 12.7%. The numbers fall in grades Higher Executive Officer to Senior Civil Servant grade. At Senior Civil Servant grade, we are lower than the civil service average of 6.3%.

Percentage of DWP workforce by age range	March 2020
16-24	2.2%
25-34	11.4%
35-44	20.1%
45-54	34.1%
55-64	29.6%
65+	2.8%
Total % of headcount	**100.0%**

In the 2019 annual People Survey, 37% of respondents told us they had caring responsibilities, 30% reported they care for children and 13% of respondents told us they are 'sandwich carers' and care for both children and family, friends or neighbours.

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.

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% women and 33% men) at 31 March 2020 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 2019 our mean gender pay gap raised fractionally to 5.3% from 4.9% in 2018 with the median remaining at 0.0%. Our 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 2018-19. So far we have:

- 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
- undertaken targeted work on addressing the gender balance at senior grades, investigating the attraction and recruitment stage to understand where under-represented groups fall out of the process

More detailed information is available in the DWP Gender Pay Gap report 2019 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.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn.

The SoPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following:

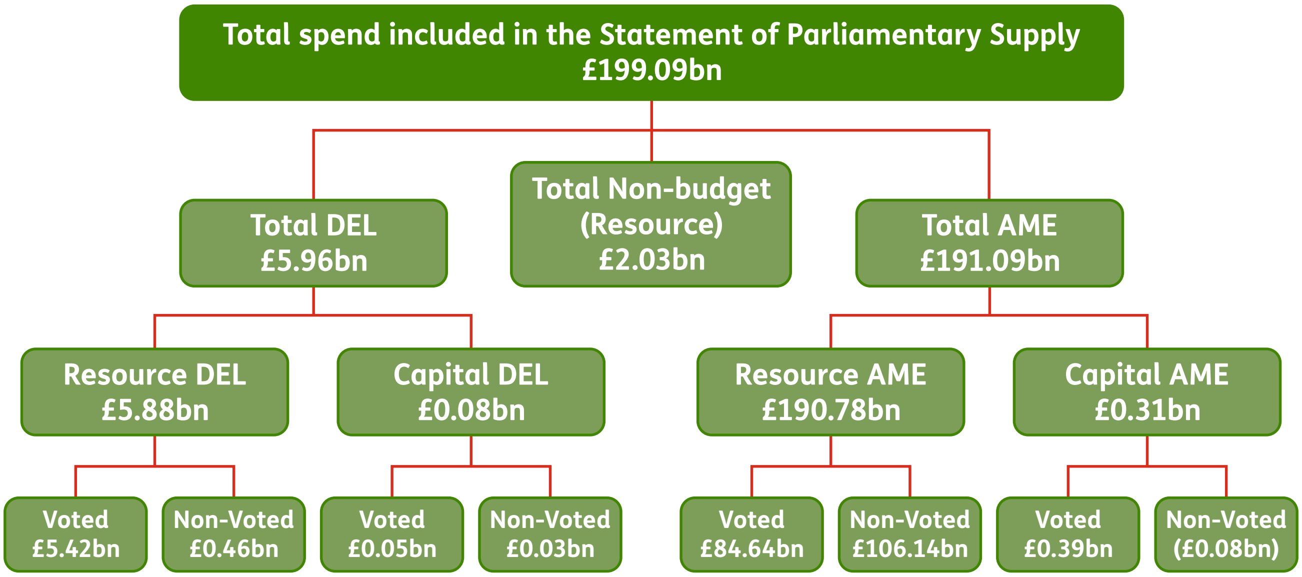
SoPS note 1 – Outturn by Estimate line, providing a more detailed breakdown

SoPS note 2 – a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure (SOCNE) to tie the SoPS to the Financial Statements

SoPS note 3 – a reconciliation of net resource outturn to net cash requirement

SoPS note 4 – an analysis of income payable to the Consolidated Fund

The graphic below shows total spending in the SoPS and breaks it down by funding categories.



Voted expenditure of £92.53 billion is funded by Parliament from the Consolidated Fund.

Voted expenditure funded from the Consolidated Fund includes £2.03 billion cash for the Social Fund administered by DWP which, for budgeting purposes, is classified as non-budget.

Expenditure from the Social Fund is classified as non-voted budget DEL and AME. Therefore, SoPS includes both the cash paid into the Social Fund and the spend incurred by the Social Fund.

Other Non-Voted expenditure of £104.54 billion is funded by the National Insurance Fund.

Values may not sum due to roundings.

Statement of Parliamentary Supply

Summary of resource and capital outturn 2019-20

								2019-20		2018-19
				Outturn			Estimate	Outturn vs Estimate Saving/(excess)		Prior Year Outturn
	Note	Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit										
- Resource	1.1	5,421,634	461,288	5,882,922	5,447,256	458,113	5,905,369	25,622	22,447	5,966,883
- Capital	1.2	47,138	33,980	81,118	165,125	30,126	195,251	117,987	114,133	334,126
Total DEL		**5,468,772**	**495,268**	**5,964,040**	**5,612,381**	**488,239**	**6,100,620**	**143,609**	**136,580**	**6,301,009**
Annually Managed Expenditure										
- Resource	1.1	84,638,161	106,144,109	190,782,270	84,905,541	106,896,487	191,802,028	267,380	1,019,758	180,877,448
- Capital	1.2	390,335	(81,093)	309,242	729,788	(36,597)	693,191	339,453	383,949	134,816
Total AME		**85,028,496**	**106,063,016**	**191,091,512**	**85,635,329**	**106,859,890**	**192,495,219**	**606,833**	**1,403,707**	**181,012,264**
Total budget										
- Resource		90,059,795	106,605,397	196,665,192	90,352,797	107,354,600	197,707,397	293,002	1,042,205	186,844,331
- Capital		437,473	(47,113)	390,360	894,913	(6,471)	888,442	457,440	498,082	468,942
Total Budget Expenditure		**90,497,268**	**106,558,284**	**197,055,552**	**91,247,710**	**107,348,129**	**198,595,839**	**750,442**	**1,540,287**	**187,313,273**
Non-budget										
- Resource	1.1	2,032,321	-	2,032,321	2,161,187	-	2,161,187	128,866	128,866	2,081,317
Total Budget and Non-budget		**92,529,589**	**106,558,284**	**199,087,873**	**93,408,897**	**107,348,129**	**200,757,026**	**879,308**	**1,669,153**	**189,394,590**

Figures in the areas with darker shading cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on GOV.UK, for detail on the control limits voted by Parliament.

Net cash requirement 2019-20

SoPS Note	2019-20 Outturn	2019-20 Estimate	Outturn vs Estimate: saving/ (excess)	2018-19 Outturn
	£000	£000	£000	£000
3	**91,036,237**	**94,483,019**	**3,446,782**	**86,224,015**

Administration Costs 2019-20

SoPS Note	2019-20 Outturn	2019-20 Estimate	Outturn vs Estimate: saving/ (excess)	2018-19 Outturn
	£000	£000	£000	£000
1.1	**796,978**	**912,211**	**115,233**	**779,903**

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of significant variances between Estimate and outturn are given on page 169.

Notes to the Statement of Parliamentary Supply 2019-20

SOPS 1. Outturn detail, by Estimate line

1.1 Analysis of resource outturn by Estimate line

											2019-20	2018-19
							Outturn			Estimate		Outturn
			Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total including virements	Outturn vs Estimate saving/ (excess)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit												
Voted:												
A Operational Delivery	9,715	(4,066)	5,649	2,221,490	(63,367)	2,158,123	2,163,772	2,286,038	(120,400)	2,165,638	1,886	2,074,428
B Health and Safety Executive (Net)	49,894	–	49,894	77,649	–	77,649	127,543	135,515	(3,313)	132,202	4,659	123,972
C European Social Fund	–	–	–	287,766	(279,625)	8,141	8,141	(713)	8,854	8,141	–	164
D Executive Arm's Length Bodies (Net)	15,687	–	15,687	192,215	–	192,215	207,902	226,191	(7,831)	218,360	10,458	190,195
E Employment Programmes	–	–	–	277,042	(30,818)	246,224	246,224	179,541	66,683	246,224	–	284,835
F Support for Local Authorities	–	–	–	216,640	–	216,640	216,640	216,607	33	216,640	–	238,353
G Other Programmes	–	–	–	33,510	(111,085)	(77,575)	(77,575)	(81,746)	4,171	(77,575)	–	(72,003)
H Other Benefits	–	–	–	136,765	–	136,765	136,765	132,217	4,548	136,765	–	147,791
I Departmental Operating Costs	746,792	(21,044)	725,748	1,757,272	(90,798)	1,666,474	2,392,222	2,353,606	47,255	2,400,861	8,639	2,463,801
Total Voted DEL	**822,088**	**(25,110)**	**796,978**	**5,200,349**	**(575,693)**	**4,624,656**	**5,421,634**	**5,447,256**	**–**	**5,447,256**	**25,622**	**5,451,536**
Non-voted:												
J National Insurance Fund	–	–	–	431,817	(48)	431,769	431,769	431,731	–	431,731	(38)	490,525
K Expenditure incurred by the Social Fund	–	–	–	29,519	–	29,519	29,519	26,382	–	26,382	(3,137)	24,822
Total Non-Voted DEL	**–**	**–**	**–**	**461,336**	**(48)**	**461,288**	**461,288**	**458,113**	**–**	**458,113**	**(3,175)**	**515,347**
Total spending in DEL	**822,088**	**(25,110)**	**796,978**	**5,661,685**	**(575,741)**	**5,085,944**	**5,882,922**	**5,905,369**	**–**	**5,905,369**	**22,447**	**5,966,883**
Annually Managed Expenditure												
Voted:												
L Severe Disablement Allowance – Inside Welfare Cap	–	–	–	89,013	–	89,013	89,013	90,531	–	90,531	1,518	97,159
M Industrial Injuries Benefits Scheme – Inside Welfare Cap	–	–	–	830,782	–	830,782	830,782	838,726	–	838,726	7,944	838,000
N Universal Credit – Inside Welfare Cap	–	–	–	15,252,849	–	15,252,849	15,252,849	15,446,576	(193,727)	15,252,849	–	5,935,344
O Employment and Support Allowance – Inside Welfare Cap	–	–	–	9,338,999	–	9,338,999	9,338,999	8,684,603	654,396	9,338,999	–	10,535,057

											2019-20	2018-19
							Outturn			Estimate		Outturn
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total including virements	Outturn vs Estimate saving/ (excess)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
P Income Support – Inside Welfare Cap	–	–	–	1,377,009	(1,439)	1,375,570	1,375,570	1,348,744	26,826	1,375,570	–	1,839,362
Q Pension Credit – Inside Welfare Cap	–	–	–	5,060,886	–	5,060,886	5,060,886	5,120,577	–	5,120,577	59,691	5,139,877
R Financial Assistance Scheme – Inside Welfare Cap	–	–	–	(14,798)	–	(14,798)	(14,798)	211,744	(162,440)	49,304	64,102	(1,636,130)
S Attendance Allowance – Inside Welfare Cap	–	–	–	5,908,483	–	5,908,483	5,908,483	5,932,589	–	5,932,589	24,106	5,675,551
T Personal Independence Payment – Inside Welfare Cap	–	–	–	12,512,870	–	12,512,870	12,512,870	12,396,269	116,601	12,512,870	–	10,634,572
U Disability Living Allowance – Inside Welfare Cap	–	–	–	7,233,141	–	7,233,141	7,233,141	7,612,530	(379,389)	7,233,141	–	8,126,218
V Carer's Allowance – Inside Welfare Cap	–	–	–	2,940,799	–	2,940,799	2,940,799	2,973,944	–	2,973,944	33,145	2,884,042
W Housing Benefit – Inside Welfare Cap	–	–	–	17,242,860	–	17,242,860	17,242,860	17,251,541	–	17,251,541	8,681	19,112,341
X Statutory Maternity Pay – Inside Welfare Cap	–	–	–	2,168,992	–	2,168,992	2,168,992	2,281,000	(112,008)	2,168,992	–	2,587,000
Y Non-contributory Christmas Bonus – Inside Welfare Cap	–	–	–	34,794	–	34,794	34,794	34,234	560	34,794	–	32,414
Z Other Expenditure – Inside Welfare Cap	–	–	–	6,956	(561)	6,395	6,395	434	5,961	6,395	–	6,064
AA Jobseekers Allowance – Outside Welfare Cap	–	–	–	602,999	(18)	602,981	602,981	655,458	–	655,458	52,477	1,145,009
AB Universal Credit – Outside Welfare Cap	–	–	–	3,124,077	–	3,124,077	3,124,077	3,096,279	27,798	3,124,077	–	2,195,264
AC TV Licences for the over 75s – Outside Welfare Cap	–	–	–	253,047	–	253,047	253,047	247,000	6,047	253,047	–	468,438
AD Housing Benefit – Outside Welfare Cap	–	–	–	570,013	–	570,013	570,013	563,232	6,781	570,013	–	1,066,126
AE Other Benefits – Outside Welfare Cap	–	–	–	122,265	–	122,265	122,265	119,767	2,498	122,265	–	116,183
AF Other Expenditure – Outside Welfare Cap	–	–	–	(15,317)	–	(15,317)	(15,317)	399	–	399	15,716	(2,791)
AG Other Expenditure EALBs (Net) – Outside Welfare Cap	–	–	–	(540)	–	(540)	(540)	(636)	96	(540)	–	(210)
Total Voted AME	**–**	**–**	**–**	**84,640,179**	**(2,018)**	**84,638,161**	**84,638,161**	**84,905,541**	**–**	**84,905,541**	**267,380**	**76,794,890**

												2019-20	2018-19
							Outturn			Estimate		Outturn
			Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total including virements	Outturn vs Estimate saving/ (excess)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Non-voted:												
AH Incapacity Benefit – Inside Welfare Cap	–	–	–	4,824	–	4,824	4,824	1,656	–	1,656	(3,168)	(1,286)
AI Employment and Support Allowance – Inside Welfare Cap	–	–	–	4,511,990	–	4,511,990	4,511,990	4,501,294	–	4,501,294	(10,696)	4,562,864
AJ Expenditure incurred by the Social Fund – Inside Welfare Cap	–	–	–	2,032,931	–	2,032,931	2,032,931	2,506,486	–	2,506,486	473,555	2,053,902
AK Maternity Allowance – Inside Welfare Cap	–	–	–	419,325	–	419,325	419,325	422,136	–	422,136	2,811	427,645
AL Bereavement benefits – Inside Welfare Cap	–	–	–	506,284	–	506,284	506,284	440,575	–	440,575	(65,709)	463,260
AM Other Contributory Benefits – Inside Welfare Cap	–	–	–	(130,777)	–	(130,777)	(130,777)	125,965	–	125,965	256,742	(208,943)
AN Jobseekers Allowance – Outside Welfare Cap	–	–	–	110,796	(35)	110,761	110,761	102,036	–	102,036	(8,725)	154,886
AO State Pension – Outside Welfare Cap	–	–	–	98,688,771	–	98,688,771	98,688,771	98,796,339	–	98,796,339	107,568	96,630,230
Total AME Non-voted	**–**	**–**	**–**	**106,144,144**	**(35)**	**106,144,109**	**106,144,109**	**106,896,487**	**–**	**106,896,487**	**752,378**	**104,082,558**
Total AME	**–**	**–**	**–**	**190,784,323**	**(2,053)**	**190,782,270**	**190,782,270**	**191,802,028**	**–**	**191,802,028**	**1,019,758**	**180,877,448**
Non-budget resource:												
Voted:												
AP Cash paid in to the Social Fund	–	–	–	2,032,321	–	2,032,321	2,032,321	2,161,187	–	2,161,187	128,866	2,081,317
Total Non budget	**–**	**–**	**–**	**2,032,321**	**–**	**2,032,321**	**2,032,321**	**2,161,187**	**–**	**2,161,187**	**128,866**	**2,081,317**
Total Resource	**822,088**	**(25,110)**	**796,978**	**198,478,329**	**(577,794)**	**197,900,535**	**198,697,513**	**199,868,584**	**–**	**199,868,584**	**1,171,071**	**188,925,648**

SOPS 1.2 Analysis of capital outturn by Estimate line

							2019-20	2018-19
			Outturn			Estimate		
	Gross	Income	Net	Total	Virements	Total including virements	Outturn vs Estimate saving/ (excess)	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit								
Voted:								
A Operational Delivery	3,153	(2)	3,151	3,703	–	3,703	552	877
B Health and Safety Executive (Net)	7,653	–	7,653	6,701	952	7,653	-	6,588
D Executive Arm's Length Bodies (Net)	2,537	–	2,537	1,848	689	2,537	-	974
G Other Programmes	71,900	–	71,900	131,831	(1,641)	130,190	58,290	93,000
I Departmental Operating Costs	98,513	(136,616)	(38,103)	21,042	–	21,042	59,145	188,379
Total Voted DEL	**183,756**	**(136,618)**	**47,138**	**165,125**	–	**165,125**	**117,987**	**289,818**
Non-voted:								
K Expenditure incurred by the Social Fund	34,217	(237)	33,980	30,126	–	30,126	(3,854)	44,308
Total Non-Voted DEL	**34,217**	**(237)**	**33,980**	**30,126**	–	**30,126**	**(3,854)**	**44,308**
Total spending in DEL	**217,973**	**(136,855)**	**81,118**	**195,251**	–	**195,251**	**114,133**	**334,126**
Spending in Annually Managed Expenditure								
Voted:								
N Universal Credit – Inside Welfare Cap	295,205	–	295,205	548,194	–	548,194	252,989	135,931
AB Universal Credit – Outside Welfare Cap	60,464	–	60,464	105,422	–	105,422	44,958	50,276
AF Other Expenditure – Outside Welfare Cap	36,367	(1,701)	34,666	76,172	–	76,172	41,506	29,373
Total Voted AME	**392,036**	**(1,701)**	**390,335**	**729,788**	–	**729,788**	**339,453**	**215,580**
Non-voted:								
AJ Expenditure incurred by the Social Fund – Inside Welfare Cap	–	(81,093)	(81,093)	(36,597)	–	(36,597)	44,496	(80,764)
AM Other Contributory Benefits	521,568	(521,568)	–	–	–	–	–	–
Total Non-Voted AME	**521,568**	**(602,661)**	**(81,093)**	**(36,597)**	**–**	**(36,597)**	**44,496**	**(80,764)**
Total spending in AME	**913,604**	**(604,362)**	**309,242**	**693,191**	–	**693,191**	**383,949**	**134,816**
Total Capital	**1,131,577**	**(741,217)**	**390,360**	**888,442**	–	**888,442**	**498,082**	**468,942**

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements is provided in the Supply Estimates Manual, available on GOV.UK.

The Outturn vs Estimate column is based on the total including virements. The Estimate total before virements have been made is included so that users can tie the Estimate back to the Estimates laid before Parliament, available on GOV.UK.

