Department for Work & Pensions

Annual Report & Accounts 2020-21

HC 422

Department for Work and Pensions

Annual Report and Accounts 2020-21

for the year ended 31 March 2021

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Contents

Performance report

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

Secretary of State’s foreword

Our vision is to improve people’s quality of life, both now and in the future. As part of our emergency economic response to the pandemic, DWP was on the frontline helping deliver an unprecedented welfare support package competently and compassionately, while quickly adapting the way we delivered our support and services to ensure they could continue safely. As our response to the pandemic has underlined, DWP is the Department for Wonderful People.

As the country builds back better, we are helping lead our national recovery – focussed on delivering a range of effective, high-quality services and support that will make a difference to people’s everyday lives.

Making someone’s tomorrow better than their yesterday means supporting people into sustainable work through our Plan for Jobs. It also means tackling poverty by improving financial resilience and reducing the cost of living for low-income families, helping disabled people live more independently, improving housing and tackling homelessness, providing the financial foundation and support for a secure old age and ensuring children have more opportunity to fulfil their potential through a better child maintenance system.

These are just some of our areas of focus that will help improve the things people care about in their daily lives. We will also take action to combat fraud, recognising that preventing taxpayers’ money from being stolen means more funds can be used to support the people’s priorities. And to ensure our services are delivered as effectively and efficiently as possible, we will continue to improve the performance and capability of DWP’s digital services and use of data.

While there are challenges ahead, with an extra 13,500 Work Coaches and the firepower of our Plan for Jobs, we are helping people of all ages move into decent jobs where they can climb the career ladder and increase their incomes.

In addition, with more Jobcentres opening up in new communities and the creation of our second Ministerial HQ in Leeds giving us direct entry into the Northern Powerhouse, we are building on our presence across towns and cities to help level up, regenerate and revitalise the country, building a brighter future for Britain.

Underpinned by our Priority Outcomes set out in this Annual Report, that brighter future will super-power people’s pockets and potential wherever they are in the country, helping people lead more prosperous, secure and independent lives.

Peter Schofield CB
Permanent Secretary

Permanent Secretary's overview

I am proud of the way the Department for Work and Pensions responded to COVID-19. Over the last year, the Universal Credit caseload doubled to around 6 million people, with over 90% of new claimants receiving their payments on time and in full. We have adapted the way we operate and our number one priority has been, and remains, the safety of colleagues and the people we serve. We have enabled home working and changed our processes such as introducing video appointment services and remote identity verifications. Over the last year we have adapted our buildings to ensure they are safe, and introduced Lateral Flow Testing in our larger sites.

DWP has four Priority Outcomes, as set out in the 2020 Spending Review. I set out below some of the ways we have delivered against these outcomes over the last year.

1. **Maximising employment across the country and aiding economic recovery following COVID-19**

The Plan for Jobs, launched in July, sets out how we will protect, support and create jobs across the country. Our work coaches are on the frontline of recovery, helping claimants with the support and training they need to get into work, and referring them to other sources of support.

2. **Improving opportunities for all through work, including groups that are currently under-represented in the workforce**

The Work and Health Programme continues to help people with health conditions or disabilities to enter into and stay in work. We continue to expand the Disability Confident scheme, improve the Access to Work support scheme, and reform Statutory Sick Pay.

3. **Address poverty through enabling progression into the workforce and increasing financial resilience**

We have enabled vulnerable pensioners to apply for Pension Credit at any time online without having to leave home to post forms or get through on the phone with the launch of 'Apply for Pension Credit' digital claim service.

The Pension Schemes Act 2021 will help people plan for retirement and provides employers with more options, strengthened protections, improves access to information and ensures effective governance of schemes, with a new focus on climate change risks.

4. **Deliver a reliable, high-quality welfare and pensions system which customers have confidence in**

The successful preparations for the end of the EU transition period have ensured that DWP and Health and Safety Executive services have continued to operate effectively.

The Department has continued to implement Devolution changes. In the last year we have delivered a number of new Scottish benefits and transferred executive competence for extra-needs disability support to the Scottish Government. During the pandemic, DWP and the Northern Ireland Department for Communities worked at pace to ensure Northern Ireland citizens benefited from the UK government response at the same time as those in Great Britain.

This year DWP received almost half the number of customer complaints in 2020-21 in comparison to 2019-20, and the Serious Case Panel has continued to ensure we learn from situations which go wrong.

Forward look

Next year will continue to provide significant challenges for DWP. We continue to grow our capacity and reduce backlogs as we recover from the impact of COVID-19. Action to address fraud and error is a priority, using data and analysis to review higher risk claims, and implementing our strategy to prevent fraud and error occurring in the first place.

We have an ambitious policy and delivery agenda. This includes implementing the Plan for Jobs, and managing the return to face to face services as the government's roadmap is implemented. Our policy priorities include the Health and Disability Green Paper and work on poverty and housing.

We seek to be an exemplar of the modern civil service, and to build on the achievements of last year for the benefit of those we serve. When we are at our best, we care, we deliver, we adapt, we work together and we value everyone, and we seek to ensure that these values guide the way we serve our country, our communities and our fellow citizens in the year ahead.