SOPS 2. Reconciliation of outturn to net operating expenditure

Total resource outturn in Statement of Parliamentary Supply		SoPS Note	2019-20 Outturn £000	2018-19 Outturn £000
	Budget	1.1	196,665,192	186,844,331
	Non-budget	1.1	2,032,321	2,081,317
	Total resource outturn		**198,697,513**	**188,925,648**
Add:	Capital Grants		(522,242)	(150,207)
	Capital Research & Development		1,642	2,775
	Service Concession Adjustments		(579)	(2,642)
			198,176,334	**188,775,574**
Less:	Income payable to the Consolidated Fund	4	(18,441)	(99,373)
	Cash paid to the Social Fund – Voted Non-budget		(2,032,321)	(2,081,317)
Net operating costs in Consolidated Statement of Comprehensive Net Expenditure			**196,125,572**	**186,594,884**

As noted in the introduction to the SoPS, the outturn and the Estimate are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SoPS to the financial statements.

Reconciling items

Provided below is an explanation of the reconciling items between resource outturn and net operating costs.

Capital grants and capital research and development are budgeted for as capital, but accounted for as resource spend in the SOCNE.

Service concession contracts are accounted for as operating leases in SoPS (in line with National Accounts) and as finance leases in the SOCNE (in line with IFRS). The different treatment can lead to time and value differences in the recognition of spend that require a reconciling adjustment.

Income payable to the Consolidated Fund is excluded from the SoPS because Parliament did not authorise the department to retain the income and the income will be returned to the Consolidated Fund. However, in line with IFRS, income earned by the Department is recognised in the SOCNE.

Cash paid to the Social Fund from the Consolidated Fund is included in SoPS as non-budget but is excluded from the SOCNE. The SOCNE only includes the expenditure incurred by the Social Fund (also included in SoPS as spend within Budget).

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

	SoPS Note	Outturn £000	Estimate £000	Outturn v Estimate: saving/(excess) £000
Total Resource outturn	1.1	**198,697,513**	**199,868,584**	**1,171,071**
Total Capital outturn	1.2	**390,360**	**888,442**	**498,082**
Adjustments for ALBs:				
Remove voted resource and capital		(345,095)	(369,619)	(24,524)
Add cash grant-in-aid		333,863	372,143	38,280
Adjustments to remove non-cash items		(578,726)	(1,168,518)	(589,792)
Adjustments to reflect movements in working balances:				
Changes in working capital other than cash		(1,502,203)	1,000,000	2,502,203
Utilisation of provisions		598,809	1,240,116	641,307
Removal of non-voted budget		(106,558,284)	(107,348,129)	(789,845)
Net cash requirement of core department		**91,036,237**	**94,483,019**	**3,446,782**

As noted in the introduction to the SoPS, outturn and the Estimate are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

SOPS 4. Income and excess funds payable to the Consolidated Fund

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

	Outturn 2019-20		Outturn 2018-19	
	Income	*Receipts*	Income	*Receipts*
	£000	*£000*	£000	*£000*
Income outside the ambit of the Estimate	18,441	*19,222*	99,373	*98,511*
Total amount payable to the Consolidated Fund	**18,441**	***19,222***	**99,373**	***98,511***

Income payable to the Consolidated Fund is excluded from our Estimate because parliament did not authorise the Department to retain the income, it will be returned to the Consolidated Fund. However, in line with IFRS, income earned by the Department is recognised in the SOCNE.

Details of income collected as agent of the Consolidated Fund were, in previous years, disclosed in a Financial Assistance Scheme (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.

However, FAS does 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 2020, FAS collected income totalling £11.5 million, consisting of annuity and other income of £10.2 million and further scheme transfer income of £1.3 million. (2018-19: £42.8 million, consisting of annuity and other income of £10.8 million and scheme transfer income of £32 million.) No cash was paid over to the Consolidated Fund during the year (2018-19: £66.8 million). As at 31 March 2020, FAS illiquid assets were valued at £150.5 million (2018-19: £161.7 million) and FAS held cash awaiting transfer to the Consolidated Fund of £14.9 million (2018-19: £1.7 million).

Variances

Voted Expenditure – DEL

E Employment Programmes – Resource
Outturn was £66.7 million higher than Estimate. This variance is due to the forecast for this category being split at Supplementary Estimate between Employment Programmes and Operational Delivery whereas outturn has largely all been spent against Employment Programmes.

G Other programmes – Capital
Outturn was £59.9 million less than Estimate. The Estimate included amounts for loans to National Employment and Savings Trust that were not required.

I Departmental Operating Costs – Capital
The Outturn was £59.1 million less than Estimate. The Estimate included estate costs that were anticipated to be Capital but were actually Resource.

Voted Expenditure – AME

R Financial Assistance Scheme – Resource
Outturn was £226.5 million less than Estimate. This relates to the FAS provision (see note 16a). Provisions are, by their nature, uncertain and therefore a margin is included in the Estimate. The FAS provision is long term and therefore more sensitive to changes in economic and other conditions than most and therefore the margin is greater than for other provisions.

N and AB Universal Credit inside and Outside the Welfare Cap – Capital
Outturn was £298 million less than Estimate.
Spend in both of these categories relates to the capital element of Universal Credit Advances. Forecasting for this is complex and difficult to predict and has resulted in a lower than anticipated outturn.

AF Other Expenditure outside the Welfare Cap – Resource
Outturn was £15.7 million less than Estimate. This category includes provision movements which, by their nature, are uncertain.

AF Other Expenditure outside the Welfare Cap – Capital
Outturn was £41.5 million less than Estimate. Support for Mortgage Interest changed from a benefit to a loan from 1 April 2018. The difference between the outturn and Estimate is due to the take up of loans being less than anticipated.

Non-Voted Expenditure – AME

AJ Expenditure Incurred by the Social Fund – Resource
Outturn was £473.5 million less than Estimate. The main reason is due to Cold Weather Payments being lower than Estimate. The weather is inherently difficult to predict and therefore Estimate always includes a margin.

AJ Expenditure Incurred by the Social Fund – Capital
Outturn was £44.5 million higher than Estimate. Recoveries of Social Fund loans were higher than anticipated at Supplementary Estimate.

AM Other Contributory Benefits – Resource
Outturn was £256.7 million less than Estimate. The variance represents an adjustment to the impairment for Tax Credits transferred from HM Revenue and Customs in 2019-20. Receivables were transferred at a higher rate of impairment than that calculated by the Department, which is representative of our rates of recovery. This adjustment was not agreed at the time of our Supplementary Estimate.

AL Bereavement Benefits Inside the Welfare Cap – Resource
Outturn was £65.7 million more than Estimate. Bereavement benefits are driven by entitlement and therefore can fluctuate from the expected provision.

Core Tables

(This information is not subject to audit)

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

	2015-16 Outturn £million	2016-17 Outturn £million	2017-18 Outturn £million	2018-19 Outturn £million	2019-20 Outturn £million	2020-21 Plans £million
Resource DEL[2]						
Section A: Operational Delivery	1,814	1,862	1,969	2,074	2,163	2,430
Section B: Health and Safety Executive (Net)	135	133	124	124	128	130
Section C: European Social Fund	18	(2)	6	–	8	–
Section D: Executive Arms Length Bodies (Net)	231	179	190	190	208	242
Section E: Employment Programmes	760	572	384	285	246	107
Section F: Support for Local Authorities	329	290	261	238	217	132
Section G: Other Programmes	(20)	(36)	(66)	(72)	(78)	(69)
Section H: Other Benefits	157	163	171	148	137	220
Section I: Departmental operating costs	2,571	2,606	2,665	2,464	2,392	2,549
Section J: National Insurance Fund	526	443	458	491	432	432
Section K: Expenditure incurred by the Social Fund	30	28	26	25	30	26
Total Resource DEL	**6,551**	**6,237**	**6,187**	**5,967**	**5,883**	**6,199**
Of which:						
Staff costs	2,722	2,800	2,843	2,976	3,044	3,030
Purchase of goods and services	2,329	2,111	1,906	2,092	1,952	1,845
Income from sales of goods and services	(194)	(206)	(190)	(245)	(274)	(114)
Current grants to local government (net)	485	457	474	508	431	370
Current grants to persons and non-profit bodies (net)	343	267	277	874	575	360
Current grants abroad (net)	(348)	4	(19)	(602)	(280)	–
Subsidies to public corporations	42	46	42	47	49	37
Rentals	668	640	677	170	169	497
Depreciation[3]	183	156	187	206	188	194
Take up of provisions	–	–	–	–	3	–
Change in pension scheme liabilities	–	9	80	23	32	2
Other resource	322	(47)	(89)	(82)	(5)	(22)
Resource AME[4]						
Section L: Severe Disablement Allowance – Inside Welfare Cap	470	234	120	97	89	79
Section M: Industrial Injuries Benefits Scheme – Inside Welfare Cap	892	861	840	838	831	753
Section N: Universal Credit – Inside Welfare Cap	34	634	1,930	5,935	15,253	32,914
Section O: Employment and Support Allowance – Inside Welfare Cap	9,815	10,143	10,642	10,535	9,339	9,412
Section P: Income Support – Inside Welfare Cap	2,539	2,232	2,139	1,839	1,376	1,063
Section Q: Pension Credit – Inside Welfare Cap	6,079	5,666	5,368	5,140	5,061	5,393
Section R: Financial Assistance Scheme – Inside Welfare Cap	2,675	261	495	(1,636)	(15)	112
Section S: Attendance Allowance – Inside Welfare Cap	5,490	5,483	5,529	5,676	5,908	5,616
Section T: Personal Independence Payment – Inside Welfare Cap	3,012	5,168	8,646	10,635	12,513	12,830
Section U: Disability Living Allowance – Inside Welfare Cap	13,233	11,514	9,380	8,126	7,233	5,662

	2015-16 Outturn £million	2016-17 Outturn £million	2017-18 Outturn £million	2018-19 Outturn £million	2019-20 Outturn £million	2020-21 Plans £million
Section V: Carer's Allowance – Inside Welfare Cap	2,545	2,667	2,830	2,884	2,941	3,060
Section W: Housing Benefit – Inside Welfare Cap	21,793	21,308	20,249	19,112	17,243	16,928
Section X: Statutory Maternity Pay – Inside Welfare Cap	2,532	2,152	2,421	2,587	2,169	3,551
Section Y: Non-contributory Christmas Bonus – Inside Welfare Cap	36	33	33	32	35	34
Section Z: Other Expenditure – Inside Welfare Cap	–	–	–	6	6	1
Section AA: Jobseekers Allowance – Outside Welfare Cap	2,004	1,611	1,443	1,145	603	969
Section AB: Universal Credit – Outside Welfare Cap	457	951	1,392	2,195	3,124	4,970
Section AC: TV Licences for the over 75s – Outside Welfare Cap	622	628	655	468	253	–
Section AD: Housing Benefit – Outside Welfare Cap	1,808	1,571	1,439	1,066	570	393
Section AE: Other Benefits – Outside Welfare Cap	98	103	108	116	122	123
Section AF: Other Expenditure – Outside Welfare Cap	28	40	(84)	(3)	(15)	–
Section AG: Other Expenditure EALBs (Net) – Outside Welfare Cap	(4)	5	6	–	(1)	–
Section AH: Incapacity Benefit – Inside Welfare Cap	62	15	9	(1)	5	–
Section AI: Employment and Support Allowance – Inside Welfare Cap	4,457	4,687	4,711	4,563	4,512	4,731
Section AJ: Expenditure incurred by the Social Fund – Inside Welfare Cap	2,004	2,087	2,157	2,054	2,033	2,123
Section AK: Maternity Allowance – Inside Welfare Cap	441	436	427	428	419	434
Section AL: Bereavement benefits – Inside Welfare Cap	569	557	503	463	506	398
Section AM: Other Contributory Benefits – Inside Welfare Cap	128	126	(54)	(209)	(131)	125
Section AN: Jobseekers Allowance – Outside Welfare Cap	310	264	224	155	111	180
Section AO: State Pension – Outside Welfare Cap	89,275	91,481	93,696	96,630	98,689	101,628
Total Resource AME	**173,400**	**172,921**	**177,252**	**180,877**	**190,782**	**213,482**
Of which:						
Purchase of goods and services	–	13	16	6	1	–
Current grants to local government (Net)	23,600	22,880	21,687	20,178	17,813	17,321
Current grants to persons and non-profit bodies (net)	146,422	148,917	153,525	161,590	173,021	196,228
Depreciation [3]	(123)	(15)	(200)	(118)	(24)	–
Take up of provisions	2,631	287	1,512	(923)	48	112
Release of provision	(301)	(203)	(229)	(703)	(610)	(221)
Change in pension scheme liabilities	7	7	(78)	(16)	(31)	–
Other resource	1,164	1,036	1,021	862	565	42
Total Resource Budget	**179,952**	**179,158**	**183,440**	**186,844**	**196,665**	**219,681**
Of which:						
Depreciation [3]	60	141	(14)	88	164	194
Capital DEL[5]						
Section A: Operational Delivery	4	1	–	1	3	–

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Outturn £million	Outturn £million	Outturn £million	Outturn £million	Outturn £million	Plans £million
Section B: Health and Safety Executive (Net)	9	11	9	7	8	11
Section D: Executive Arms Length Bodies (Net)	2	5	1	1	2	–
Section E: Employment Programmes	(3)	(1)	–	–	–	–
Section G: Other Programmes	67	80	84	93	72	115
Section I: Departmental operating costs	75	158	302	188	(38)	57
Section K: Expenditure incurred by the Social Fund	40	38	37	44	34	42
Consolidated Fund Extra Receipts	(4)	–	–	–	–	–
Total Capital DEL	**188**	**292**	**433**	**334**	**81**	**225**
Of which:						
Staff costs	2	2	2	2	1	2
Purchase of goods and services	1	–	–	1	–	2
Capital grants to private sector companies (Net)	–	–	–	1	(1)	–
Capital support for public corporations	67	80	84	93	72	115
Purchase of assets	98	179	339	197	111	65
Income from sales of assets	(19)	(6)	(30)	(4)	(137)	–
Net lending to the private sector and abroad	37	36	37	44	34	42
Other capital	1	2	1	–	–	–
Capital AME						
Section N: Universal Credit – Inside Welfare Cap	–	–	40	136	295	1,303
Section AB: Universal Credit – Outside Welfare Cap	–	–	25	50	60	197
Section AF: Other Expenditure – Outside Welfare Cap	–	–	–	29	35	137
Section AJ: Expenditure incurred by the Social Fund – Inside Welfare Cap	(148)	(87)	(102)	(81)	(81)	–
Total Capital AME	**(148)**	**(87)**	**(37)**	**135**	**309**	**1,637**
Of which:						
Net lending to the private sector and abroad	(148)	(48)	8	299	831	1,637
Other capital	–	(39)	(44)	(164)	(522)	–
Total Capital Budget	**40**	**205**	**396**	**469**	**390**	**1,862**
Total departmental spending	**179,932**	**179,221**	**183,850**	**187,226**	**197,055**	**221,543**
Of which:						
Total DEL	6,556	6,372	6,433	6,094	5,964	6,424
Total AME	173,375	172,849	177,416	181,131	191,091	215,119

1. These tables are not reported on the same basis as the financial statements disclosures, with differing categories and headings.
2. DEL resource and capital is 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. 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 2020, OSCAR reflects the position agreed at Spring Statement 2020. 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

	2015-16 Outturn £million	2016-17 Outturn £million	2017-18 Outturn £million	2018-19 Outturn £million	2019-20 Outturn £million	2020-21 Plans £million
Resource DEL						
Operational Delivery	41	21	6	7	6	6
Health and Safety Executive (Net)	82	83	77	53	50	52
Executive Arms Length Bodies (Net)	28	10	9	14	15	17
Departmental operating costs	684	766	706	705	726	717
Total administration budget	**835**	**880**	**799**	**780**	**797**	**792**
Of which:						
Staff costs	384	441	414	422	460	288
Purchase of goods and services	390	379	351	367	360	169
Income from sales of goods and services	(47)	(59)	(75)	(90)	(112)	–
Current grants to local government (Net)	–	–	–	1	–	–
Rentals	86	83	67	46	48	206
Depreciation	29	19	32	28	30	40
Other resource	(8)	15	10	5	11	89

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 2020, OSCAR reflects the position agreed at Spring Statement 2020. 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 three lines of defence model, which is included in our risk management framework. We have provided details of this in our governance statement on page 122.

9 Available at www.gov.uk

In 2019-20, we did not breach any of our control totals, details are provided in the Statement of Parliamentary Supply on page 161.

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 139.

Parliamentary accountability disclosures

Losses and Special Payments[10]

(This information is subject to audit)

	2019-20				2018-19			
	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	354,374	355,692	870,439	871,323	430,502	431,697	1,038,184	1,038,930
Special Payments	66,217	66,261	8,356	8,358	4,458	4,517	26,369	26,405

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

	2019-20 £000
Non-recoverable Benefit Overpayments	**289,717**
During the year we write off non-recoverable overpayments of benefit. These are where we don't have the legal right to pursue them and where we can't enforce repayment.	
Direct Payments After Death	**3,763**
During the year a one off exercise was undertaken to write off a backlog of Direct Payments After Death (DPAG). The bulk write-off exercise was to clear a historical backlog of DPAG payments which were not recovered.	
Customer Fraud	**6,708**
We write off overpayments resulting from customer fraud once we've exhausted our debt recovery processes.	
Social Fund	**33,389**
We make low-cost funeral expense payments to people who receive (or whose partners receive) a qualifying benefit or tax credits. These are recoverable from the estate of the deceased, but we write them off when there are not enough assets in the estate. This year we wrote off 19,302 of these payments, with a total value of £30.410 million. Budgeting and crisis loans, which can't be recovered, are written off subject to strict criteria. This year we wrote off 16,130 of these loans, with a total value of £1.779 million. We also wrote off 7,983 irrecoverable overpayments amounting to £1.200 million.	

(ii) Cash Losses

	2019-20 £000
Flexible Support Fund Losses	**1,219**
Under the Flexible Support Fund, we give funds to some claimants to buy items to help them to start work. If, after a number of reminders, claimants don't provide receipts, or give us incomplete or incorrect receipts, we treat the funding as a loss.	

10 Categories of Losses and Special Payments are explained in HM Treasury's Managing Public Money annexes 4.10 and 4.13 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/212123/Managing_Public_Money_AA_v2_-_chapters_annex_web.pdf

(iii) Realised Exchange Rate Fluctuation

	2019-20 £000
European Social Fund (ESF) Exchange Rate Loss	**8,796**
We carry an exchange rate risk on ESF transactions due to timing differences between paying out claims in Sterling and reclaiming funding from the EC in Euros. During the year there were realised exchange rate losses of £36.632 million offset by gains of £27.836 million. The exchange rate fluctuations relate to Annual advances, EC payment applications and a one off loss due to the ongoing closure of the 2007-13 ESF scheme.	

(iv) Special Payments

	2019-20 £000
Settlement of Tribunal Cases:	**373**
Special Payments includes £0.373 million relating to out of court settlement of Employment Tribunal claims.	
Estates	**63,000**
In March 2018, the Department's extended prime contract with Telereal Trillium (TT) for estates management expired. Ownership of certain assets and other end of contract matters remained under discussion when we prepared the 2018-19 accounts and we included a contingent liability. To conclude the contract, we agreed to a final payment of £63 million that secured office equipment, an indemnity guarantee (to protect the Department from future liability) and a short lease extension on the offices at Five Ways House in Birmingham.	
Staff/Contractor Payments	**1,207**
These are payments made to provide redress for personal injuries (except for payments under the Civil Service Injury Benefits Scheme), traffic accidents, damage to property etc, suffered by Civil Servants or others.	
Consolatory Payments	**360**
These are ex gratia consolatory payments to claimants in receipt of non-contributory benefits that are not funded by the National Insurance Fund in order to restore confidence and relieve anxiety as a result of Departmental failure or delay.	
Loss of Statutory Entitlement	**335**
These are special payments for financial redress to cover loss of statutory entitlement (LOSE). They are paid if maladministration has caused a claimant to lose entitlement to statutory benefit payments.	
Legal Settlements	**377**
These are payments for ex gratia out of court legal settlements which total £0.377 million.	

(v) Fruitless Payments

	2019-20 £000
Employment Tribunal	**416**
Employment Tribunal awards include payment to a former member of staff of £0.416 million as compensation for harassment and racial abuse.	
Digital/IT Licence	**2,800**
The Department purchased Microsoft Defender Advanced Threat Protection (MS Defender) – a software product designed to protect IT networks against computer viruses and malware. Over time it emerged that MS Defender was not compatible with key aspects of the Department's IT environment. When it became evident that MS Defender could not be utilised by the Department the expenditure was recorded as a loss.	

(vi) Constructive Losses

	2019-20 £000
Health Transformation Programme	**4,300**
In May 2018 the Health Transformation Programme (HTP) took the decision to pursue a contingency IT solution to support Personal Independence Payment assessments in the event that the integrated digital platform being built by the programme was not available in time for contract transition. Following a review, the HTP Programme Board agreed to cease work on the contingency IT solution as confidence was gained that the new integrated digital platform would be ready for transition from March 2020; and to record expenditure relating to the contingency IT solution as a loss.	

	2019-20 £000
IT costs – Secure Access	**3,100**
The Department signed a deal with Computacentre for the purchase of 'Remote Secure Access and Secure Web Gateway' – a cloud based software service provided by Palo Alto Technologies. However, it became clear to us that the Secure Web Gateway element of the service could not support the number of users the Department required of it and the solution was in effect non-performant and 'not as sold'.	

(vii) Claims waived or abandoned

	2019-20 £000
Health and Safety Executive	**1,318**
These losses represent receivables written off where companies have gone into liquidation or administration.	

(viii) Other Accountability Issues

	2019-20 £000
1 April 2019 to 31 March 2020	
Investigations into suspected fraud or abuse by our employees are conducted by the Counter Fraud and Investigation team, a dedicated national resource within the Government Internal Audit Agency. Recovery action is taken at a local level and recoveries are not recorded separately for disclosure. Internal Fraud: Salary, expenses and other non-benefit losses: • 27 investigations were completed, resulting in proven losses of £0.165 million Non-contributory and contributory benefit losses: • 19 investigations were completed, resulting in proven losses of £0.410 million Contractor Fraud: • 2 investigations were completed resulting in a proven loss of £0.302 million	

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 our control. They are incorporated in accordance with HM Treasury's guidance in relation to contingent liabilities and in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

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, administered by the Pensions Regulator 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 as a Master Trust, existing schemes, of which NEST is one, and any new schemes entering the market are required to meet five authorisation criteria prescribed in the 2017 Act.

One of the criteria required for the authorisation process and needs to be demonstrated for the purposes of meeting the supervisory regime is that the scheme must be financially sustainable. This means 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. At the time NEST was authorised and due to the nature of its financial arrangements with government, it was (and continues to be) 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 was the amount estimated by NEST in 2019 and accepted by The Pension Regulator during a pre-authorisation readiness review. The Department 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 comply with the Master Trust supervisory regime which is expected to come into effect in October 2020.

State Pension Age Changes

Women born after 5 April 1950 are affected by changes in State Pension age introduced by the Pensions Act 1995. Some of those women are also affected by further changes made in subsequent Acts.

The changes in the Pensions Act 1995 provided for the State Pension age for women to increase from 60 to 65 over the period April 2010 to 2020. The changes in the subsequent Acts brought forward that increase to 65 and also increased State Pension age beyond 65. These changes have given rise to litigation with some women born in the 1950s arguing they have been discriminated against and that they received a lack of appropriate notification.

On 3 October 2019, the High Court gave judgement on a claim for judicial review based on discrimination on grounds of age and/or sex as well as appropriate notification. The court dismissed the claim on all grounds and granted leave to appeal in January 2020. The Court of Appeal is to hear the appeal against this judgement on 21 July 2020.

We published estimates of the costs of unwinding State Pension age increases in June 2019, but these are not necessarily a quantification of this remote contingent liability as this is dependent on the court ruling in this case.

The Parliamentary and Health Service Ombudsman is also investigating six sample complaints around maladministration in the Department's communication of changes to women's State Pension age.

Other parliamentary disclosures

COVID-19

In November 2019 a novel strain of coronavirus was detected and spread rapidly, leading the World Health Organisation to declare a pandemic on 11 March 2020. The pandemic caused significant economic disruption just before the financial year end.

The ongoing disruption caused by the pandemic has created significant economic uncertainty, and this uncertainty is expected to continue throughout 2020. The Department has considered this against accounting standards and financial implications and determined that for the 2019-20 reporting period the impacts upon the Department are not considered to be material in value. See also events after the reporting period on page 243.

EU Exit

On 29 March 2017, the UK government submitted its notification to leave the EU in accordance with Article 50. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the EU and the UK will be determined by negotiations taking place during a transition period ending 31 December 2020.

Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. The Department has not identified any areas where a contingent liability or provision is required in these statements.

Peter Schofield CB
Permanent Secretary

24 June 2020

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 2020 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 2020 and of the Department's net operating costs and Departmental Group's net operating costs for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Qualified opinion on regularity

In my opinion, except for the effects of the matters described in the basis for qualified opinion on regularity paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2020 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 qualified opinion on regularity

The Statement of Comprehensive Net Expenditure records benefit expenditure of £191.8 billion in 2019-20.

Within note 18 to the accounts the Department estimates:

- overpayments excluding State Pension of £4.5 billion (4.8% of related expenditure); and
- underpayments excluding State Pension of £1.9 billion (2.0% 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 £0.1 billion (0.1% of related expenditure); and
- underpayments of £0.2 billion (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 to the relevant authorities.

My report, which follows on pages 184 to 195, 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Department for Work and Pensions' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Department for Work and Pensions' has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Department for Work and Pensions' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.
- conclude on the appropriateness of the Department for Work and Pensions' 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 Department for Work and Pensions', or where relevant, the group's, ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the Department for Work and Pensions, or where relevant, the group, to cease to continue as a going concern.

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

26 June 2020

Report by the Comptroller and Auditor General

Fraud and error in benefit expenditure

Introduction

1 The Department for Work & Pensions (the Department) is responsible for developing and delivering the UK's welfare system, paying benefits to claimants on time, and in full, in accordance with legislation and the related regulations.

2 In 2019-20 the Department spent £191.8 billion on benefit payments to claimants. Of this £173.5 billion was for benefits paid directly by the Department and £18.2 billion was for Housing Benefit paid on its behalf by Local Authorities.[11] Benefit expenditure represents 97% of the Department's total operating expenditure of £197.5 billion. The remaining expenditure relates to the Department's running costs including staff remuneration and contracted-out programmes.

3 This report sets out:

- the reasons and context for my qualified audit opinion in relation to fraud and error in benefit expenditure, including an overview of the Department's estimates;
- how the Department measures fraud and error;
- the causes of fraud and error; and
- future challenges, including the impact of COVID-19

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 (£0.3 billion of estimated State Pension expenditure of £98.6 billion) (paragraphs 17 to 21, figure 1).

5 **Benefit overpayments, excluding State Pension, continue to increase and are at their highest estimated rate.** The estimated overpayment rate, excluding State Pension, now stands at 4.8% of benefit expenditure of £93.1 billion for 2019-20 (paragraph 20, figure 2).

6 **Universal Credit has 9.4% overpayments, the highest estimated rate of any measured benefit.** While the Department expected that the introduction of Universal Credit would increase measured fraud and error, this is the highest recorded overpayment rate for any benefit other than Tax Credits (administered by HMRC), which peaked at 9.7% in 2003-04. Incorrectly reported capital levels have contributed most to this increase, rising from £140 million to £520 million (paragraphs 25, 26 and 33, figure 3).

7 **The most common cause of fraud and error is incorrectly reported income, although causes of fraud and error vary by benefit.** Incorrectly reported income led to £1.8 billion of gross fraud and error (£1.4 billion overpayments and £350 million underpayments) in 2019-20.

11 Audited total expenditure on benefits in 2019-20 was £191.8 billion, as reflected in the Statement of Comprehensive Expenditure for the Departmental Group. Note 18 to the Department's accounts sets out estimated total expenditure on benefits of £191.7 billion, which represents the latest available forecast for 2019-20 at the time the Department produced the fraud and error estimates.

Incorrectly reported capital levels are now the second most common cause of fraud and error at a gross value of £910 million, including £880 million of overpayments. The most common cause of fraud and error for Personal Independence Payments is where the assessment of the claimant's needs is incorrect (£390 million underpayments and £170 million overpayments) (paragraphs 32 to 34).

8 **The Department responded quickly to the large increase in new claims during the COVID-19 pandemic but reports that there is likely to be a resultant increase in fraud and error in 2020-21.** It has temporarily redeployed staff and introduced several easements to controls to allow it to focus on ensuring that claimants get the money they are entitled to. The Department recognises that these actions are likely to increase fraud and error in 2020-21, the size of the increase will depend on the longevity of easements and its choice of retrospective actions where fraud and error are suspected (paragraphs 38 to 43, figure 4).

9 **Due to COVID-19, the Department anticipates that it will not be able to review cases to produce an estimate of fraud and error in 2020-21 in the usual way.** Visits to support reviews cannot take place and staff have been temporarily reallocated to higher priority work. The Department will need to identify how it can assess the prevalence of fraud and error to inform its fraud and error activities and to support Parliamentary accountability (paragraph 44).

10 **The Department needs to do more to measure the impact of controls to address fraud and error and to ensure the control environment is cost effective.** Our work in 2019-20 on the Department's strategy to tackle fraud and error arising from misstated income, earnings and deemed income from capital, showed it could do more to understand the effectiveness of individual controls and to both risk assess changes to its administrative processes and inform Parliament of those risks. Lessons from the easements to controls will help the Department to evaluate the effectiveness of controls as it understands the impact of removing or reducing, then reintroducing controls (paragraphs 35, 45).

Recommendations

11 As the Department takes on a set of unprecedented challenges arising from COVID-19 it is more important than ever that my qualification is not seen as business as usual and the Department responds in a cost-effective way to minimise risks of fraud and error. As a priority, the Department should:

- set out its expectations for unwinding the changes made to the administration of benefits, introduced as part of the response to COVID-19, and its assessment of their impact on the overall level of fraud and error; and
- clarify how it will measure fraud and error for 2020-21 and in the longer term, to both inform its fraud and error activities and support accountability to Parliament.

12 As the immediate response to the pandemic passes, it should:

- iteratively improve and measure the effectiveness of its controls so that it can reduce fraud and error and demonstrate that its controls are cost-effective;
- establish a better mechanism for informing Parliament of the potential impact on fraud and error of future changes made to benefit policy and operations; and
- set annual targets for the gross level of fraud and error by benefit so that it can show the progress of its initiatives to reduce fraud and error.

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

13 I have qualified my opinion on the regularity of the Department's 2019-20 financial statements due to the material level of fraud and error in benefit expenditure – except for expenditure on State Pension where the level of fraud and error is significantly lower.

14 In performing my audit 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.

15 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 the payment of a 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, the over- or underpayment does not conform with Parliament's intention and is irregular.

16 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. The Department's accounts have been qualified every year since 1988-89 due to material levels of overpayments and underpayments in benefits expenditure. The nature and reasons for these levels of fraud and error, however, vary year on year.

The estimated level of fraud and error in benefit expenditure

17 Benefit payments are susceptible to both deliberate fraud by individuals, 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.

18 Fraud and error have a real cost. 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.

19 The Department sets out its latest estimates of benefit overpayments and underpayments due to fraud and error in 2019-20 in Note 18 to the accounts. These estimates are based on a combination of recent sampling exercises and rolling forward estimates from previous sampling exercises. The estimates do not include any additional fraud and error that may have occurred since easements to controls were introduced in March 2020 in response to COVID-19 because all the sampling was completed before the onset of the pandemic.

20 Fraud and error levels in the State Pension remain at an immaterial level, estimated at 0.1% of expenditure for both over and underpayments. As a result, I exclude State Pension expenditure from my qualified opinion on the accounts. Excluding State Pension, the estimated rate of overpayments has increased again to 4.8% (£4.5 billion) of estimated benefit expenditure, from a restated rate of 4.4% (£3.8 billion). The estimated rate of underpayments, excluding State Pension, has decreased to 2.0% (£1.9 billion), from its estimated rate of 2.2% (£1.9 billion) in 2018-19. The rate of overpayments in 2019-20 is the highest estimate to date.[12]

21 **Figure 1** summarises the Department's results and shows the impact of removing State Pension expenditure from the Department's statistics. **Figure 2** shows the overpayment and underpayment rates as a percentage of benefit expenditure since 2009-10, both with and without State Pension.

Figure 1

Estimated overpayments and underpayments in benefit expenditure due to fraud and error 2019-20 compared to 2018-19

Total overpayments and the rate of overpayments, as a percentage of benefit expenditure, have increased in 2019-20.

	2018-19 (Restated) (£bn)	2019-20 (£bn)	Change (£bn)	2018-19 (Restated) (%)	2019-20 (%)	Change (percentage point)
Total overpayments	3.9	4.6	0.7 ▲	2.1	2.4	0.3 ▲
Total underpayments	2.0	2.0	0.0 ◄►	1.1	1.1	0.0 ◄►
State Pension overpayments	0.1	0.1	0.0 ◄►	0.1	0.1	0.0 ◄►
State Pension underpayments	0.1	0.2	0.1 ▲	0.1	0.1	0.0 ◄►
Overpayments excluding State Pension	3.8	4.5	0.7 ▲	4.4	4.8	0.4 ▲
Underpayments excluding State Pension	1.9	1.9	0.0 ◄►	2.2	2.0	0.2 ▼

▼ Improving performance ▲ Declining performance ◄► Equivalent performance

Notes

1 The fraud and error figures are central estimates within a 95% confidence interval.

2 The figures in the table will not always sum due to rounding.

3 The 2019-20 central estimates are from the range reported by the Department in *Fraud and error in the benefits system: 2019/20 estimates*, 14 May 2020. The reported range reflects the statistical uncertainty in the Department's fraud and error estimates.

4 The 2018-19 (restated) central estimates are revised figures, first reported by the Department in *Fraud and error in the benefits system: 2019/20 estimates*, 14 May 2020.

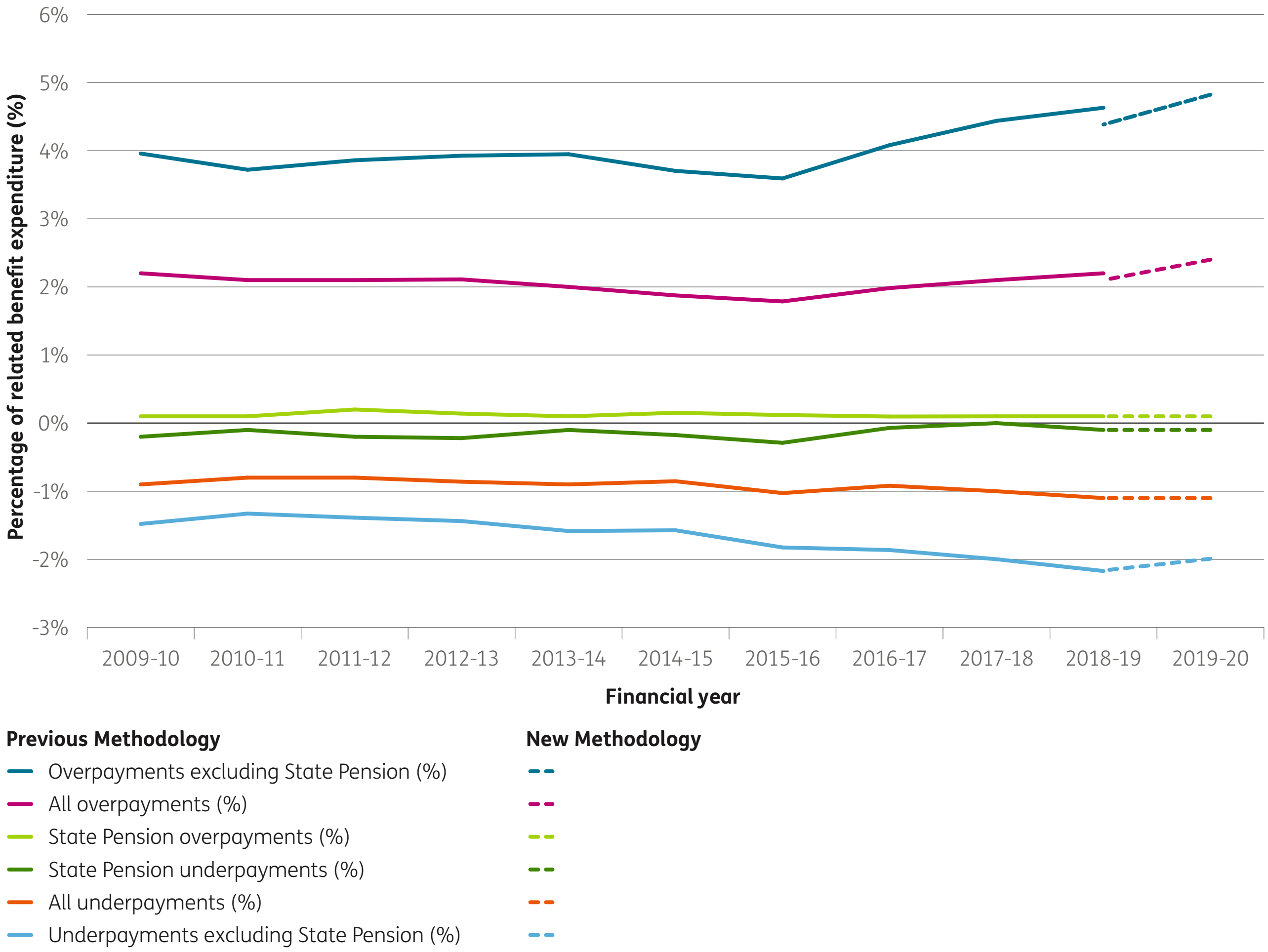
Sources: Department for Work and Pensions, Fraud and error in the benefits system: 2019/20 estimates, 14 May 2020

12 The benefits sampled to produce the estimates and some aspects of the underlying methodology have changed over time. The Department revised some aspects of its methodology in 2019-20 which led to a reduction in the overall 2018-19 overpayment estimates when these were restated. The Department considers that detailed comparisons to years before 2018-19 may not be appropriate. Underpayments were also restated, although the overall rate remained unchanged. See **Figure 2**.