Our 2020-21 Performance at a glance

£212.4 billion
paid out in benefits and pensions

5.9 million
people receiving Universal Credit in December 2020 compared to 3 million in March 2020

Provided over
72,000
laptops, PCs and other devices to enable colleagues to work more flexibly

36,621
litres of hand sanitiser distributed through DWP estates

14,700
individual digital changes implemented throughout 2020-21

Recruited
13,500
extra Work Coaches

11,800
participants in Kickstart Programme

44,130
starts to sector-based Work Academy Programme (SWAP)

Disability employment gap has decreased from 33.8% in Jan-Mar 2014 to
28.6% in 2020-21

20,269
employers have signed up to the Disability Confident scheme as of 31 March 2021

Provided funding to over
43,000 people
who have in-work support needs due to disability/ill-health

91%
of Universal Credit customers paid on time

82.3%
of new claims were processed within planned timescales

£229.1 million
COVID-19 Winter Grant Scheme to further support vulnerable households and families with children

£20
Standard Allowance uplift to Universal Credit

Total commercial savings of
£363.9 million

89%
of claimants satisfied with DWP services overall

Staff engagement at
63%
up from 59% in 2019-20

59% 2019-20

63% 2020-21

3,000
colleagues temporarily redeployed to our new Virtual Service Centre

Over 10 million
employees have been automatically enrolled into a workplace pension since 2012

Performance Overview

About the Department for Work and Pensions

This section provides a summary of the purpose, plans and performance of the Department for Work and Pensions. This includes an overview of our organisation, services and structure.

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 crucial decisions that affect the whole of the UK and deliver life-changing services on work, welfare, pensions and child maintenance to our millions of claimants and customers.

Our vision

DWP's vision is to improve people's quality of life both now and in the future, supporting people to become financially resilient by moving into and progressing in decent jobs while providing a safety net for those who cannot work. We trust and empower our people to deliver excellent services to our millions of customers every day, including the most vulnerable in society. Our departmental plan sets out our objectives for the next year and beyond that will help deliver that vision and how, together, we will achieve them.

Our priority outcomes

Information about the challenges we faced in delivering these objectives and priority outcomes can be found within the governance statement on page 150.

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 87 to 90. The Public Sector Equality Duty is on page 83 regarding our service users and, on page 84 regarding our colleagues.

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 our network of 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.
	DWP Youth Offer is the wrap around scheme for young people to access vital skills, training and employment opportunities. DWP's Youth Offer commenced in September 2020 – increasing support offered to young people aged 18-24 in the Intensive Work Search group on Universal Credit.
	DWP's Sector-based Work Academy Programme (SWAP) placements that offer training, work experience and a guaranteed job interview to those ready to start a job. It allows people to learn the skills and behaviours that employers in particular industries look for.
	Job Entry: Targeted Support (JETS)/JETS Scotland provides light touch employment support for people who have been unemployed for at least 13 weeks and who are claiming either Universal Credit or New Style Jobseeker's Allowance. Support lasts for up to 6 months and is intended for claimants who are in the first year of unemployment.
	Job Finding Support helps people who have recently lost their job through a digital service providing one-to-one job finding support.
	Kickstart (for 16-24 year olds) enables participants to gain work based experience through paid six month roles, to improve their chances of progressing into long-term sustainable work.
	Fuller Working Lives 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.
	Restart will support people who have been unemployed for between 12-18 months. Restart is due to roll-out from summer 2021 in England and Wales, with Scotland and Northern Ireland receiving consequential funding.
People with a disability or health condition	**Work and Health Programme** provides support to people with disabilities and health conditions on a voluntary basis. The programme also supports people who have been unemployed in excess of two years.
	Intensive Personalised Employment Support provides personalised, intensive support for people who are disabled, have complex barriers to work and who the work coach considers to be more than 12 months from the labour market.
	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 have access to the information and guidance they need to help them make effective financial decisions over their lifetime.
	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.
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 2021 there were 85,034 full-time equivalent people working in our departmental group, which includes our core department and our arm's length bodies.

Towards the end of the year we created an additional director general role within Policy Group to enable a greater focus on the delivery of the ambitions of the government and respond to the COVID-19 pandemic and the related economic consequences. The two director general roles within Policy Group are: Director General for Labour Market Policy and Implementation; and Director General for Disability, Health and Pensions Policy.