Figure 2

Overpayments and underpayments in benefit expenditure 2009-10 to 2019-20

Benefit overpayments are at their highest estimated rates and have risen consistently since 2015-16.



	Previous Methodology	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	New Methodology	2018-19 (Restated)	2019-20
Overpayments excluding State Pension (%)	—	4.0	3.7	3.9	3.9	3.9	3.7	3.6	4.1	4.4	4.6	- -	4.4	4.8
All overpayments (%)	—	2.2	2.1	2.1	2.1	2.0	1.9	1.8	2.0	2.1	2.2	- -	2.1	2.4
State Pension overpayments (%)	—	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1	- -	0.1	0.1
State Pension underpayments (%)	—	-0.2	-0.1	-0.2	-0.2	-0.1	-0.2	-0.3	-0.1	0.0	-0.1	- -	-0.1	-0.1
All underpayments (%)	—	-0.9	-0.8	-0.8	-0.9	-0.9	-0.9	-1.0	-0.9	-1.0	-1.1	- -	-1.1	-1.1
Underpayments excluding State Pension (%)	—	-1.5	-1.3	-1.4	-1.4	-1.6	-1.6	-1.8	-1.9	-2.0	-2.2	- -	-2.2	-2.0

Notes

1 All central estimates 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 2017-18, as reported in the incorrect payments note of the relevant Department for Work & Pensions' Annual Report and Accounts. Final statistics have been used for all other years, taken from the supporting tables accompanying the Department's Fraud and error in the benefit system: financial year 2019-20 estimates.

2 The Department has requested a break in the data in the time series to reflect changes in methodology introduced in 2019-20. It has chosen to restate 2018-19 for comparative purposes. Full details of these changes can be seen in the Department's background methodology: *Fraud and Error in the Benefit System: Background information and methodology*, with the most impactful change quantified in note 18 to the accounts. The Department has revised its estimation techniques and assumptions throughout this time series, with no previous restatements.

3 There have also been changes to the benefits measured or 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, with fraud and error in these benefits first measured in 2016-17 and 2015-16 respectively. Carer's Allowance fraud and error was measured in 2019-20, while Jobseeker's Allowance is no longer measured.

Source: National Audit Office analysis of Department for Work & Pensions data included in the fraud and error in the benefit system estimates.

22 I base my opinion and recommendations on the gross levels of overpayments and underpayments. The Department reports 'net loss' as its headline indicator of fraud and error (see page 85 of the Department's Annual Report and Accounts). 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, at additional administrative cost. The net loss target as currently constructed does not indicate the inaccuracy of benefit payments made in year because it combines past and current performance in a single measure. The net loss target is no substitute for annual gross targets by benefit, against which the Department can assess in year progress.

Measuring fraud and error

23 The Department has estimated fraud and error based on a review of sample cases since 2005-06.[13] Over time, the benefits in payment and those measured for fraud and error have changed, and the Department's methodology has been revised and updated. The estimate remains the Department's only systematic indicator of the level of fraud and error in benefit expenditure.

24 In 2019-20 the Department sampled cases for: Universal Credit; part of Housing Benefit; Personal Independence Payment; Employment and Support Allowance; Pension Credit; and Carer's Allowance. Fraud, claimant error and official error were estimated.[14] Expenditure on these benefits (including only the parts of the Housing Benefit caseload that were measured) accounted for 32% of all benefit expenditure in 2019-20.[15] The Department no longer measures fraud and error in Jobseeker's Allowance.

25 Across the benefits measured in 2019-20, estimated rates of overpayments of Universal Credit, Employment and Support Allowance and Pension Credit have increased, and estimated rates of Housing Benefit and Personal Independence Payment have decreased (**Figure 3**). For Universal Credit, the estimated rate of overpayments increased from 8.7% to 9.4%. This is the highest recorded overpayment rate for any benefit other than Tax Credits (administered by HMRC), which peaked at 9.7% in 2003-04.

26 The Department has said previously that it expects the introduction of Universal Credit to increase fraud and error levels within the Department but to reduce the cost of cross-welfare fraud, error and overpayments to the taxpayer. This is due to the change from annual assessment under Tax Credits, to monthly assessments under Universal Credit. Where the Department's controls do not prevent overpayments month on month, these will be included in Universal Credit fraud and error estimates.

27 Underpayments rates have fallen for Universal Credit, Employment and Support Allowance and Pension Credit, and the estimated rate for Housing Benefit has increased. Personal Independence Payment has the highest rate of underpayments at 3.8% of expenditure in 2019-20. This rate has not changed from 2018-19.

28 For 61% of 2019-20 benefit expenditure, the Department did not perform a sampling exercise for both fraud and error but instead applied previously measured rates to 2019-20 expenditure. Some of these benefits have not been measured for over a decade. For example, Disability Living Allowance and claimant error and fraud in State Pension were last reviewed

13 The Department revised its measurement methodologies in 2005-06 and time series data before that date are not comparable.
14 Fraud: when claimants deliberately seek to mislead the Department or local authorities that administer benefits on the Department's behalf. Claimant error: when claimants make mistakes with no fraudulent intent. Official error: when a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Department, a local authority or HM Revenue & Customs.
15 The Department only measured fraud and error for two of the four main groups in receipt of Housing Benefit in 2019-20. The fraud and error estimates for the other two main groups of Housing Benefit caseload (non-passported pension age and passported working age) relate to reviews carried out in 2018-19; the rates of fraud and error found in 2018-19 were applied to the 2019-20 expenditure. Full details of the changes can be seen in the Department's background methodology: Fraud and Error in the Benefit System: Background information and methodology.

in 2004-05 and 2005-06 respectively.[16] Fraud and error in the 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 benefits creates a risk that the Department is not targeting its activities to reduce fraud and error effectively. During 2019-20, the Department acted on a previous recommendation to expand the benefits it measures by sampling cases to estimate fraud and error in Carer's Allowance for the first time since 1996-97. How the Department will measure fraud and error for 2020-21 is now uncertain due to the impact of COVID-19 (paragraph 44).

29 The Department's headline overpayment and underpayment rates do not include all fraud and error in benefit expenditure. For example, fraud and error relating to benefit advances are not currently included in the overall estimates. We recently reported that the Department had detected (by the end of 2019) nearly 100,000 Universal Credit claims where it suspects an advance had been applied for fraudulently, worth an estimated £98 million to £147 million. We estimated that a further 50,000 claims might potentially be fraudulent at a total additional value between £50 million and £74 million.[17]

30 Similarly, estimated overpayments of DLA (£520 million) and PIP (£420 million) relating to gradual health changes in 2019-20 are disclosed but not included in the main estimate. This is because the Department recognises that gradual health changes – that affect entitlement – are often imperceptible to the claimant and are not taken into account until they are reassessed.

31 While the Department's measure of fraud and error provides essential information for designing a response to some of the biggest risks, alone it is not sufficient to formulate a complete strategy. There are also limitations in the sampling methodology that means it is unlikely that all types of fraud and error are being captured. For example, a sampling exercise is unlikely to identify undeclared bank accounts or hidden economy earnings. Beyond the annual estimation exercise, the Department often has no other suitable alternative means of assessing potential losses.

16 Official error for State Pension is measured on an annual basis.
17 National Audit Office, Universal Credit advances fraud, Session 2019-21, HC 105 March 2020

Figure 3

Percentage overpayments and underpayments in benefits measured in 2018-19 and 2019-20

The estimated rate of overpayment on Universal Credit increased again, from 8.7% to 9.4%.

	Overpayments			Underpayments		
	2018-19 (Restated)	2019-20	Change	2018-19 (Restated)	2019-20	Change
Benefit	**%**	**%**	**percentage point**	**%**	**%**	**percentage point**
Universal Credit	8.7	9.4	0.7 ↑	1.3	1.1	0.2 ↓
Housing Benefit	6.3	6.0	0.3 ↓	1.5	1.7	0.2 ↑
Employment and Support Allowance	3.5	4.1	0.6 ↑	3.1	2.8	0.3 ↓
Personal Independence Payment	3.1	1.5	1.6 ↓	3.8	3.8	0.0 ↔
Pension Credit	4.2	5.3	1.1 ↑	2.4	2.2	0.2 ↓
Carer's Allowance	N/A	5.2	N/A	N/A	0.0	N/A
Jobseeker's Allowance	4.6	N/A	N/A	1.5	N/A	N/A

↓ Improving performance ↑ Declining performance ↔ Equivalent performance

Notes

1 Benefits are ordered from highest to lowest based on expenditure in the sampled period for 2019-20.

2 The fraud and error figures are central estimates within a 95% confidence interval.

3 In 2019-20, the Department re-measured Carer's Allowance for the first time since 1996-97 when the rate of overpayments was 5.5% and underpayments was 0.1%. These figures are not comparable to the 2019-20 estimate due to changes in methodology.

4 Underpayments can occur within Carer's Allowance but the sampling in 2019-20 found no underpayments, and the rate is therefore stated at 0.0%.

5 In 2019-20, the Department did not measure Jobseeker's Allowance.

6 The 2018-19 (restated) central estimates are revised figures, first reported by the Department in *Fraud and error in the benefits system: 2019/20 estimates*, 14 May 2020. See footnote 2, figure 2.

Source: National Audit Office analysis of Department for Work & Pensions, Tables: Fraud and error in the benefit system: 2019/20 estimates, 14 May 2020.

Causes of fraud and error

32 The Department analyses the causes of fraud and error by different risk types, which it defines with reference to the main eligibility criteria for each benefit.[18] This supports the Department in developing appropriate controls to tackle the key causes of fraud and error by helping them to evaluate the challenges within each benefit. In 2019-20, the largest overall risk type continues to be 'income and earnings', which accounts for £1.8 billion of gross fraud and error (£1.4 billion of overpayments and £350 million of underpayments), an increase of £0.1 billion compared to 2018-19.[19]

33 Measured capital fraud and error rose by £380 million (73%) to £910 million (£880 million of overpayments and £30 million of underpayments); the largest increase in value for any individual risk type. Over half of those overpayments (£520 million) relate to Universal Credit, up from £140 million in 2018-19. The Department believes this is partly because claimants who previously did not have to report their capital levels in the Tax Credits system now have to declare them under Universal Credit, along with any changes.

34 The main disability benefits have a different risk profile as income and capital levels may not be a key eligibility condition. Personal Independence Payment, for example, are not dependent on either capital or income levels. In 2019-20, the 'functional needs' risk type was the largest for Personal Independence Payment, accounting for £560 million of £660 million estimated gross fraud and error.

35 Although the levels of fraud and error by risk type are understood, the Department does not have a full understanding of why fraud and error is rising. During 2019-20, we looked at the Department's strategy to tackle fraud and error arising from misstated income, earnings and deemed income from capital. We undertook deep dive reviews on Universal Credit, Pension Credit and Carer's Allowance. We concluded that the Department has made progress in identifying the causes of fraud and error relating to income and developing coherent strategies for each of the benefits, but it has not assessed the cost-effectiveness of its key controls to tackle these risks. Furthermore, we found weaknesses in the design and implementation of its overall control environment in areas where the estimated level of fraud and error is high. We made several recommendations to management based on the findings of our work, focusing on the need to demonstrate a cost-effective control environment that minimises fraud and error in a way that is compatible with its other policy objectives and to improve the way it reports fraud and error risks to Parliament before changes are made to the way benefits are administered.

36 Some risk types should be easier than others for the Department to tackle, particularly where it has access to good data sources. It has been using HMRC's Real Time Information feed since 2013, which aims to provide accurate and up-to-date information on claimants' employment and pension income. This should enable it to detect and prevent a large amount of fraud and error in this area. By contrast, there are other risk areas such as living together, capital and self-employed earnings where the Department knows it is harder to detect and prevent fraud and error. It is seeking to expand its use of data to tackle some of these risks but must balance this against what is feasible within the legislation around data privacy.

18 The Department only performs this analysis on the fraud and error estimates of the benefits which are measured in a given year.
19 'Income and earnings' consists of four types of income-related fraud and error: Income – Earnings/Employment; Income – Other Benefits; Income – Occupational and Personal Pensions; and Income – Other.

37 Following our work on income and earnings risk we encouraged the Department to continue with its progress towards establishing a continuous evidence based process for refining its fraud and error strategy and in developing a deeper understanding of what further controls might be effective in tackling the causes of fraud and error highlighted by its measurement exercise. At the time, the Department had limited information about the extent of fraud and error amongst the self-employed. It has measured that amount this year for the first time, estimating £300 million in gross fraud and error, of which £270 million are overpayments. The Department is continuing to work with HMRC to understand how it might make optimal use of self-employment tax return data to tackle this area of loss.

Future challenges and the impact of COVID-19

38 Since March 2020, the Department has had to respond rapidly to the impact of the COVID-19 pandemic. As measures to address the virus affected people's incomes, there was a large spike in the number of new claims for Universal Credit as the main working-age benefit. The Department's provisional statistics show that as at February 2020, there were 2.6 million new claims on Universal Credit. From 1 March to 26 May 2020, the Department received 2.4 million new household claims to Universal Credit, with a peak of over 100,000 a day (see **Figure 4**). This has since reduced to less than twice the average daily level of new claims before the peak. Other benefits, such as New Style JSA and ESA, have also seen increases in claims over this period.

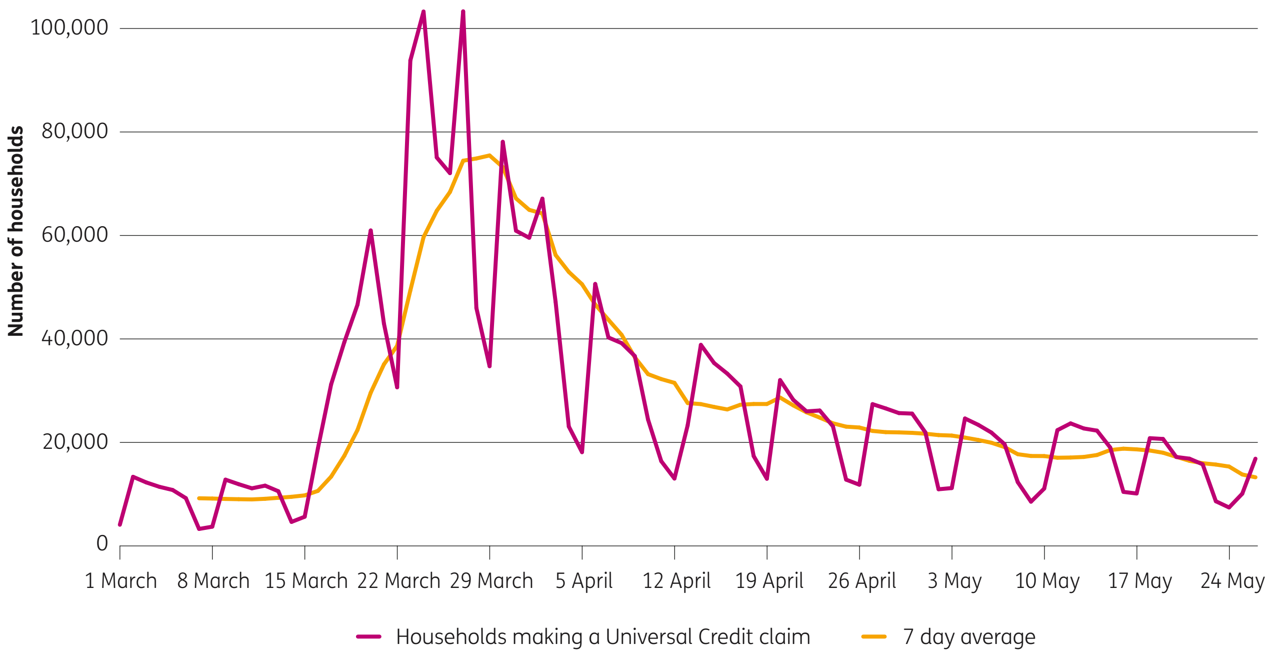
39 The Department's response has focused on ensuring that new benefit claimants get the money that they are entitled to whilst minimising the need for face-to-face interactions wherever possible. The Department redeployed around 10,000 staff to ensure that enough people were available to deal with the spike in new Universal Credit claims. This included many staff within its Counter Fraud and Compliance Directorate (CFCD), meaning the Department has temporarily paused compliance work that it considers lower priority compared to assessing and paying new claims.

40 To manage demand, and to support vulnerable people during lockdown, the Department made changes to benefit delivery, including turning off some usual controls (also referred to as easements) that are ordinarily in place to mitigate the risk of fraud and error. For example, claimants no longer have to attend a job centre for a face-to-face interview and the Department has reduced some of its checks on the information claimants provide. To replace universal checks, the Department has established a specialist team to verify aspects of new claims that its systems flag as high risk before any payment is made. The Department's cyber team is also working to try and shut down pages on social media that are attempting to promote fraudulent claims.

Figure 4

Daily number of households making a Universal Credit claim since 1 March 2020

There was a large increase in the number of households making a Universal Credit claim in the second half of March. The claim rate has since reduced to less than twice the rate before the peak.



Notes

1 Data here comes from the management information (MI) tables the Department publishes on gov.uk.

2 As stated by the Department, the MI is a view of what is recorded on the administrative data systems and have not been quality assured and processed to the standards required to be official statistics.

3 The MI presents the number of "declarations". This counts the number of claims made with a declaration of the claimant's personal circumstances. The Department's official statistics on the number of claims discounts those claims with a declaration where the claimant is moving from one Universal Credit claim to another.

Source: NAO analysis of the Department's 'Universal Credit declarations (claims) and advances: management information' research and analysis.

41 The Department is tracking all the easements that it has introduced as a result of COVID-19, and it acknowledges that the changes it has made to respond to COVID-19 will increase fraud and error. The Department needs to understand the fraud and error implications of these easements to minimise the risk it carries and to inform future decisions. The Department's experience shows how changes to controls can impact significantly on fraud, for example when the Department made Universal Credit advances available online in July 2018 and increased its exposure to fraudulent claims as individuals could make a claim without face-to-face contact with departmental staff. We reported that there was no thorough risk assessment in making this decision.[20]

42 The Department has produced a range of estimates of the amounts potentially at risk that have been shared with HM Treasury. It has also worked with its internal audit team to produce risk assessments to help understand the mitigations it has in place and any residual risks. These estimates and risk assessments will continue to be refined as the Department considers what remedial action will be necessary. An accelerated process for staff to refer suspicious claims should help inform the Department's future approach to tackling key risks. Between 16 March 2020 and 5 June 2020, over 143,000 claims were referred in this way due to suspicions over at least one aspect of the claim.