As of 16 March 2021 director general led groups are:

Executive Team
Peter Schofield - Permanent Secretary and Principal Accounting Officer

Amanda Reynolds	Director General, Service Excellence Group	**Responsible for:** Child Maintenance services; Retirement services; Counter Fraud, Compliance and Debt; Dispute Resolution Services. Providing the very best service possible to our customers whilst also improving our efficiency and effectiveness.
John-Paul 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.
Neil Couling	Director General, Change and Resilience Group	**Responsible for:** Major change projects and programmes; Senior Responsible Owner for the Universal Credit Programme; business continuity, resilience and crisis management for the whole of the DWP; fraud and error.
Jonathan Mills	Director General, Labour Market Policy and Implementation Policy Group	**Responsible for:** Providing ministers with a joined up view of their portfolios; looking ahead and developing proposals for change; managing the Department's welfare spending.
Katie Farrington	Director General, Disability, Health and Pensions Policy Group	
Nick Joicey	Director General, Finance Group	**Responsible for:** Providing expert financial and commercial services; planning and performance management; reporting; business strategy; governance advice; security; business partnering
Simon McKinnon	Director General, Digital Group	**Responsible for:** Providing expert digital, data and business transformation services, and information management.
Debbie Alder	Director General, People, Capability and Place Group	**Responsible for:** Organisation design and development; providing expert HR services and business partnering; talent and engagement; people strategy; workplace and estates strategy.
Vacant	Director General, Legal Services (Government Legal Department)	**Responsible for:** Providing appropriate legal expertise to support operational delivery, strategy and change.

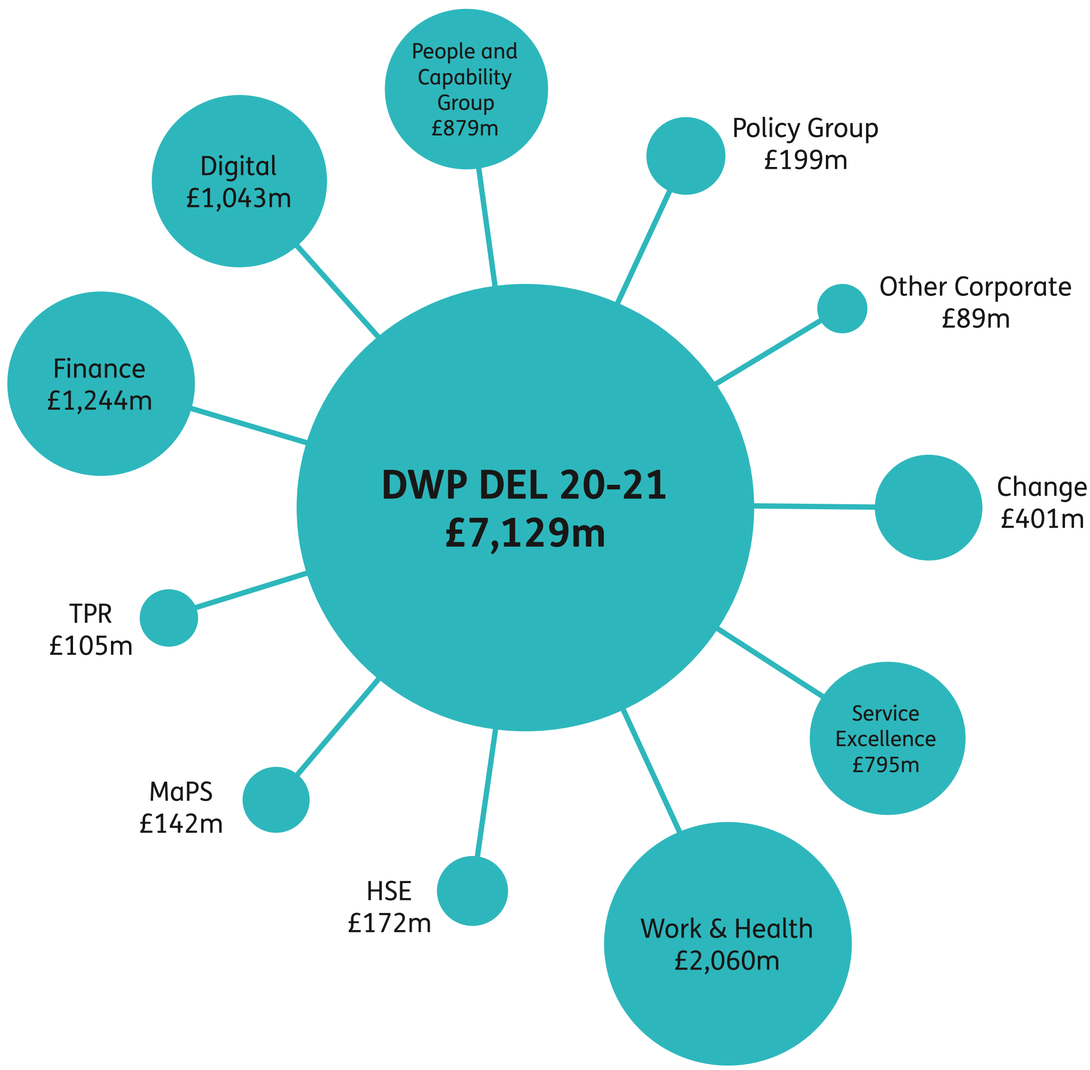
Our Finances

We have the largest expenditure of any department across government. The Department's running costs are covered by the Departmental Expenditure Limit (DEL) and most welfare spending is classified as Annually Managed Expenditure (AME).

The cost of running our department in 2020-21 was £7,129 million, paid from DEL. We also paid out £212.4 billion in benefit, pension and Social Fund payments from AME. For detailed breakdown of our expenditure please see page 195.

Departmental Expenditure Limit 2020-21

The chart below shows how we spent our budget broken down by organisational group.



In 2020-21 we faced one of our biggest challenges with COVID-19, playing a significant part in the government's immediate response and recovery.

The Department's 2020-21 budget was initially set at Spending Round 2019 (announced September 2019) at £6.2 billion, protecting the resource budget in real terms. This represented an increase of £106 million from 2019-20 to deliver reform and support the most vulnerable in society, comprised of:

- £40 million additional funding for Discretionary Housing Payments
- £36 million for improvements to DWP decision-making
- £7 million to expand jobcentre advisor support in schools for young people with special educational needs and extending eligibility for Access to Work to internships for disabled people
- £23 million to fund a range of other measures, including support for vulnerable claimants and people with complex needs migrating to Universal Credit, additional outreach activities to support those who are homeless, and increasing the number of Armed Forces champions to support veterans when entering the labour market

COVID-19 required us to continually re-evaluate deliverables at a rapid pace in order to support the government's strategy and changing landscape. HM Treasury provided an initial additional £0.2 billion funding for additional service delivery staff and to establish the National Shielding Centre at Main Estimate (May 2020).

At the Summer Economic Statement (July 2020), it was agreed that DWP would have access to up to £1,391 million of additional funding. This included additional service delivery staffing of £895 million, Work and Health Programme, Job Entry Targeted Support £95 million, Flexible Support Fund £150 million, Job Finding Support £25 million, fraud and error Transformation £11 million, and Kickstart £215 million.

Our plans were developed at pace, and were challenging in scale. As the year progressed, and our plans matured we did not require all the funding made available by HM Treasury.

The initial plan was our best estimate to secure the funding from HM Treasury and were based on the Government's planned approach for dealing with COVID-19 at that time.

At Supplementary Estimate (February 2021) DWP drew-down £1.2 billion additional funding, resulting in the Department's budget increasing to £7.6 billion. This reflects the additional funding for our response to COVID-19, including £170 million for the COVID Winter Grant Scheme, which saw new funding made available to support families and individuals across England with the cost of food, energy and water.

Supplementary Estimate (February 2021), this included funding for:

- labour market initiatives (Kickstart, Work and Health Programme (Job Entry Targeted Support), Job Finding Support): Coronavirus restrictions made it difficult for DWP employment programmes to operate to normal capacity. For example, Kickstart young people were unable to start their roles as lockdown and COVID-19 restrictions disrupted their ability to attend work placement. In total the Department spent £154 million[1] on these initiatives in 2020-21
- Flexible Support Fund (FSF): COVID-19 restrictions and the extension of the furlough scheme resulted in less demand for the FSF than anticipated. In total the Department spent £46.4 million[2] on these initiatives in 2020-21
- re-starting the job market: The Department completed recruitment of additional staff into service delivery. In total the Department spent £588 million[3] on additional staff recruitment (including estate and digital costs) in 2020-21
- the Rapid Estates Expansion Programme (through which a number of new sites across the estate will be opened to support either training of new work coaches or delivery of face to face public services). Some of this work and the associated costs will now take place in 2021-22 rather than 2020-21 as planned. In total the Department spent £92.8 million[4] on these initiatives in 2020-21

1 This is an estimate from internal sources.
2 This is an estimate from internal sources.
3 This is an estimate from internal sources.
4 This is an estimate from internal sources.

Final COVID-19 and EU Exit DEL Spend

To support our response to COVID-19 we spent £19 million in 2019-20. In 2020-21 our COVID-19 spend was £1,370 million, broken down as follows:

- Main Estimate funding of £193 million. This included recruitment costs and the new National Shielding Centre
- reserve claim funding of £934 million. This included costs for Plan for Jobs and we also subsumed costs for Rapid Estates Expansion and other unfunded COVID-19 pressures
- additional items that were agreed at Supplementary Estimates to the value of £243 million, this included additional funding for Funeral Payments and Winter Support Grants

To support our preparations for leaving the European Union we allocated £115 million in 2019-20 and £15.3 million in 2020-21.

For further detailed breakdown of our expenditure please see page 254.

Annually Managed Expenditure (AME)

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 2020-21 these payments totalled £212.4 billion. This was over £21 billion more than in 2019-20, with the increase being mostly accounted for by the impact of COVID-19 on the economy, 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 AME benefit expenditure summary	2020-21 expenditure £ billion	2019-20 expenditure £ billion
Benefits paid to pensioners, of which:	**123.5**	**124.1**
State Pension	101.9	98.7
Support for disabled people and people with health conditions	10.8	11.7
Housing Benefit[5]	3.4	6.1
Other benefits	7.4	7.6
Benefits paid to working age people and children, of which:	**88.6**	**66.7**
Universal Credit	38.1	18.4
Other support for disabled people and people with health conditions	18.3	18.3
Housing Benefit	13.7	11.7
Employment Support Allowance	13.4	13.9
Other benefits	5.2	4.4
Total benefit expenditure	212.1	190.8
Other AME	0.2	-0.0
Total AME	**212.4**	**190.8**

Overall, around 58% of our benefit spending went to pensioners, with the State Pension, at £101.9 billion, accounting for almost half of all spending.