20 National Audit Office, Universal Credit advances fraud, Session 2019-21, HC 105 March 2020

43 Most of the easements introduced are expected to be temporary measures. As the Department looks to unwind some of the initial easements, both the risk assessments and measurements of fraud and error will be necessary to understand where it should prioritise reinstating controls and where staff should be reallocated to, particularly as redeployed staff return to CFCD and compliance activity can resume or increase. Our investigation into Carer's Allowance in 2019 showed that backlogs in referrals can quickly escalate if the Department is unable to commit enough resources to review them and the total amount lost increases the longer they remain unreviewed. Even when recovery plans are established, it can take a significant period for any backlog to be managed back down to normal levels.[21]

44 The Department anticipates that due to COVID-19 it will not be able to estimate fraud and error in the usual way for 2020-21. This is because it will not be able to carry out its usual review activity due to the challenge of completing remotely the review work that would previously have been undertaken by visiting the claimant and the need to temporarily redeploy staff. The annual estimate of benefit overpayments and underpayments due to fraud and error plays a central role in the Department's accountability to Parliament for its performance in administering £191.8 billion of benefit expenditure. There are no robust in-year indicators that could provide similar information to allow Parliament to hold the Department accountable in the absence of this estimate. The Department will need to identify how it might assess the prevalence of fraud and error to both inform its fraud and error activities and to ensure that it remains accountable to Parliament for its accuracy in administering benefit expenditure.

45 Once the Department has re-established fuller controls, it will need to focus on reducing fraud and error to a low level by improving its controls' cost-effectiveness. This is especially the case with Universal Credit, which has the highest level of fraud and error and which is increasing as a proportion of all benefit expenditure. In principle, the digital platform and test and learn approach used by the Department to deliver Universal Credit should provide it with the ability to iteratively improve its control environment and reduce fraud and error to a minimal level. Lessons from the increase in claims as a result of COVID-19 should help the Department to understand how to scale up as the roll out of Universal Credit continues, and to evaluate what controls are most effective as it develops its understanding of the impact of removing or reducing controls.

Gareth Davies
Comptroller and Auditor General

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26 June 2020

21 National Audit Office, Investigation into overpayments of Carer's Allowance, HC 2103, Session 2017-19, 26 April 2019

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 2020.

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 Customs' behalf. We include these in our Statement of Comprehensive Net Expenditure (SOCNE) and recover this expenditure, 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 and any related receivables in the SOFP.

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 119. 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 2020

The notes on pages 204 to 244 form part of these accounts.

		31 March 2020		31 March 2019	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Staff expenditure	3	2,751,821	3,042,812	2,721,593	2,975,403
Purchase of goods and services	4	2,644,147	2,417,983	2,889,717	2,696,537
Benefit and Social Fund expenditure	5	191,776,235	191,776,235	182,997,686	182,997,686
Depreciation and impairment charges	6	160,257	168,941	81,135	90,488
Provision expense	6	46,258	46,136	(917,726)	(917,809)
Total operating expenditure		**197,378,718**	**197,452,107**	**187,772,405**	**187,842,305**
Operating income	7	(611,689)	(701,647)	(991,387)	(1,079,055)
Total operating income		**(611,689)**	**(701,647)**	**(991,387)**	**(1,079,055)**
Finance income	7	(126,664)	(126,743)	(36,098)	(36,180)
Finance expense	4	5,137	23,423	6,393	24,310
Net expenditure for the year		**196,645,502**	**196,647,140**	**186,751,313**	**186,751,380**
Donated assets	8	(521,568)	(521,568)	(151,956)	(156,496)
Net operating costs for the year		**196,123,934**	**196,125,572**	**186,599,357**	**186,594,884**

Other comprehensive net expenditure

Items that will not be reclassified to net operating expenditure				
Net loss/(gain) on:				
Revaluation of property, plant and equipment	–	898	200	(3,031)
Revaluation of intangibles	(70,586)	(70,586)	(13,790)	(13,790)
Revaluation of pension fund	(100,721)	(100,721)	28,012	28,012
Total comprehensive net expenditure for the year ended 31 March 2020	**195,952,627**	**195,955,163**	**186,613,779**	**186,606,075**

All income and expenditure is derived from continuing operations.

Consolidated Statement of Financial Position

as at 31 March 2020

The notes on pages 204 to 244 form part of these accounts.

		31 March 2020		31 March 2019	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	9	312,115	432,352	359,571	479,519
Intangible assets	10	389,018	391,481	482,636	486,185
Trade receivables, financial and other assets	13	3,423,074	3,416,176	2,706,733	2,701,265
Total non-current assets		**4,124,207**	**4,240,009**	**3,548,940**	**3,666,969**
Current assets:					
Assets classified as held for sale		15,890	15,890	22,130	22,130
Trade receivables, financial and other assets	13	2,646,433	2,687,539	3,363,395	3,414,474
Cash and cash equivalents	12	955,358	978,681	403,525	420,157
Total current assets		**3,617,681**	**3,682,110**	**3,789,050**	**3,856,761**
Total assets		**7,741,888**	**7,922,119**	**7,337,990**	**7,523,730**
Current liabilities:					
Trade payables and other liabilities	14	(7,756,847)	(7,807,762)	(6,921,629)	(6,969,883)
Provisions for liabilities and charges	16	(863,560)	(863,749)	(1,309,924)	(1,310,876)
Total current liabilities		**(8,620,407)**	**(8,671,511)**	**(8,231,553)**	**(8,280,759)**
Total assets less current liabilities		**(878,519)**	**(749,392)**	**(893,563)**	**(757,029)**
Non-current liabilities:					
Provisions for liabilities and charges	16	(5,556,520)	(5,557,212)	(5,672,707)	(5,673,575)
Other payables	14	(167,408)	(256,007)	(353,114)	(444,685)
Pension liability	17	(27,395)	(28,449)	(155,336)	(156,366)
Total non-current liabilities		**(5,751,323)**	**(5,841,668)**	**(6,181,157)**	**(6,274,626)**
Assets less liabilities		**(6,629,842)**	**(6,591,060)**	**(7,074,720)**	**(7,031,655)**
Taxpayers' equity and other reserves:					
General fund		(6,621,114)	(6,621,671)	(7,184,060)	(7,181,232)
Revaluation reserve		(8,728)	30,611	109,340	149,577
Total equity		**(6,629,842)**	**(6,591,060)**	**(7,074,720)**	**(7,031,655)**

Peter Schofield CB
Accounting Officer

24 June 2020

Consolidated Statement of Cash Flows

for the year ended 31 March 2020

		31 March 2020		31 March 2019	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Cash flows from operating activities					
Net cost for the year		(196,123,934)	(196,125,572)	(186,599,357)	(186,594,884)
Adjustments for non-cash transactions	6, 7	165,476	173,949	(834,744)	(825,392)
Adjustments for Capital Grant in Kind transfers	8	(521,568)	(521,568)	(151,956)	(151,956)
Decrease/(increase) in trade and other receivables	13	621	12,024	(1,043,791)	(1,058,330)
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		503,126	503,132	541,682	542,387
Increase/(decrease) in trade and other payables	14	1,283,891	1,283,304	1,052,245	1,057,181
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(531,543)	(532,475)	77,640	82,048
Utilisation of provisions	16	(608,809)	(609,537)	(695,542)	(702,877)
Net cash outflow from operating activities		**(195,832,740)**	**(195,816,743)**	**(187,653,823)**	**(187,651,823)**
Cash flows from investing activities					
Purchase of property, plant and equipment	9a	(52,532)	(59,669)	(128,577)	(133,948)
Purchase of intangible assets	10a	(61,192)	(61,300)	(85,636)	(86,709)
Proceeds of disposal of property, plant and equipment and intangible assets		133,014	133,393	1,856	2,240
Proceeds of disposal of assets held for sale		–	–	(11)	(11)
Loans to other bodies – repayments		1,701	1,701	280	280
Loans to other bodies		(108,267)	(108,267)	(121,668)	(121,668)
Net cash outflow from investing activities		**(87,276)**	**(94,142)**	**(333,756)**	**(339,816)**
Cash flows from financing activities					
From the Consolidated Fund (supply) current year		91,708,453	91,708,453	85,949,416	85,949,416
From the Consolidated Fund (supply) prior year		149,279	149,279	–	–
Net financing from the National Insurance Fund		105,375,531	105,375,531	101,307,927	101,307,927
Advances from the Contingencies Fund		1,500,000	1,500,000	56,400	56,400
Repayments to the Contingencies Fund		(1,500,000)	(1,500,000)	(56,430)	(56,430)
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(24,915)	(27,631)	(23,024)	(25,533)
Net financing		**197,208,348**	**197,205,632**	**187,234,289**	**187,231,780**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**1,288,332**	**1,294,747**	**(753,290)**	**(759,859)**
Payments of amounts due to the Consolidated Fund		(102,120)	(102,120)	(17,990)	(17,990)
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	12	**1,186,212**	**1,192,627**	**(771,280)**	**(777,849)**
Cash and cash equivalents at the beginning of the period	12	**(1,166,033)**	**(1,149,401)**	**(394,753)**	**(371,552)**
Cash and cash equivalents at the end of the period	12	**20,179**	**43,226**	**(1,166,033)**	**(1,149,401)**

The notes on pages 204 to 244 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2020

The notes on pages 204 to 244 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 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		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)**

	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 2019		**(7,184,060)**	**(7,181,232)**	**109,340**	**149,577**	**(7,074,720)**	**(7,031,655)**
Net parliamentary funding drawn down (current year)		91,708,453	91,708,453	–	–	91,708,453	91,708,453
Net parliamentary funding – drawn down (prior year)	13	149,279	149,279	–	–	149,279	149,279
Advances from the Contingencies Fund		1,500,000	1,500,000	–	–	1,500,000	1,500,000
Repayments to the Contingencies Fund		(1,500,000)	(1,500,000)	–	–	(1,500,000)	(1,500,000)
Funding from National Insurance Fund		105,375,531	105,375,531	–	–	105,375,531	105,375,531
Supply payable adjustment	14	(672,216)	(672,216)	–	–	(672,216)	(672,216)
Supply receivable previous year clearance	13	(149,279)	(149,279)	–	–	(149,279)	(149,279)
CFERS payable to the Consolidated Fund	SOPS4	(18,441)	(18,441)	–	–	(18,441)	(18,441)
General Fund – Other		2,735	988	–	–	2,735	988
Net costs for the year		(196,123,934)	(196,125,572)	–	–	(196,123,934)	(196,125,572)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	6	1,443	1,443	–	–	1,443	1,443
Actuarial revaluation on pension		100,721	100,721	–	–	100,721	100,721
Movements in reserves:							
Recognised in Statement of Comprehensive Net Expenditure		–	–	70,586	69,688	70,586	69,688
Transfers between reserves		188,654	188,654	(188,654)	(188,654)	–	–
Balance at 31 March 2020		**(6,621,114)**	**(6,621,671)**	**(8,728)**	**30,611**	**(6,629,842)**	**(6,591,060)**

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 2019-20 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 161 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 2020. We've also taken into account the specific interpretations and adaptations included in the FReM.

IFRS 16 (Leases) effective from 1 January 2021

IFRS 16 (Leases) has been effective since 1 January 2019 for the private sector and was planned to be introduced in the 2020-21 FReM to replace IAS 17 (Leases). Due to the impact on government departments of COVID-19 HM Treasury agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 in central government until 1 April 2021. This represents a one-year deferral from the initial effective date of 1 April 2020.

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.

Guidance has yet to be issued to government departments on the interpretation of this standard, so we are not yet able to quantify the impact on our accounts.

IFRS 17 (Insurance Contracts) effective from 1 April 2023

The International Accounting Standards Board (IASB) has issued IFRS 17 (Insurance Contracts) which replaces IFRS 4 (Insurance Contracts). It is expected to be effective for accounting periods beginning on or after 1 January 2023, following IASB decisions to defer the effective date.

Guidance has yet to be issued to government departments on the interpretation of this standard.

1.3 Accounting convention

We've prepared these financial statements on an accruals 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 119). 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.

Impact of COVID-19

The significant challenges posed by the COVID-19 pandemic, and the Department's responses, are documented within the performance report and the governance statement. There is a high degree of uncertainty on the response path and time needed for a return to steady state. Key assessments have been undertaken to ensure the financial statements are properly presented where COVID-19 may have impacted. This has incorporated reviews of the Financial Instruments and the calculation of the Expected Credit Loss in claimant debt as a result of the decision the Department took in March 2020 to temporarily suspend most debt recovery as a direct response to the COVID-19 pandemic.

Overall we have considered the financial impacts and for the 2019-20 reporting period they are not material to these statements.

Further detail is provided in notes 16 (Provisions), 17 (Remploy Pension Scheme) and 21 (Events after the reporting period).

Financial Assistance Scheme (FAS)

For the FAS provision (note 16), 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 31 March 2020. The rates used take account of the latest economic conditions and are updated annually. Due to the nature of the assets, largely held as annuities, any market volatility arising as a result of COVID-19 is immaterial.

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 16 along with a sensitivity analysis table to demonstrate the impact on the estimate when key assumptions are adjusted.

Financial Instruments

The assessment of expected credit loss is a complex matter, dealing with a number of factors. We have provided more detail in note 1.11.

Departmental estimation of Statutory Maternity Pay

Figures provided for these benefits are amounts paid to the National Insurance Fund for expected employer recoveries of Statutory Maternity Pay (note 5a). The estimate is produced using information on past recoveries.

Modelling of statutory payments are estimated by the Government Actuary using a set of economic and demographic assumptions taken from the Economic and fiscal outlook (EFO)[1]

Benefit provisions

Benefit provisions (note 1.14) 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 below a set de minimus limit. (see note 1.14).

Employment Legislation (IR35)

Employment Legislation (IR35), introduced in April 2017, requires public sector bodies to make an assessment of off-payroll workers employment status for tax and makes them liable for ensuring the correct tax is applied. We use HM Revenue and Customs' own Check of Employment Status for Tax tool (CEST) and accompanying guidance to make those assessments. During 2019, internal checks and additional HM Revenue and Customs' guidance highlighted inaccuracies in the historic assessment of some contractor's employment status. We have sampled these and used the results to estimate a potential liability for additional tax the Department may incur as and when compliance audit work underway with HM Revenue and Customs is concluded.

Incorrect payments

Incorrect payment estimates are produced to the standards of the UK Statistics Authority national statistics protocols. Further information on our estimation strategy can be found at GOV.UK (within the latest National Statistics publication, and the technical appendix document).

We estimate the level of over- and under-payments in benefit expenditure each year based on a sample of benefit records and these are reported in our incorrect payments note (note 18). It is estimated that 96.5% of £191.7 billion of benefit payments are made correctly.

The overpayment debt and underpayment liabilities, along with the related movements in the SOCNE, implied by these estimates are not recognised in these financial statements because the specific rights of and obligations to individual claimants of potential over- and under-payments have not been identified. We correct all individual cases sampled where we identify over- or under-payments.

1.6 Revenue recognition (income)

We comply with IFRS 15 (Revenue from Contracts with Customers) for income streams and recognise revenue when earned. For the European Social Fund, where we act as an agent, we recognise income in the accounting periods in which the EU sponsored projects are funded.

The nature of our income is such that the impacts of COVID-19 is not material.

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

1 published by the Office for Budget Responsibility (OBR)

All expenditure on repairs and maintenance is charged to the SOCNE 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 five years. In the intervening years, the valuers use an indexation model developed to be appropriate to the property location to value the land and building asset.

We value most land and buildings on an existing-use basis (the exception is the specialist laboratory site owned by the Health and Safety Executive, which we've included at depreciated replacement cost) as provided under IAS 16, adapted and interpreted for the public sector to limit the circumstances in which a valuation is prepared under IFRS 13 (Fair Value Measurement).

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))	Marc Seabrook (DVS Valuation Agency)	March 2019
HSE Redgrave Court, Bootle	Cushman and Wakefield	31 January 2020
HSE Health and Safety Laboratory, Buxton	Jones Lang LaSalle Ltd	31 January 2020
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 (Intangible Assets) 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 SOCNE 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 (Intangible Assets – 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 and 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

In line with IFRS 9 (Financial Instruments), we recognise financial assets (including Benefit overpayments 1.12) and liabilities when we become party to the contracts that give rise to them. Our policy is not to trade in financial instruments.

Assets

Loans and receivables

The fair value of trade receivables is usually the original invoiced amount, or in the case of benefit overpayments, the calculated overpayment amount. We recognise any changes in value in the SOCNE. The value excludes benefit overpayments included in Incorrect Payments, note 18, as this is a statistical estimate that does not reflect established rights and obligations which would be required for recognition (see note 1.5).

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, short term deposits with an initial maturity of three months or less and current balances with banks and similar institutions. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents are 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 SOCNE.

Impairment of financial assets

In accordance with IFRS 9 (Financial Instruments) as interpreted by the FReM, the Department views credit worthiness 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. In response to the COVID-19 pandemic the Department temporarily suspended most claimant debt recovery. The derivation of the expected credit loss has been updated accordingly with the impact being not material. All other evidence and assumptions used to calculate the Department's financial assets impairment are the best available at the time of the assessment.

Liabilities

Accruals

The material financial liability in these statements is represented by accounting for benefit payments paid in April 2020 that relate to entitlement weeks within 2019-20 and are, therefore, recognised as accrued expenditure in these financial statements. These will fluctuate year-on-year depending on the day that the last working day falls. The value of the accrual relates to the period of benefit entitlement for the year 2019-20.

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 claimant has died and the estate isn't large enough to recover the overpayment

Estimates of potential overpayments, where the individual overpayment has not been identified and communicated to the claimant, are therefore not included as receivables because there are insufficient rights to recognise the related asset.

We periodically review the quality and consistency of write-off decision making. Our write-off policy has been agreed with HM Treasury including the decision on temporarily suspending claimant debt recovery in response to COVID-19.

1.13 Tax Credits 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, albeit with a temporary pause from April 2020 as a result of the COVID-19 pandemic.

In line with the government Financial Reporting Manual adaptation of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) 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 the estimated actual value which was calculated at the point of transfer by HM Revenue and Customs and applies their impairment rate to the gross debt. Following the transfer to us the impairment was reviewed in line with our expectations under IFRS 9 (Financial Instruments) and reported at the revised value. This was undertaken using analysis on our Tax Credits debt stock making cautious assumptions based on the recovery data available to date and the impact of the temporary debt recovery suspension taken in response to COVID-19.

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 as such are not directly impacted by market volatility caused by COVID-19 that may impact funded schemes. They 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 SOCNE.