The cost of the State Pension increased by £3.2 billion from 2019-20. This increase reflects that the costs of the triple lock is greater than the cost reductions from the equalisation of pension age for men and women and raising of the state pension age.

5 Universal Credit spend on Housing Support is included in the total Housing Benefit working-age spending share.

Almost 25% of AME (£52.8 billion) supported people with a disability or health condition (including pensioners).

Apart from the State Pension and benefits to support disabled people and people with health conditions, around £58 billion was spent on a range of other benefits, with the majority (over 80%) 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.

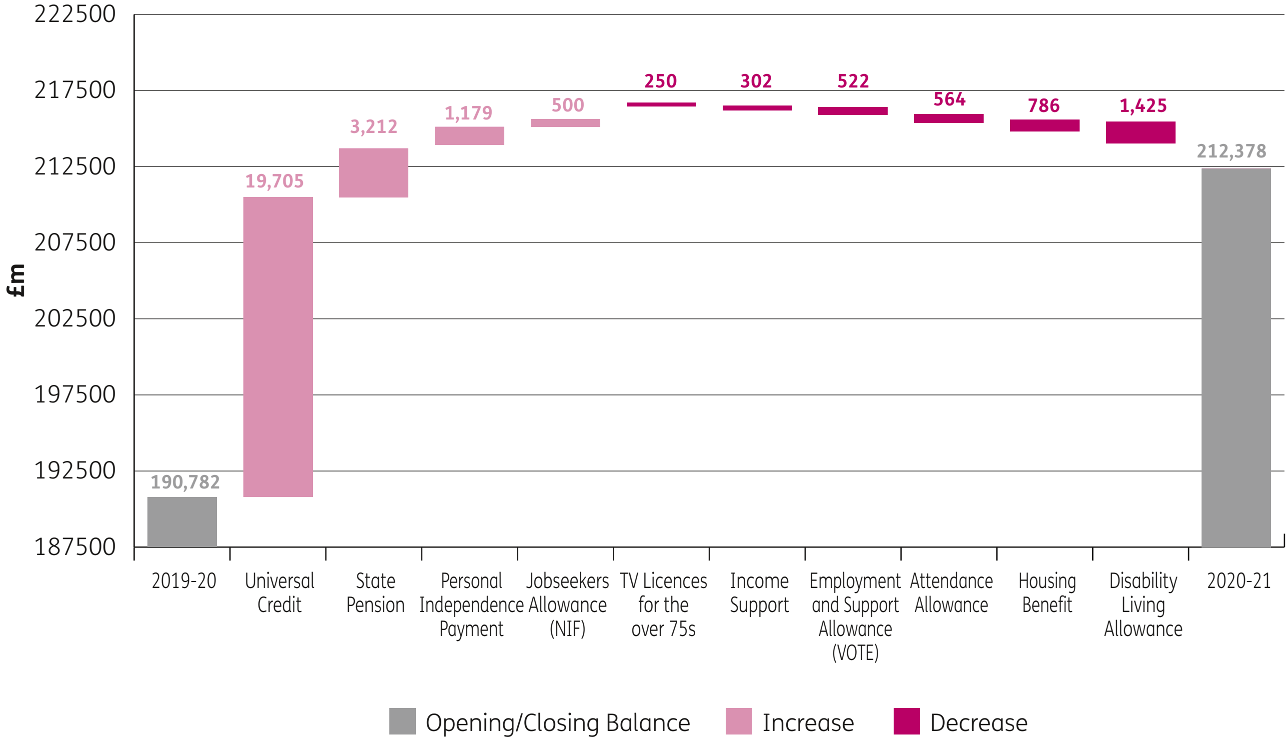
The cap is formally assessed by the Office for Budget Responsibility (OBR) at the first budget or fiscal event of each new Parliament.

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 2021, spending subject to the welfare cap is on course to exceed the cap in 2024-25 by £6.9 billion and to exceed the cap plus margin by £3.1 billion, as published in their Economic and Fiscal Outlook publication[7].

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

Benefit Spend Movement[6] £m (Variance >£200m)



This graph only shows the largest movements so will not sum to total AME increase in 2020-21

6 Movements of the ten largest in-year benefit variances.
7 https://obr.uk/efo/economic-and-fiscal-outlook-march-2021/

Total welfare spending (including some HM Revenue and Customs spending) increased significantly in 2020-21 as part of our response to the COVID-19 pandemic, with OBR figures in their March 2021 forecast showing total welfare spending in 2020-21 to be £13.6 billion higher than they had forecast in March 2020.

Around 40% of this rise is driven by the increased UC caseload, while around 60% reflects around £8 billion of policy measures and easements, including the £20 per week uplift to the UC Standard Allowance and equivalent in Working Tax Credit, increased Local housing allowance rates and other targeted support.

Total forecast DWP AME spending increased by more than this COVID-19 related figure between the March 2020 and March 2021 OBR forecasts for a range of reasons beyond COVID-19, as outlined in the OBR's March 2021 Economic and Fiscal Outlook publication.

Our Priority Outcomes

At Spending Review 2020 we published our Priority Outcomes and associated metrics which will underpin our Strategic Objectives in our 2021-22 Outcome Delivery Plan. For the reporting year 2020-21 we will frame our performance against these.

1 **Maximise employment across the country to aid economic recovery following COVID-19**

2 **Improve opportunities for all through work, including groups that are currently under-represented in the workforce**

3 **Address poverty through enabling progression into the workforce and increasing financial resilience**

4 **Deliver a reliable, high-quality welfare and pensions system which customers have confidence in**

DWP Strategic Objectives 2021-22	Performance Metrics	Performance Summary	Performance analysis
Maximising employment and in-work progression	Employment rate – UK and regional (16-64 year olds) Employment rate – UK and regional (16-24 year olds) Number of participants in Kickstart – including by region and nation		See Pages 37-45
Maximising employment and in-work progression	Disability employment rate gap (%)		See Pages 46-52
Improving people's quality of life	Number of children in workless households, including by nation Absolute poverty before housing costs – children, adults and pensioners combined (%) Percentage of claims processed within planned timescales		See Pages 53-72
Delivering excellent services for citizens and taxpayers	Fraud and error (gross monetary value and as a percentage of total payments) Percentage of claimants satisfied with DWP services overall Number of people automatically enrolled in workplace pensions		See Pages 73-123

Performance Summary

The performance summary over the next few pages provides an at-a-glance overview of how we worked towards delivering our Priority Outcomes in 2020-21. This high-level overview is expanded upon in the Performance Analysis section of this report on pages 37 to 123 which includes further details of our activities and further analysis of progress against performance indicators.

Priority Outcome 1 - Maximise employment across the country to aid economic recovery following COVID-19

Key Achievements

We have commenced delivery of the Plan for Jobs by successfully launching a number of new employment programmes and initiatives to ensure that all citizens have access to effective support to get back into work, both through Jobcentre Plus and external providers. The Plan for Jobs includes new and expanded support for claimants. These include:

- the Job Entry Targeted Support scheme, launched in October 2020, to support those unemployed more than three months with specialist advice, as well as CV and interview coaching
- the expansion of the sector-based work academy programme to support 32,000 more vocational training placements
- the Kickstart job creation scheme, launched in September, with first participants commencing roles in November

Additionally,

- we continued our work to explore barriers to low paid workers to in-work progression with a report, led by Baroness Ruby McGregor-Smith, to be published later in 2021
- we work towards levelling up the regions through local interventions including our Jobcentre Plus network, Mayoral Combined Authorities, Local Enterprise Partnerships, Skills Advisory Panels, and with businesses and charities; supported through schemes such as the European Social Fund and in future the UK Shared Prosperity Fund

Priority Outcome 2 - Improve opportunities for all through work, including groups that are currently under-represented in the workforce

Key Achievements

We have supported disabled people into employment through our strategy 'Improving Lives: the future of work, health and disability' and schemes such as the Work and Health Programme and Intensive Personalised Employment Support.

We have provided funding to over 43,000 people who have in-work support needs that are beyond standard reasonable adjustments through Access to Work.

We have worked with employers to make the most of the talents of disabled people through initiatives like Disability Confident. As of 31 March 2021 20,269 employers had signed up to the scheme.

Priority Outcome 3 - Address poverty through enabling progression into the workforce and increasing financial resilience

Key Achievements

We have helped to provide financial security for the most vulnerable people during COVID-19 through a package of measures, which increased welfare spending by over £6.5 billion, including:

- a temporary £20 Standard Allowance uplift to Universal Credit and the equivalent in Working Tax Credit - benefiting households by (up to) £1,040 per year at a cost of £6 billion. The UC uplift was extended at Budget 2021 for a further six months (to September 2021), to bring a total cost of £8.2 billion, benefiting around 4 million households
- increasing the Local Housing Allowance rates for Universal Credit and Housing Benefit claimants so that it covers the lowest 30% of local rents – at a cost of almost £1 billion to 1.5 million households
- a new £229.1 million COVID Winter Grant Scheme to further support vulnerable households and families with children particularly affected by the pandemic throughout the winter with awards made to 6.2 million households

We have supported children and families through the Reducing Parental Conflict Programme. We have seen over 2700 parents starting an intervention, with 1200 of them having successfully completed as of March 2021.

We have enabled more people to save while they are working so they can achieve greater security in retirement through automatic enrolment. 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.

We have supported people to plan for their retirement through the continued development of pensions dashboards and The Money and Pensions Service – ensuring people have access to the information and guidance they need to help them make effective financial decisions.

We have further protected the pensions pots of future pensioners through completing the passage of the Pensions Act 2021 in January 2021.

We have commenced a corrective exercise to ensure the identified cases of underpaid state pensions are rectified as quickly as possible and have made appropriate provisions in the accounts.