IFRS 16 (Leases) is planned to be introduced on the 1 April 2021 replacing IAS 17, this is disclosed in note 1.2 Accounting standards, interpretations and amendments.

1.17 Contingent liabilities

We disclose contingent liabilities 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 it is possible to do so.

For some statutory and non-statutory contingent liabilities, the likelihood of transfer of economic benefit is remote. However, we disclose these for parliamentary reporting and accountability purposes in the Remote Contingent Liabilities section within the accountability report on page 177.

1.18 Grant in aid

Grants in aid to our arm's length bodies are treated as expenditure in our SOCNE. 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 two 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.

In April 2019 we reorganised the structure of the Department (see page 15 in the performance report). In line with IFRS 8 (Operating Segments), we have restated the DEL segments for 2018-19 as they would have appeared under this new structure.

We have also corrected the 2018-19 figures for Finance group and Digital group. This was due to an internal transfer of assets that incorrectly overstated the Digital group figure by £137 million and understated the Finance group figure by the same amount.

This year we've disclosed our DEL segments as:

- **Service Excellence** – Counter Fraud Compliance and Debt, Retirement Services, Child Maintenance, Customer Experience, Service Transformation and Service Planning and Delivery
- **Work and Health Services** – this brings together Disability Services, Working Age and Universal Credit Operations in the Department
- **Corporate functions as follows**:
  - **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
  - **Policy group**
  - **People and Capability**
  - **Other corporate functions** (Communications; Central Analysis and Science)
  - **Change** – our investment programmes and projects
  - **Arm's length bodies** – the expenditure incurred by the bodies within our accounting boundary on page 119

	2019-20		2018-19
	£000	£000	£000
		New structure	Old structure
Operations (as reported in 2018-19)		-	2,510,344
Service Excellence	898,777	834,216	-
Work and Health Services	1,679,634	1,696,455	-
Corporate:			
Finance group	1,651,056	1,819,347	1,840,329
Digital group	902,721	924,584	959,335
Policy group	155,224	112,088	118,651
People and Capability	117,003	135,263	111,045
Other corporate (Communications; Central Analysis and Science)	(103,645)	22,532	21,711
Change	317,635	434,795	417,865
Arm's length bodies	345,635	321,729	321,729
Total resource and capital DEL	**5,964,040**	**6,301,009**	**6,301,009**

The Finance group and Digital group figures for 2018-19 have been restated.

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. See page 69 for more details.

	2019-20	2018-19
	£000	£000
Inside the Welfare Cap	87,540,324	79,240,244
Outside the Welfare Cap	103,551,188	101,772,020
Total resource and capital AME	**191,091,512**	**181,012,264**
Total resource and capital DEL and AME	**197,055,552**	**187,313,273**

SoPS notes 1.1 and 1.2 provide details of resource and capital.

SoPS 2 on page 166 reconciles SoPS resource to the Statement of Comprehensive 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

	2019-20		2018-19	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Wages and salaries	2,058,842	2,284,301	2,134,826	2,334,707
Employers' National Insurance	183,879	206,934	190,124	210,827
Superannuation and pension costs	509,100	551,577	396,643	429,869
Total staff costs	**2,751,821**	**3,042,812**	**2,721,593**	**2,975,403**

We've presented the full staff and related expenditure disclosure in the remuneration and staff report on page 149.

4. Expenditure

		2019-20		2018-19	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Purchase of goods and services					
Goods and services		807,280	893,450	848,320	931,300
Accommodation expenditure		542,395	559,623	547,147	561,644
IT services		528,949	470,752	515,724	481,184
Grant in aid		333,863	–	306,583	–
Other costs		65,693	123,815	67,802	113,130
Non-cash goods and services	6	46,363	46,274	4,461	4,543
Rentals under operating leases		2,683	6,841	2,652	7,402
Agency payments on behalf of EU to third parties		316,921	316,921	597,028	597,028
Audit fee		–	307	–	306
Purchase of goods and services total		**2,644,147**	**2,417,983**	**2,889,717**	**2,696,537**
Finance expense					
PFI service charges		–	10,531	–	9,952
Finance lease charges		5,137	12,892	6,393	14,358
Total finance expense		**5,137**	**23,423**	**6,393**	**24,310**

5. Benefit and Social Fund expenditure

		2019-20		2018-19	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Voted expenditure	5a	85,221,995	85,221,995	78,262,687	78,262,687
Non-voted expenditure	5b	104,222,592	104,222,592	102,303,487	102,303,487
Social Fund expenditure		1,998,523	1,998,523	2,045,952	2,045,952
Programme balances written off		333,125	333,125	385,560	385,560
Total		**191,776,235**	**191,776,235**	**182,997,686**	**182,997,686**

5a. Voted expenditure

	2019-20		2018-19	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Amounts paid to local authorities	18,243,613	18,243,613	20,686,396	20,686,396
Universal Credit	18,089,025	18,089,025	7,914,423	7,914,423
Personal Independence Payment	12,932,752	12,932,752	10,570,871	10,570,871
Employment and Support Allowance	9,032,500	9,032,500	9,803,001	9,803,001
Disability Living Allowance	7,220,203	7,220,203	8,110,608	8,110,608
Attendance Allowance	5,887,196	5,887,196	5,652,472	5,652,472
Pension Credit	4,995,296	4,995,296	5,051,053	5,051,053
Carer's Allowance	2,879,818	2,879,818	2,837,065	2,837,065
Statutory Sick Pay and Statutory Maternity Pay	2,168,992	2,168,992	2,587,000	2,587,000
Income Support	1,338,131	1,338,131	1,834,541	1,834,541
Industrial Injuries Benefits Scheme	829,198	829,198	831,701	831,701
Jobseeker's Allowance	598,227	598,227	1,132,350	1,132,350
Employment programmes	296,176	296,176	347,154	347,154
TV licenses for over 75s	253,047	253,047	468,432	468,432
Severe Disablement Allowance	88,820	88,820	97,038	97,038
Other expenditure	369,001	369,001	338,582	338,582
Total	**85,221,995**	**85,221,995**	**78,262,687**	**78,262,687**

5b. Non-voted expenditure (financed by the National Insurance Fund)

	2019-20		2018-19	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
State Pension	98,634,351	98,634,351	96,589,102	96,589,102
Employment and Support Allowance	4,496,127	4,496,127	4,545,355	4,545,355
Bereavement benefits	438,413	438,413	462,506	462,506
Maternity Allowance	418,995	418,995	427,501	427,501
Jobseeker's Allowance	109,926	109,926	152,046	152,046
Christmas Bonus	124,015	124,015	125,657	125,657
Incapacity Benefit	765	765	1,320	1,320
Total	**104,222,592**	**104,222,592**	**102,303,487**	**102,303,487**

6. Non-cash expenditure

		2019-20		2018-19	
		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		3,751	3,905	1,007	1,627
Revaluation (gain)/loss		(24)	(267)	396	(142)
ESF foreign exchange loss		68,413	68,413	14,065	14,065
Movements on pension liability		(27,220)	(27,220)	(12,450)	(12,450)
		46,363	**46,274**	**4,461**	**4,543**
Depreciation, amortisation and impairment					
Depreciation and amortisation of non-current assets	9, 10	183,548	192,232	199,003	208,164
Impairment of non-current assets		980	980	1,191	1,386
Movement in impairment of receivables		(24,271)	(24,271)	(119,059)	(119,062)
		160,257	**168,941**	**81,135**	**90,488**
Provision expense					
Movement in provisions	16	(63,528)	(63,650)	(966,373)	(966,456)
Borrowing costs of provisions	16	109,786	109,786	48,647	48,647
		46,258	**46,136**	**(917,726)**	**(917,809)**
Total		**252,878**	**261,351**	**(832,130)**	**(822,778)**

ESF foreign exchange losses relate to European Social Fund (ESF) 2007-13 and 2014-20 programmes. The ESF programme accounts for unrealised losses and gains separately with the gain shown in note 7 income.

7. Income

	2019-20		2018-19	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Operating income				
HSE income	–	94,380	–	90,921
Pension levy receipts	84,346	84,455	95,717	95,717
EU income	279,625	279,625	601,996	601,996
Other income	128,015	123,488	99,770	96,517
Mesothelioma recoveries	62,386	62,386	62,455	62,455
Income from other government departments	38,876	38,872	32,076	32,076
CFER income	18,441	18,441	99,373	99,373
Total operating income	**611,689**	**701,647**	**991,387**	**1,079,055**
Finance income				
Investment income	39,262	39,341	33,484	33,566
Non-cash				
ESF foreign exchange gain	87,402	87,402	2,614	2,614
Total financial income	**126,664**	**126,743**	**36,098**	**36,180**
Total income	**738,353**	**828,390**	**1,027,485**	**1,115,235**

EU income relates to the European Social Fund (ESF) 2014-20 programme which funds projects across the UK. The Department's income from the EU is included within other income.

ESF foreign exchange gains relate to European Social Fund (ESF) 2007-13 and 2014-20 programmes. The ESF programme accounts for unrealised losses and gains separately with the losses shown in note 6 Non-cash expenditure.

8. Donated assets

	2019-20		2018-19	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Non-cash				
Gross Tax Credits transfer	(1,155,505)	(1,155,505)	(667,195)	(667,195)
Tax Credits transfer impairment	633,937	633,937	503,242	503,242
Net Tax Credits transfer	**(521,568)**	**(521,568)**	**(163,953)**	**(163,953)**
Gross devolved benefits	–	–	12,965	12,965
Devolved benefits impairment	–	–	(968)	(968)
Net devolved benefits	**–**	**–**	**11,997**	**11,997**
Non-cash total	**(521,568)**	**(521,568)**	**(151,956)**	**(151,956)**
Transfer of ALB assets	**–**	**–**	**–**	**(4,540)**
Total	**(521,568)**	**(521,568)**	**(151,956)**	**(156,496)**

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. Whilst this is planned to continue to transfer over the coming years, as more customers move to UC, there has been a temporary pause in transfers during the COVID-19 pandemic.

We regularly agree Tax Credits debt to transfer with HM Revenue and Customs, however, the amounts that are disclosed in our respective accounts may not agree due to timing differences. See note 1.13 for more information on Tax Credits receivables.

Executive Competency for devolvement of certain welfare and social security powers began transferring to the Scottish Government in April 2017. Debts owed by Scottish citizens at the point of transfer are donated to the Scottish Government as assets. There were no such transfers of benefit or associated debt in 2019-20. Executive Competency for some disability benefits transferred on 1 April 2020 along with the associated debt, this will be reported in the 2020-21 accounts.

9. Property, plant and equipment

Consolidated property, plant and equipment

	Land and buildings	Leasehold improvements	Information Technology	Plant and machinery	Furniture and fittings	Motor vehicles	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2019	**157,243**	**46,803**	**396,108**	**21,402**	**50,779**	**3,406**	**91,685**	**767,426**
Additions	214	1,407	22,157	763	9,498	134	11,487	**45,660**
Disposals	–	(3,484)	(18,396)	–	(281)	(901)	–	**(23,062)**
Reclassifications	11	58,168	2,209	(764)	2,574	59	(61,816)	**441**
Revaluations	(2,515)	–	–	–	–	–	–	**(2,515)**
At 31 March 2020	**154,953**	**102,894**	**402,078**	**21,401**	**62,570**	**2,698**	**41,356**	**787,950**
Depreciation								
At 1 April 2019	**32,963**	**32,663**	**195,391**	**16,052**	**9,305**	**1,533**	**–**	**287,907**
Charged in year	4,818	8,966	72,246	789	5,614	321	–	**92,754**
Disposals	–	(3,485)	(17,831)	–	(280)	(465)	–	**(22,061)**
Reclassifications	52	(52)	(1,143)	–	–	–	–	**(1,143)**
Revaluations	(1,859)	–	–	–	–	–	–	**(1,859)**
At 31 March 2020	**35,974**	**38,092**	**248,663**	**16,841**	**14,639**	**1,389**	**–**	**355,598**
Carrying amount at 31 March 2019	**124,280**	**14,140**	**200,717**	**5,350**	**41,474**	**1,873**	**91,685**	**479,519**
Carrying amount at 31 March 2020	**118,979**	**64,802**	**153,415**	**4,560**	**47,931**	**1,309**	**41,356**	**432,352**
Asset financing:								
Owned	11,268	64,802	139,373	4,560	46,472	1,309	41,356	309,140
Finance leased	25,063	–	14,042	–	1,459	–	–	40,564
PFI contracts	82,648	–	–	–	–	–	–	82,648
Carrying amount at 31 March 2020	**118,979**	**64,802**	**153,415**	**4,560**	**47,931**	**1,309**	**41,356**	**432,352**
Of the total:								
Department	23,776	59,361	145,902	722	43,335	43	38,976	312,115
Arm's length bodies	95,203	5,441	7,513	3,838	4,596	1,266	2,380	120,237
Carrying amount at 31 March 2020	**118,979**	**64,802**	**153,415**	**4,560**	**47,931**	**1,309**	**41,356**	**432,352**

	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**

	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
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**

a. Cash flow reconciliation

	2019-20	2018-19
	£000	£000
Capital payables and accruals at 1 April	54,315	65,451
Capital additions	45,660	135,949
Less: leased capital additions	(1,705)	(13,137)
Capital payables and accruals at 31 March	(38,601)	(54,315)
Purchases of property, plant and equipment as per Statement of Cash Flows	**59,669**	**133,948**
Of the total:		
Department	52,532	128,577
Arm's length bodies	7,137	5,371
Total	**59,669**	**133,948**

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 2019	39,160	283,042	824,949	48,301	**1,195,452**
Additions	–	14,946	(146)	51,990	**66,790**
Disposals	(3,990)	(64,948)	(180,521)	–	**(249,459)**
Impairments	–	(392)	(266)	(514)	**(1,172)**
Reclassifications	–	(110,760)	42,062	(47,641)	**(116,339)**
Revaluations	1,115	65,307	24,305	–	**90,727**
At 31 March 2020	**36,285**	**187,195**	**710,383**	**52,136**	**985,999**
Amortisation					
At 1 April 2019	38,256	145,289	525,722	–	**709,267**
Charged in year	386	48,505	50,587	–	**99,478**
Disposals	(3,990)	(45,770)	(180,521)	–	**(230,281)**
Impairment	–	(156)	(36)	–	**(192)**
Reclassifications	–	427	–	–	**427**
Revaluations	1,110	903	13,806	–	**15,819**
At 31 March 2020	**35,762**	**149,198**	**409,558**	**–**	**594,518**
Carrying amount at 31 March 2020	**523**	**37,997**	**300,825**	**52,136**	**391,481**
Carrying amount at 31 March 2019	**904**	**137,753**	**299,227**	**48,301**	**486,185**
Of the total:					
Department	30	36,584	300,564	51,840	**389,018**
Arm’s length bodies	493	1,413	261	296	**2,463**
Carrying amount at 31 March 2020	**523**	**37,997**	**300,825**	**52,136**	**391,481**
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**

	Websites	Purchased software licences	Internally developed software	Payments on assets under construction	Total
	£000	£000	£000	£000	£000
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**

a) Intangible asset cash flow reconciliation

	2019-20	2018-19
	£000	£000
Capital payables and accruals at 1 April	3,045	26,594
Capital additions	66,790	63,160
Capital payables and accruals at 31 March	(8,535)	(3,045)
Purchases of intangible assets as per Statement of Cash Flows	**61,300**	**86,709**
Of the total:		
Department	61,192	85,636
Arm's length bodies	108	1,073
Total	**61,300**	**86,709**

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 2020		31 March 2019	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Not later than 1 year	212,433	216,987	176,928	182,346
Later than 1 year and not later than 5 years	731,037	737,328	627,904	638,721
Later than 5 years	694,289	695,613	560,249	566,288
Total	**1,637,759**	**1,649,928**	**1,365,081**	**1,387,355**

The majority of the Department's lease commitments relate to accommodation and are based on standard terms and therefore do not include renewal or purchase options. Subletting or sale of the Department's lease rights, where permitted, requires the agreement of the landlord.

12. Cash and cash equivalents

	31 March 2020		31 March 2019	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Balances at 1 April	(1,166,033)	(1,149,401)	(394,753)	(371,552)
Net change in cash and cash equivalent balances	1,186,212	1,192,627	(771,280)	(777,849)
Balances at 31 March	**20,179**	**43,226**	**(1,166,033)**	**(1,149,401)**
Represented by:				
Cash and cash equivalents	955,358	978,681	403,525	420,157
Bank overdraft	(935,179)	(935,455)	(1,569,558)	(1,569,558)
	20,179	**43,226**	**(1,166,033)**	**(1,149,401)**

The following balances were held at:

	31 March 2020		31 March 2019	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Government Banking Services	16,832	16,556	(1,171,203)	(1,170,260)
Commercial banks and cash in hand	3,347	26,670	5,170	20,859
Total	**20,179**	**43,226**	**(1,166,033)**	**(1,149,401)**

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

		31 March 2020		31 March 2019	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Trade receivables		120,256	143,984	105,038	134,066
Benefit overpayments		346,681	346,681	423,257	423,257
Benefit advances		492,266	492,266	252,827	252,827
Housing Benefit subsidy		143,991	143,991	304,185	304,185
Prepayments and accrued income		921,556	945,579	1,127,721	1,153,718
Social Fund loans		142,636	142,636	264,154	264,154
Tax Credits		602,117	602,117	333,679	333,679
European Social Fund		197,705	197,705	617,566	617,566
Value Added Tax		48,849	47,579	44,323	43,559
Current part of loans		68	68	68	68
Amounts due from the Consolidated Fund in respect of supply		–	–	149,279	149,279
CFERs receivable		3,700	3,700	4,709	4,709
Other receivables		22,527	23,523	24,691	25,456
Gross receivables		**3,042,352**	**3,089,829**	**3,651,497**	**3,706,523**
Less: impairment of receivables	a	(395,919)	(402,290)	(288,102)	(292,049)
Net receivables		**2,646,433**	**2,687,539**	**3,363,395**	**3,414,474**
Amounts falling due after more than one year					
Benefit overpayments		2,232,663	2,232,663	2,072,225	2,072,225
Benefit advances		499,692	499,692	251,581	251,581
Financial assets	b	860,701	850,701	754,135	744,135
Social Fund loans		270,992	270,992	230,014	230,014
Tax Credits		1,173,176	1,173,176	513,571	513,571
Prepayments and Accrued Income		–	887	–	2,496
Other receivables		7,128	9,343	4,978	7,014
Gross receivables		**5,044,352**	**5,037,454**	**3,826,504**	**3,821,036**
Less: impairment of receivables	a	(1,621,278)	(1,621,278)	(1,119,771)	(1,119,771)
Net receivables		**3,423,074**	**3,416,176**	**2,706,733**	**2,701,265**
Total net receivables		**6,069,507**	**6,103,715**	**6,070,128**	**6,115,739**

a) Impairment of receivables

Impairment of receivables <1 year	31 March 2020		31 March 2019	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Benefit overpayments and Tax Credits	(371,386)	(370,105)	(267,284)	(267,285)
Social Fund	(12,440)	(12,440)	(8,205)	(8,205)
Other	(12,093)	(19,745)	(12,613)	(16,559)
Total	**(395,919)**	**(402,290)**	**(288,102)**	**(292,049)**

Impairment of receivables >1 year				
Benefit overpayments and Tax Credits	(1,561,023)	(1,561,023)	(1,085,799)	(1,085,799)
Social Fund	(60,064)	(60,064)	(33,760)	(33,760)
Other	(191)	(191)	(212)	(212)
Total	**(1,621,278)**	**(1,621,278)**	**(1,119,771)**	**(1,119,771)**

b) Financial assets

Our financial assets of £851 million consist of loans to organisations within our departmental family and Support for Mortgage Interest loans.