Priority Outcome 4 - Deliver a reliable, high-quality welfare and pensions system which customers have confidence in

Key Achievements

We kept our people and claimants safe, while administering millions of new claims to Universal Credit (UC), by rapidly adapting our operating model during COVID-19 by:

- creating the Virtual Service Centre to enable around 3000 redeployed people to process the huge surge in new claims to UC – 91% of new claimants have received their payments on time and in full
- increasing the proportion of DWP colleagues equipped with the technology to work, increasing the capacity of our virtual private network (VPN) from a pre-pandemic peak demand for remote working of 6,500 to 120,000 during 2020-21
- introducing new enhanced health and safety arrangements, including protective screens and social distancing controls in our offices and jobcentres. This has included the design and installation of new signage and over 10,500 protective screens for frontline desks, medical assessment centres and Counter Fraud and Compliance Directorate Interview Under Caution rooms

We successfully recruited 13,500 work coaches into the Department throughout 2020-21 to respond to increased demand.

Our Response to COVID-19

The COVID-19 pandemic has affected the lives of everyone in the country and has had a profound effect on businesses, jobs and unemployment. In response the government took unprecedented action to provide immediate support to keep people in work, protect incomes and support businesses.

Strategic response to COVID-19

In response to the COVID-19 pandemic we developed and implemented a three phase plan through to the end of 2020-21 to deliver on the following priorities:

- keeping our people and citizens safe by adhering to public health guidance
- providing society's financial safety net by ensuring benefits are processed quickly and paid on time
- minimising the effect on unemployment
- minimising fraud and error, whilst transforming services and reducing costs

Drawing on business continuity plans, we developed a framework for the Department's response which led to the creation of short-term 'phases' that enabled us to deliver the key priorities required at each stage. These phases, 'response', 'run' and 'restoring services' are described in detail on page 36. Detailed information on how we adapted our governance arrangements as part of our strategic response can be found in the Corporate governance report at page 126.

In July 2020 the Chancellor announced the government's Plan for Jobs to support the country's first steps to economic recovery through providing grants and loans to businesses alongside schemes like the Coronavirus Job Retention Scheme (furlough scheme) and Self-Employment Income Support Scheme to retain as many jobs as possible.

Despite these measures it has not been possible to maintain the record employment levels we saw prior to COVID-19. Additional funding was provided by HM Treasury, increasing our budget to nearly £7.6 billion for 2020-21 (an additional £1.4 billion) to support the delivery of the Plan for Jobs – which includes a number of new employment initiatives (see page 24 for more details).

At the start of 2020-21 year we focussed on ensuring that we are able to pay benefits in a timely manner to the millions of people who depend on our services, to administer new claims and to safeguard vulnerable people. In order to process the huge surge in claims efficiently we re-prioritised our work to align the whole Department to keep the benefit system fully functioning. This included moving thousands of our people, and people from other government departments, into service delivery roles - maximising the processing capacity of our jobcentres and service centres. Central to this response was the creation of a new Virtual Service Centre (VSC) in April 2020 to process new claims to benefit. For more information on VSC see page 92.

It is testament to the UC system that it has stood up to the challenge of the pandemic, coping with a near doubling of the caseload since March 2020 (to around 6 million people). 91% of new claimants have received their payments on time and in full between March 2020 and October 2020. In addition to this, we have issued around 1.5 million advances to claimants who felt that they could not wait for their first routine payment. The vast majority of UC claimants received advances within 72 hours.

A number of policy and operational changes (also known as easements) were introduced as a result of COVID-19 to deal with the unprecedented surge of new claims and comply with face-to-face capacity restraints resulting from national restrictions. Easements were introduced across a range of areas within Universal Credit and health assessments including:

- verification of evidence needed to accurately make a claim
- debt management
- the process for applying for disability and incapacity benefits
- conditionality requirements (the requirement for claimants to provide evidence of work-search and attend face-to-face appointments)

In practice, this meant we had to ease some of our more stringent checks in order to process claims efficiently and safely while complying with public health guidance. We knew, however, that there was a high risk of Fraud and Error increasing as a consequence of our emergency response to the pandemic. For detailed analysis of the estimated cost of increased fraud and error as a result of the easements see page 107.

We have been transitioning out of these easements since April 2020, as restrictions allow. We have not automatically reverted to pre-COVID-19 models, but have taken the opportunity to continue to transform and improve the way UC is delivered, including alternative methods that enable claimants to verify their identification remotely.

Alongside changes to our business processes, we also transformed our own ways of working, implementing virtual learning and consolidation for colleagues, which has enabled us to recruit and on-board new work coaches to support our labour market effort.

Our number one priority throughout the year has been the safety of our people and of our customers while keeping our jobcentres open for our most vulnerable customers who cannot access our services in any other way. We have now incorporated Lateral Flow Testing to sites in England with 100 staff or more working on site; and we aim to extend this offer to sites with 40 plus colleagues as we roll-out wider. The benefit of Lateral Flow Testing is the early identification of positive COVID-19 cases, ensuring infected people can self-isolate and therefore limit the spread of COVID-19 amongst their colleagues and the wider community.

As public health advice evolves we will continue to review our approach and adapt our ways of working to meet new challenges as they emerge. More detail on the impact of COVID-19 is included where relevant throughout the report.