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. We loaned a further £64 million to NEST during the year (2018-19: £91 million), bringing the total loan balance to £778 million (2018-19: £714 million).

Office for Nuclear Regulation (ONR)

We have provided the ONR with a working capital loan and a short-term loan facility to provide them with adequate working capital to discharge their statutory obligations. The amount outstanding is £10 million (2018-19: £2 million).

BPDTS Limited

Our loan to BPDTS of £10 million (2018-19: £10 million) is eliminated on group consolidation as BPDTS falls within our reporting boundary.

Support for Mortgage Interest (SMI)

The value of SMI loans now stands at £63 million (2018-19: £28 million).

14. Trade payables and other liabilities

		31 March 2020		31 March 2019	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Taxation and social security		45,949	51,336	47,462	53,118
Superannuation		50,663	54,861	42,006	45,222
Trade payables		162,425	166,481	168,367	172,779
Accruals and deferred income		5,609,629	5,640,706	4,698,591	4,729,216
Capital payables and accruals	9, 10	43,345	46,012	56,529	57,360
Bank overdrafts	12	935,179	935,455	1,569,558	1,569,558
Imputed finance lease element of on-Statement of Financial Position PFI contracts		–	2,971	–	2,716
Finance lease obligations		11,299	11,301	23,691	23,693
CFERs due to be paid to the Consolidated Fund – Received		5,605	5,605	88,503	88,503
CFERs due to be paid to the Consolidated Fund – Receivable		3,700	3,700	4,708	4,708
Amounts issued from the Consolidated Fund for supply but not spent at year end		672,216	672,216	–	–
Third party payments		75,625	75,625	52,713	52,713
European Social Fund		94,535	94,535	84,617	84,617
Other payables		46,677	46,958	84,884	85,680
		7,756,847	**7,807,762**	**6,921,629**	**6,969,883**
Amounts falling due after more than one year					
Imputed finance lease element of on-Statement of Financial Position PFI contracts		–	87,204	–	90,175
Finance lease obligations		53,333	54,728	64,184	65,580
European Social Fund		93,771	93,771	288,930	288,930
Accruals and Deferred Income		19,180	19,180	–	–
Capital Accruals	9, 10	1,124	1,124	–	–
		167,408	**256,007**	**353,114**	**444,685**
Total payables		**7,924,255**	**8,063,769**	**7,274,743**	**7,414,568**

15. Financial instruments

Our financial instruments include loans and receivables.

		31 March 2020		31 March 2019	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Financial assets					
Loans and investments		797,715	787,715	725,815	715,815
Benefit advances		991,959	991,959	504,408	504,408
Other receivables		200,379	224,711	152,109	181,792
Cash and cash equivalents	12	955,358	978,681	403,525	420,157
Housing Benefit subsidy	13	143,991	143,991	304,185	304,185
Benefit overpayments	13	2,579,344	2,579,344	2,495,482	2,495,482
Tax Credits	13	1,775,293	1,775,293	847,250	847,250
Social Fund loans	13	413,628	413,628	494,168	494,168
European Social Fund	13	197,705	197,705	617,566	617,566
Total		**8,055,372**	**8,093,027**	**6,544,508**	**6,580,823**
Less: impairment of financial instruments		(2,017,197)	(2,023,568)	(1,407,873)	(1,411,820)
		6,038,175	**6,069,459**	**5,136,635**	**5,169,003**
Financial liabilities					
Other payables		5,853,076	5,892,272	5,011,024	5,048,291
Bank overdraft	12	935,179	935,455	1,569,558	1,569,558
European Social Fund	14	188,306	188,306	373,547	373,547
Total		**6,976,561**	**7,016,033**	**6,954,129**	**6,991,396**

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 2020 aren't materially different from their fair values, so we haven't shown them separately.

16. Provisions for liabilities and charges

		31 March 2020		31 March 2019	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Financial Assistance Scheme (FAS) provision	16a	5,489,874	5,489,874	5,716,940	5,716,940
Benefit provisions	16b	883,003	883,003	1,248,401	1,248,401
Other provisions	16c	47,203	48,084	17,290	19,110
		6,420,080	**6,420,961**	**6,982,631**	**6,984,451**

Analysis by type

a. FAS provision

	31 March 2020		31 March 2019	
	Core department	Departmental group	Core department	Departmental group
FAS provision (a)	£000	£000	£000	£000
Balance at 1 April	5,716,940	5,716,940	7,564,854	7,564,854
Provided in year	–	–	–	–
Provisions not required written back	(187,018)	(187,018)	(72,673)	(72,673)
Change in discount rate	63,528	63,528	(1,616,254)	(1,616,254)
Utilised in year	(212,228)	(212,228)	(211,614)	(211,614)
Borrowing costs (unwinding of discount)	108,652	108,652	52,627	52,627
Balance at 31 March	**5,489,874**	**5,489,874**	**5,716,940**	**5,716,940**

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 provision is to provide for the liabilities arising from any 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.

The impact of COVID-19 on the wider economy has the potential to affect asset values, but any impact is expected to be relatively immaterial in the context of the wider DWP accounts.

Due to the nature of the assets, which are low value and largely held as annuities, any market volatility arising as a result of COVID-19 is immaterial.

Due to the long-term nature of the liabilities and the assumptions on which the estimate of the provision is based, which could potentially be impacted by the wider economic effects of COVID-19, some uncertainty about the value of the liability remains.

Some illustrative narrative indicating the nature of such potential impacts is included below in the sensitivities section.

Sensitivities for 2019-20

The FAS provision is long-term and is therefore more sensitive to changes in economic and other conditions.

The table below sets out a sensitivity analysis for the most significant assumptions used to estimate the FAS provision. It illustrates the potential impact of changes in assumptions on the value of the provision.

	Original	Discount rate	Inflation rate	Mortality rate	Pension payments	Deferred pension revaluation rate
	£bn	£bn	£bn	£bn	£bn	£bn
		0.5% decrease	0.5% decrease	10% increase p.a.	0.5% increase p.a.	0.5% increase p.a.
Assumption						
Provision as at 31 March 2020	5.490	5.904	5.113	5.331	5.606	5.603
Increase/(decrease) in provision		0.414	(0.376)	(0.159)	0.116	0.113
Percentage change		7.54%	(6.86%)	(2.89%)	2.11%	2.05%

Original – This is the actual FAS provision which has been posted into our accounts and is used as the "baseline" position for the other scenarios.

Discount rate decrease – The assumption in this scenario is that assuming the cash flows remain the same and only the discount rates (as advised by HM Treasury) decreased by 0.5%, then the impact would create an increase in the provision of £414 million (8%).

Inflation rate decrease – The assumption in this scenario is a decrease in inflation and everything else remains stable. The impact would create a decrease in the provision of £376 million (7%).

Mortality increase – 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 £159 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 £116 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 £113 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.

There have been a number of legal challenges to pension entitlements in recent years. Where relevant to the FAS, these are reflected in the assumptions which underpin the cash flow.

Assessment of COVID-19 Impact

Whilst there are a number of assumptions that underpin the estimate of the liability, we have considered the three most significant of these assumptions, and how they could be impacted by COVID-19.

Discount rate – a change to the discount rate would have an impact on the liability value. Discount rates are linked to long term future interest rates, as interest rates are at an historic low there is very limited scope for interest rates and therefore discount rates to move significantly lower. As required by the FReM, we use interest rates set by HM Treasury to discount the liability. The discount rate assumptions used have not been altered in light of COVID-19 at this stage.

Inflation rate – a change to the future expectation on inflation rates would have an impact on future compensation increases which in turn would impact on the value of liabilities, but it is too early at this stage to quantify this. Changes in inflation rates, which in turn affect future compensation payments, do not have a uniform impact on the liability as some payments are flat-rate and others are capped. With reference to the sensitivity analysis above, we do not consider it likely that inflation rates will move to such an extent that it would have a material impact on the valuation of the provision. The inflation rate assumptions used have not been altered in light of COVID-19 at this point in time.

Mortality rate – based on very high level analysis it is not expected that mortality arising from COVID-19 in the short term will have a significant impact on the valuation of the liability. In the longer term, COVID-19 may have an impact on future mortality, but it is too early at this stage to quantify this. As demonstrated in the sensitivity analysis above, mortality rates would have to move quite significantly to have a material impact on the value of the provision, which we consider to be unlikely. The mortality rate assumptions used have not been altered in light of COVID-19 at this point in time.

b. Benefit provisions

	31 March 2020		31 March 2019	
	Core department	Departmental group	Core department	Departmental group
Benefit provisions (b)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	1,248,401	1,248,401	1,017,448	1,017,448
Provided in year	1,063,956	1,063,956	1,067,804	1,067,804
Provisions not required written back	(1,034,354)	(1,034,354)	(349,339)	(349,339)
Utilised in year	(396,239)	(396,239)	(483,504)	(483,504)
Borrowing costs (unwinding of discount)	1,239	1,239	(4,008)	(4,008)
Balance at 31 March	**883,003**	**883,003**	**1,248,401**	**1,248,401**

Benefit provisions in relation to judicial review, legal cases and appeals:

There are a number of ongoing legal cases (judicial reviews and appeals) against the Department, if successful in the Courts these challenges may create 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 £883 million to be our best estimate of our exposure.

Benefit provisions are estimated using detailed forecasting data and established methodology.

c. Other provisions

	31 March 2020		31 March 2019	
	Core department	Departmental group	Core department	Departmental group
Other provisions (c)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	17,290	19,110	13,597	23,188
Provided in year	36,029	36,042	5,565	6,002
Provisions not required written back	(5,669)	(5,893)	(1,476)	(2,349)
Utilised in year	(342)	(1,070)	(424)	(7,759)
Borrowing costs (unwinding of discount)	(105)	(105)	28	28
Balance at 31 March	**47,203**	**48,084**	**17,290**	**19,110**

The remaining other provisions comprise:

- New Fair Deal pension commitments
- onerous contracts and refurbishment work required on vacation of leased properties
- 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

- potential inaccuracies in contractor employment status since April 2017, when new legislative requirements were introduced for public sector bodies, based on an extrapolation of sample checks on historic employment status for tax assessments

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	232,867	232,867	593,530	593,530	37,163	37,352	863,560	863,749
Later than one year and not later than 5 years	926,167	926,167	289,473	289,473	3,530	4,222	1,219,170	1,219,862
Later than 5 years	4,330,840	4,330,840	–	–	6,510	6,510	4,337,350	4,337,350
Balance at 31 March 2020	**5,489,874**	**5,489,874**	**883,003**	**883,003**	**47,203**	**48,084**	**6,420,080**	**6,420,961**

17. Remploy Pension Scheme

The Secretary of State for the Department for 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 three 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 do not 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 in 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 delegate 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 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

There were no plan amendments, curtailments or settlements during the period.

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 cashflows

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 three years. The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 March 2019 and the next valuation of the Scheme is due as at 31 March 2022. 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 (eg through a shorter Schedule period).

The Sponsor would normally be expected to pay contributions of at least £10 million in the year to 31 March 2021 (although note the Sponsor has recently pre-paid future contributions set out in the Schedule of Contributions).

The weighted average duration of the defined benefit obligation is approximately 18 years.

Assessment of COVID-19 impact

In March 2020, there were significant falls in some global markets as a result of the COVID-19 pandemic. However, the Scheme's particular assets produced a small positive return over the 12 months to 31 March 2020 (and only a relatively modest negative return over the quarter to 31 March 2020). This reflected the Scheme's particular asset mix, including a relatively low exposure to equity markets, for example. On the liability side, long-dated high quality corporate bond yields rose by over 0.5% p.a. during March 2020, which served to reduce the liabilities measured in accordance with the IAS19 (Employee Benefits) accounting standard (compared to end of February market conditions) significantly.

Disclosures for IAS19 (Employee Benefits)

Table of assumptions used in calculations

	At 31 Mar 2020	At 31 Mar 2019
Discount rate	2.30% p.a.	2.50% p.a.
Inflation (RPI)	2.70% p.a.	3.50% p.a.
Inflation (CPI)	2.10% p.a.	2.50% p.a.
Discretionary pension increase (Pre 1 April 1997 excess – CPI uncapped)	2.10% p.a.	2.50% p.a.
Pension increase (1 April 1997 – 1 April 2005 – CPI (capped at 5%))	2.10% p.a.	2.50% p.a.
Pension increase (Post 1 April 2005 – RPI (capped at 5%))	2.60% p.a.	3.40% p.a.
Post-retirement mortality	Remploy-specific table based on Remploy experience between 2007 and 2012 with allowance for improvements in life expectancy in line with CMI 2018 projections subject to a long-term rate of improvement of 1.25% p.a., a smoothing parameter of 7 and no additional initial rate of improvement	Remploy-specific table based on Remploy experience between 2007 and 2012 with allowance for improvements in life expectancy in line with CMI 2015 projections subject to a long-term rate of improvement of 1.25% p.a.
Commutation	Consistent with 31 March 2019	Members are assumed to take 75% of their maximum lump sum
Early Retirement	Consistent with 31 March 2019	Non-pensioners over age 50 at 31 March 2016 retire at age 63, under age 50 retire at age 65
Ill health retirements	1% loading (non-pensioners)	3% loading (non-pensioners)
Allowance for GMP equalisation	Consistent with 31 March 2019	Uplift to liabilities of approx 1%
Life expectancy at age 65 of male aged 45	20.3	21.6
Life expectancy at age 65 of male aged 65	18.4	19.4
Life expectancy at age 65 of female aged 45	23.2	24.6
Life expectancy at age 65 of female aged 65	21.2	22.3

The current asset split is as follows:	Asset allocation at 31 March 2020
Property	9.5%
Absolute return bonds	11.2%
Collateralised loan obligations	6.8%
Direct Lending	7.1%
Semi-liquid credit	10.5%
LDI	52.7%
Cash	0.8%
Insurance Policies	0.4%
AVC Investments	1.0%
Total assets	**100%**

Note that the Assets labelled "LDI" actually include a number of different assets types, including derivatives.

See below a table for the main invested assets, split into those which have a quoted market price in an active market and those that do not:

	Active market	Non-Active market
Property	0%	100%
Absolute return bonds	100%	0%
Collateralised loan obligations	100%	0%
Direct lending	0%	100%
Semi-liquid credit	73%	27%
LDI	100%	0%

The Insurance policies (relating to annuities) would not have an active market. The AVCs were invested in on a money purchase basis for applicable members in with-profits or unitised funds.

Explanation of amounts in the financial statements

Balance sheet	At 31 March 2020	At 31 March 2019
	£000	£000
Fair value of assets	895,087	889,536
Present value of funded obligations	(922,482)	(1,044,872)
Surplus/(deficit)* in scheme	**(27,395)**	**(155,336)**
Effect of asset ceiling	–	–
Net defined benefit asset/(liability)	**(27,395)**	**(155,336)**

* Surplus/(deficit) shown prior to deferred taxation

Amount recognised in Profit and Loss	Period to 31 March 2020	Period to 31 March 2019
Current service cost	–	–
Administration costs	1,438	1,723
Interest on liabilities	25,474	25,660
Interest on assets	(21,972)	(22,236)
Past service costs	–	10,253
Settlement and curtailment cost	–	–
Total charge to Profit and Loss	**4,940**	**15,400**

Re-measurements over the period	Period to 31 March 2020	Period to 31 March 2019
Loss/(gain) on assets in excess of interest	13,337	(38,222)
Experience losses/(gains) on liabilities	(13,254)	839
Losses/(gains) from changes to demographic assumptions	(64,345)	–
Losses/(gains) from changes to financial assumptions	(36,459)	65,395
Total re-measurements	**(100,721)**	**28,012**

Reconciliation of assets and defined benefit obligation

The change in the value of assets over the period was

Change in value of assets	Period to 31 March 2020 £000	Period to 31 March 2019 £000
Fair value of assets at start	**889,536**	**837,208**
AVC assets at start	(9,327)	(9,949)
Interest on assets	21,972	22,236
Sponsor contributions	32,160	27,850
Contributions by Scheme participants	–	–
Benefits paid	(33,369)	(33,635)
Administration costs	(1,438)	(1,723)
Change due to settlements and curtailments	–	–
Return on assets less interest	(13,337)	38,222
AVC assets at end	8,890	9,327
Fair value of assets at end	**895,087**	**889,536**

Actual return on assets	**8,635**	

The change in the defined benefit obligation over the period was

Change in value of the defined benefit liabilities	Period to 31 March 2020 £000	Period to 31 March 2019 £000
Defined benefit obligation at start	**1,044,872**	**976,982**
AVC liabilities at start	(9,327)	(9,949)
Current service cost	–	–
Contributions by Scheme Participants	–	–
Past service costs	–	10,253
Interest cost	25,474	25,660
Benefits paid	(33,369)	(33,635)
Change due to settlements and curtailments	–	–
Experience (gain)/loss on liabilities	(13,254)	839
Changes to demographic assumptions	(64,345)	–
Changes to financial assumptions	(36,459)	65,395
AVC liabilities at end	8,890	9,327

Defined benefit obligation at end	**922,482**	**1,044,872**

Reconciliation of net defined benefit liability (asset)	Period to 31 March 2020 £000	Period to 31 March 2019 £000
Net defined benefit liability (asset) at start	**155,336**	**139,774**
Current service cost	–	–
Past service cost and settlement and curtailment cost	–	10,253
Net interest expense (income)	3,502	3,424
Remeasurements	(100,721)	28,012
Administration costs	1,438	1,723
Employer contributions	(32,160)	(27,850)
Net defined benefit liability (asset) at end	**27,395**	**155,336**

Sensitivity of the value placed on the liabilities	Approximate effect on liability
Discount rate	**£000**
Discount rate +0.50%	(71,709)
Discount rate -0.50%	81,657
Inflation	
Inflation +0.50%	63,235
Inflation -0.50%	(56,587)
Mortality	
Decrease mortality rates by a factor of **10%**	40,442
Increase mortality rates by a factor of **10%**	(35,862)

Pension accounting assumptions as at 31 March 2020

Discount rate

The approach used to set the discount rate at the previous Review Date was based on the Merrill Lynch AA Corporate Bond yield curve at a duration of 19 years, which was the approximate term of the Scheme's liabilities.

Using a set of proxy cash flows with a similar duration to that of the Scheme's liabilities (which is around 18 years at the Review Date) leads to a discount rate of between 2.2% p.a. and 2.4% p.a. at the Review Date depending on the approach used to construct the yield curve. Using the Merrill Lynch AA Corporate Bond yield curve results in a proposed discount rate of 2.3% p.a., which is in the middle of this range and reasonable for this purpose.

This is lower than the discount rate used last year of 2.5% p.a., reflecting the changes to the yields on bonds of the appropriate term over this period and the adjustment to the methodology described above.

Inflation

Being consistent with the method used to determine the discount rate results in an RPI assumption this year of 2.9% p.a. This excludes any allowance for an inflation risk premium.

The RPI assumption at the Review Date is lower than the assumption used last year of 3.5% p.a., reflecting changes in expectations for future inflation over the period (the main reason) and the adjustment to the methodology described above.

The assumption for CPI is set by deducting 0.8% p.a. from the RPI assumption. This is a change from last year, when a deduction of 1.0% p.a. was made. This change is in view of the government's consultation on the change to the RPI measure (see below).

Increases in pensions which are linked to inflation are assumed to be in line with the relevant inflation assumption, taking into account any limits that may apply. This is the same as the approach adopted last year.

Government consultation on changes to RPI measure

The government recently announced it would consult on changing the RPI index to be brought in line with the "CPIH" index (this is the Consumer Price Index (CPI) index but with housing costs included).

For the purposes of the IAS19 disclosures, there are benefits linked to RPI and CPI inflation that would be directly affected by such a change. To the extent that the market has priced in only a partial fall in RPI inflation, the post-2030 RPI inflation assumption may be overstated and the post-2030 CPI inflation assumption may be understated.

However, given the uncertainty of what will happen, there is no adjustment to the RPI inflation assumption derived above. However, there is a reduction in the RPI-CPI gap from 1.0% p.a. last year to 0.8% p.a. this year, to reflect the fact that the market is likely to have already priced in a partial fall in RPI inflation as at the Review Date.

18. Incorrect payments

Overview

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 96.5% of our £191.7[2] billion benefit expenditure correctly.

The 2019-20 statistics (published in May 2020) indicate that fraud and error overpayments increased to 2.4% from 2.1% (restated). This amounts to a monetary value of £4.6 billion overpaid from a total expenditure of £191.7 billion this year. Fraud accounts for overpayments of 1.4% (£2.8 billion) of expenditure, whilst claimant error is 0.6% (£1.1 billion) and official error is 0.4% (£0.8 billion).[3]

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 £1.0 billion was recovered in 2019-20.[4] An additional measure takes away actual recoveries from estimated overpayments, to give an estimate of the net loss to the system.[5] Further details on our fraud and error strategy are included in the performance report, page 72.

The 2019-20 statistics estimate that the proportion of benefit underpaid remained at 1.1% of total expenditure in comparison to the previous year, which equates to a monetary value of £2.0 billion. 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.

2 Benefit expenditure stated within this note is based on the latest available forecast expenditure for 2019-20, 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 £192.0 billion, or the Statement of Parliamentary Supply (SOPS) of £192.8 billion. The difference between these values is due to disaggregation in the SOPS between DEL and AME, resource and capital expenditure.

3 We define fraud as where claimants deliberately claim money they aren't entitled to. We split error into two categories: claimant error, which occurs when claimants provide inaccurate information, and official error, which occurs when we process information incorrectly or fail to apply rules.

4 Benefit recovery is through the Department's debt management function and local authorities.

5 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 2019-20 figures for directly administered benefits plus figures for Housing Benefit for the period October 2018 to September 2019. Further information can be found at www.gov.uk by searching for Fraud and Error in the Benefit System 2019-20.

Statistics

Table 1. Overall 2019-20 fraud and error estimates

	Fraud	Claimant error	Official error	Total
Overpayments	1.4% (£2.8bn)	0.6% (£1.1bn)	0.4% (£0.8bn)	2.4% (£4.6bn)
Underpayments	0.0% (£0.0bn)	0.7% (£1.3bn)	0.4% (£0.7bn)	1.1% (£2.0bn)
Total Expenditure				*£191.7bn*

Table 2. Estimates for benefits reviewed in 2019-20

	Overpayments				Underpayments			
	Fraud	Claimant error	Official error	Total	Claimant error	Official error	Total	Total Expenditure
Universal Credit	7.6% (£1,390m)	0.5% (£90m)	1.3% (£250m)	9.4% (£1,730m)	0.6% (£100m)	0.5% (£90m)	1.1% (£200m)	£18.4bn
Housing Benefit	3.7% (£680m)	1.7% (£310m)	0.5% (£90m)	6.0% (£1,090m)	1.3% (£230m)	0.4% (£80m)	1.7% (£310m)	£18.3bn
Employment and Support Allowance	1.9% (£250m)	1.2% (£160m)	1.1% (£150m)	4.1% (£550m)	1.2% (£160m)	1.6% (£220m)	2.8% (£380m)	£13.4bn
Personal Independence Payment	0.3% * (£30m)	1.1% (£140m)	0.1% (£20m)	1.5% * (£190m)	3.1% (£390m)	0.7% (£80m)	3.8% (£470m)	£12.5bn
Pension Credit	2.5% (£130m)	1.6% (£80m)	1.2% (£60m)	5.3% (£270m)	1.2% (£60m)	1.1% (£60m)	2.2% (£120m)	£5.1bn
Carer's Allowance	3.0% (£90m)	2.0% (£60m)	0.1% (£0m)	5.2% (£150m)	0.0% (£0m)	0.0% (£0m)	0.0% (£0m)	£2.9bn

Table 3. Estimates for benefits reviewed in previous years

	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% * (£30m)	0.1% (£120m)	0.0% (£0m)	0.1% (£150m)	0.1% (£150m)	£98.8bn
Jobseeker's Allowance	3.1% (£20m)	0.3% (£0m)	1.2% (£10m)	4.6% (£30m)	0.3% (£0m)	1.2% (£10m)	1.5% (£10m)	£0.7bn
Disability Living Allowance	0.5% (£40m)	0.6% (£40m)	0.8% (£60m)	1.9% (£140m)	2.4% (£170m)	0.1% (£10m)	2.5% (£180m)	£7.2bn
Income Support	2.4% (£30m)	1.0% (£10m)	0.4% (£10m)	3.9% (£50m)	0.4% (£10m)	0.3% (£0m)	0.8% (£10m)	£1.4bn
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

Table 4. Estimates for benefits never reviewed and interdependencies

	Overpayments				Underpayments			
	Fraud	Claimant error	Official error	Total	Claimant error	Official error	Total	Total Expenditure
Unreviewed benefits	0.8% (£100m)	0.5% (£70m)	0.5% (£70m)	1.8% (£230m)	1.4% (£190m)	0.2% (£30m)	1.7% (£220m)	£12.9bn
Interdependencies	z (£10m)	z (£10m)	z (£20m)	z (£40m)	z	z	z	z

Notes to tables 1-4:

1. The 2019-20 data comes from DWP National Statistics: Fraud and Error in the Benefit System: 2019-20 Estimates. Figures are based on fraud and error National Statistics for the period covering October 2018 to September 2019 (August 2018 to July 2019 for Personal Independence Payment and May 2019 to December 2019 for Carer's Allowance) and estimated benefit expenditure for 2019-20.

2. Total expenditure figures for 2019-20 were the latest available for the financial year at the time of producing the fraud and error estimates and are consistent with Spring Budget 2020.

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. Carer's Allowance underpayment estimates are zero as no underpayment cases were found in the sample.

7. State Pension is measured for official error only each year.

8. 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, and 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.

9. Any figure marked with a * means that it has had a statistically significant difference (at a 95% level of confidence) when comparing to the revised 2018-19 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 2018-19 figures please see GOV.UK.

10. 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).

11. "Interdependencies" is an estimate of the knock-on effects of DLA/PIP overpayments on caring and disability premiums on income-related benefits, which depend on the rate of DLA/PIP in payment.

12. A 'z' indicates not applicable.

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 £4.6 billion benefit expenditure, equating to an overall rate of 2.4%) 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

Reviewed in 2019-20	**UC**	**HB**	**ESA**	**PIP**	**PC**	**CA**
Expenditure (£bn)	£18.4	£18.3	£13.4	£12.5	£5.1	£2.9
Overpayment rate	9.4%	6.0%	4.1%	1.5%	5.3%	5.2%
Overpayment value (£m)	£1,730	£1,090	£550	£190	£270	£150
Contribution to overall OP	*38%*	*24%*	*12%*	*4%*	*6%*	*3%*
Impact of a 10% change in monetary value of overpayment on the overall overpayment rate	*0.09%*	*0.06%*	*0.03%*	*0.01%*	*0.01%*	*0.01%*

Previously reviewed	**JSA**	**IS**	**IB**	**DLA**	**SP**	**Unreviewed**
Expenditure (£bn)	£0.7	£1.4	£0.0	£7.2	£98.8	£12.9
Overpayment rate	4.6%	3.9%	2.4%	1.9%	0.1%	1.8%
Overpayment value (£m)	£30	£50	£0	£140	£120	£230
Contribution to overall OP	*1%*	*1%*	*0%*	*3%*	*3%*	*5%*

Reviewed in 2019-20	UC	HB	ESA	PIP	PC	CA
Impact of a 10% change in monetary value of overpayment on the overall overpayment rate	*0.00%*	*0.00%*	*0.00%*	*0.01%*	*0.01%*	*0.01%*

For example, Universal Credit currently contributes 38% of the overall overpayment value, the highest of all individual benefits. If the monetary value of overpayment on Universal Credit (currently £1,730 million) changed by 10%, this would lead to the overall overpayment rate changing by 0.09%.

Table of the proportion each benefit contributes to the overall underpayment rate

Reviewed in 2019-20	UC	HB	ESA	PIP	PC	CA
Expenditure (£bn)	£18.4	£18.3	£13.4	£12.5	£5.1	£2.9
Underpayment rate	1.1%	1.7%	2.8%	3.8%	2.2%	0.0%
Underpayment value (£m)	£200	£310	£380	£470	£120	£0
Contribution to overall UP	*10%*	*15%*	*18%*	*23%*	*6%*	*0%*
Impact of a 10% change in monetary value of underpayment on the overall underpayment rate	*0.01%*	*0.02%*	*0.02%*	*0.02%*	*0.01%*	*0.00%*

Previously reviewed	JSA	IS	IB	DLA	SP	Unreviewed
Expenditure (£bn)	£0.7	£1.4	£0.0	£7.2	£98.8	£12.9
Underpayment rate	1.5%	0.8%	0.7%	2.5%	0.1%	1.7%
Underpayment value (£m)	£10	£10	£0	£180	£150	£220
Contribution to overall UP	*1%*	*1%*	*0%*	*9%*	*7%*	*11%*
Impact of a 10% change in monetary value of underpayment on the overall underpayment rate	*0.00%*	*0.00%*	*0.00%*	*0.01%*	*0.01%*	*0.01%*

For example, Personal Independence Payment currently contributes 23% of the overall underpayment value, the highest of all individual benefits. If the monetary value of underpayment on Personal Independence Payment (currently £470 million) changed by 10%, this would lead to the overall underpayment rate changing by 0.02%.

Benefit fraud and error estimation uncertainty and assumptions

We are rigorous in estimating levels of fraud and error. Our estimates are produced to the exacting standards of the UK Statistics Authority protocols for National Statistics, ensuring their production is independent of departmental and ministerial influence.

Our strategy for estimating the level of incorrect payments considers 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 supporting 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.

Sampling uncertainty and confidence intervals

The above tables contain estimates based on a sample of benefit claims and are therefore subject to a degree of statistical uncertainty. They are prepared to within a stated range of accuracy, described as confidence intervals. The estimates are provided to a 95% confidence level. For 2019-

20, the rates of total overpayment lie in the range from 2.2% to 2.7% (monetary value £4.2 billion to £5.1 billion), whilst the corresponding range for underpayments is 0.9% to 1.3% (£1.7 billion to £2.5 billion).

Further information on our estimation strategy can be found at GOV.UK (within the latest National Statistics publication, and the uncertainty and confidence intervals supporting document).

'Cannot Review' assumption

'Cannot Review' cases are those that do not engage with the Performance Measurement review of their benefit award, resulting in their benefit being suspended. We previously classified all these cases as fraud. We now look at each of these cases individually and classify them as follows:

- Benefit correct – if they come back on to benefit within four months with the same circumstances
- Fraud – if there is a suspicion of fraud raised following initial data gathering prior to review
- Inconclusive – where there is no information to suggest a suspicion of fraud or that the claimant has reclaimed benefit

Inconclusive cases are removed from the main fraud and error estimate and footnoted separately in the fraud and error statistical publication.

Inconclusive cases accounted for £470 million of expenditure in 2019-20. Had all of these cases been instead classed as fraud, then the total monetary value of overpayments would rise from £4.6 billion to £5.1 billion, and the overall overpayment rate would rise from 2.4% to 2.6%.

Further information on this assumption and the impact can be found at GOV.UK (within the latest National Statistics publication, and the supporting background and methodology document).

State Pension assumptions

State Pension last underwent a full review for fraud and error in 2005-06. Since then the benefit has been only reviewed for official error each year. State Pension accounted for £99 billion of expenditure in 2019-20, over half the total expenditure on all benefits.

In the estimates of fraud and error for 2019-20, rates of overpayments and underpayments for claimant fraud and claimant error from the last review (in 2005-06) are applied to benefit expenditure in 2019-20 to estimate the monetary value of overpayments and underpayments.

For official error measures in the current year, State Pension cases resident overseas are not reviewed for fraud and error, and therefore the fraud and error rate is assumed to be the same as for Great Britain. In 2019-20, 4% (£4 billion) of State Pension expenditure was paid to claimants who were resident overseas, who made up around 9% of the total caseload on the benefit.

Methodological changes

Several methodology changes have been made to the estimate of fraud and error in the benefit system for 2019-20. The changes have been made to improve the quality of the estimates and consistency in how the estimates are produced for the different benefits.

When applied to the data used for the 2018-19 estimate, this new methodology has reduced the headline overpayment rate of fraud and error for 2018-19 from 2.2% to 2.1% (£4.1 billion to £3.9 billion), although at benefit level there are slightly larger changes. There is very little change in overall underpayments.

The change with the largest impact arose from rolling out the 'Cannot Review' assumption from Universal Credit to all measured benefits, to align the treatment of cases that were not able to be reviewed. This change accounted for a reduction of 0.1% (£0.2 billion) in the overall 2018-19 overpayment estimate; the net impact of the other changes combined was zero.

Further information on this, and other, methodological changes can be found at GOV.UK (within the latest National Statistics publication, and the supporting background and methodology document).

19. Contingent liabilities

Transfer of State Pensions and benefits

In 2007, regulations were put in place to allow staff employed in certain EU institutions to transfer an enhanced cash value of potential entitlement to the State Pension and other contributory benefits to the Pension Scheme for Officials and Servants of Community Institutions. Until the transfer value has been calculated, a contingent liability arises. The overall time limit is 10 months between the date of application and the transfer payment. However, the limits can be extended if needed. Since 2007 we've received 1,759 transfer applications. 83% of these have resulted in transfer payments. At 31 March 2020 there were 133 cases outstanding. The liability for these cases is estimated to be in the region of £5.1 million.

European Social Fund (ESF) repayments

The ESF audit authority is required to provide opinions on both the final 2007-13 ESF programme declaration issued by the ESF certifying authority and the 2014-20 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 2007-13 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 2007-13 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 2014-20 programme the opinion of the audit authority on the 2018-19 accounts is unqualified with an error rate of 1.237% 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.

Employment Legislation (IR35)

While the Department's internal checks have highlighted inaccuracies in the assessment of some contractor's employment status since April 2017, when new legislative requirements were introduced for public sector bodies, compliance audit work with HM Revenue and Customs is yet to conclude on what the final historic position is and if any liability for additional tax the Department may incur.

Compensation recovery

We recognise recoveries from insurance companies for compensation claims made by benefit recipients. Once the recovery is made the insurance company has the right to mandatory reconsideration or appeal within a set time period. If the reconsideration or appeal is successful recoveries are refunded to the insurance company. Analysis of existing data suggests that it is reasonable to recognise a contingent liability of £6 million for successful mandatory reconsideration or appeals. This is all expected to be settled within the following financial year.

Legal cases

The ongoing legal cases, (judicial reviews and appeals) may lead 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 2020 the Department estimates the value of this contingent liability in aggregate to be £2,305 million. Further disclosure of the details of the cases are not provided as, in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), the Department considers that the disclosure of individual values for any legal contingent liabilities could be expected to seriously prejudice on-going litigation.

20. Related party transactions

We sponsor the arm's length bodies listed on page 119. These include three public corporations: Pension Protection Fund, National Employment Savings Trust and Office for Nuclear Regulation.

In addition, we have had a significant number of transactions with other government departments. Most of these transactions have been with HM Revenue and Customs, the British Broadcasting Corporation, Cabinet Office, the Office for National Statistics, the Ministry of Justice, Northern Ireland's Department for Communities, the Scottish Government, HM Treasury, the Department of Health and Social Care, and the Government Legal Department. 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

COVID-19 has had a significant impact upon the Department and its operations, as described in the annual report; this impact began prior to the 31 March and will continue into 2020-21.

Due to the timing of the pandemic, the impact of COVID-19 in these financial statements has been limited. We have made minor adjustments to our model for impairing benefit overpayment debt following the announcement of the temporary suspension of recoveries in direct response to the pandemic. We have also implemented other changes with less direct financial impacts in this period, including changes in controls operating around benefits to reduce face-to-face contact with claimants and to streamline services; and we have also experienced increases in new claims to other working-age benefits including Job Seekers Allowance and Employment Support Allowance. The impact of these changes will be felt in 2020-21.

The length of the initial assessment period for Universal Credit is five weeks, at the end of which entitlement is confirmed and expenditure is recognised and accrued before payment. As a result, almost all the new Universal Credit claims relating to COVID-19 were not recognised as expenditure in the period to 31 March 2020. We therefore expect significant additional benefit expenditure to be recorded in the early months of 2020-21 for Universal Credit as these claims are approved, accrued and paid.

There has also been a significantly higher level of benefit advances as a result of the surge in new claims for Universal Credit. Again this has resulted in only marginal increases in expenditure in these statements, (the significant year-on-year rise in benefit advances shown in Note 13 is related to the increased Universal Credit roll out during the year), and we expect to see levels of advance payments rise during 2020-21.

As stated COVID-19 only impacted the Department towards the very end of the financial year covered by this report. We will provide a full account of the measures we adopted, and any associated impact on fraud and error, in next year's Annual Report and Accounts.

The Accounting Officer authorised these financial statements for issue on 26 June 2020.