COVID-19 Timeline: Phase 1 – Response (April to June)

Phase 1 provided an immediate response to the pandemic by rapidly building and deploying capacity to meet the increased demand on our services as set out in the detailed timeline below. The headline achievements were:

- introducing a range of easements to deal expediently with the surge in new claims and face-to-face capacity restraints resulting from national restrictions
- re-deploying significant numbers of staff from across the Department and other government departments to process and pay Universal Credit claims
- creating a new Virtual Service Centre
- introducing a range of easements, including pausing debt recovery, to deal expediently with the surge in new claims
- establishing phase 2 operating models

Service Delivery:
In response to lockdown, Jobcentres provided a limited service. We introduced remote verification of our usual Face-to-Face processes to avoid bringing all new claimants into the Jobcentre to allow them to stay safe at home. We suspended conditionality which removed the need for claimants to look for work and stopped collecting claimant debt. Health Assessment Providers also stopped Face-to-Face health assessments and reassessments.

Our People and places:
To meet increased demand on our services we commenced redeployment of around 10,000 DWP colleagues into new claim handling roles. We set up the Virtual Service Centre with around 4000 colleagues, including around 1,000 from 7 Other Government Departments to process new claims to Universal Credit and recruited around 4,000 service centre Administration Officers. Jobcentres were made safe for our people and customers as we rolled out a social distancing package which included social distance guidance, installing safety signage, delivering face coverings and hand sanitiser.

Digital:
Before April DWP's peak network demand from people working from home was around 6,500 with around 21% of colleagues equipped with the technology to do so. Between April and June we expanded network capacity to 64,000 users and delivered around 20,000 digital devices (laptops and PCs).

March 2020 | **April 2020** | **May 2020** | **June 2020**

23 March
First national lockdown announced.

24 March
Jobcentres were closed to the public for regular appointments. However, face to face appointments could continue in exceptional circumstances.

27 March
136,000 claims made to Universal Credit, the most ever in one day.

COVID-19 Timeline: Phase 2 – Run (July to September)

Phase 2 built sustainable capacity across all service lines through

- recruiting and deploying of thousands of new staff to cover essential workcoach and service centre roles
- re-introducing the labour market offer from July, extending conditionality requirements (the requirement for claimants to provide evidence of work-search and attend face-to-face appointments) to increasing numbers of claimants as work coach numbers increase
- planning and commencing expansion of external Labour Market Programme support (Sector Based Academies, Youth Offer)
- developing and finalising plans for introducing new labour market support provision in phase 3 (Kickstart, Work and Health Programme Job Recovery Scheme, Job Finding Support and Restart)
- contracting external temporary staff
- safely optimising and increasing estates capacity
- returning redeployed staff to their previous roles
- switching off some easements

Service Delivery:
From July we started to reintroduce conditionality for all new claims to support claimants back into work and gradually reintroduced conditionality for all existing claimants. Throughout this period we also started a phased approach to reintroduce the collection of debt for DWP claimants. We also made ongoing improvements to all remote verification activity to improve efficiency in the claims processes.

Our People and places:
From July we embarked upon a large scale external recruitment exercise to recruit 13,500 additional work coaches. By the end of this phase many of the redeployed staff had returned to their original roles. We completed the rollout of our social distancing package and started to safely increase customer capacity through the installation of screens and signage across the estate. We also started to identify and open a number of new sites to support either training of new work coaches or delivery of face to face public services through the Rapid Estates Expansion Programme.

Digital:
From July to September we deployed over 32,000 digital devices to colleagues across the department meaning around 58,000 people were able to work from home, an increase of over 34,000 colleagues from the pre-COVID-19 position.

Plan for Jobs:
Chancellor announces £1.3 billion package for DWP for new employment initiatives which will also double number of our work coaches to13,500.

Plan for Jobs:
September 2020. Youth Offer begins and Kickstart scheme opens for applications from employers.

July 2020 | **August 2020** | **September 2020**

COVID-19 Timeline: Phase 3 – Restoring services (October to June 2021)

Phase 3 marked the start of restoring services

- further increase the Department’s labour market offer from October, through recruiting 13,500 work coaches to help support claimants back into work
- ramp up activity across the external provision labour market offer (Kickstart and Job Entry: Targeted Support (JETS) launched, design and procurement of Restart)
- continue prioritise securing accurate and timely payment of UC
- prioritise fraud and error
- transform other non UC services - reducing the requirement for additional recruitment whilst simultaneously improving access to services and outcomes for customers
- there are still backlogs, some easements in place and reviews of what happened under COVID-19

Service Delivery:
From October onwards we continued to improve new processes and the department prepared to fully reopen its Jobcentre network back to providing a full service. This activity will carry on into 2021-22, in line with Government restrictions.

Our People and places:
We successfully met the target of recruiting13,500 work coaches by end of March 2021, as per the Plan for Jobs – dealing with 160,000 applications in the process. We continued to maximise the occupancy of the estate as we completed the installation of screens and social distancing signage in line with Government guidance and continued to source new sites to accommodate new staff.

Digital:
Since April 2020 we deployed over 88,000 digital devices, increasing the number of colleagues with the ability to work flexibly by over 69,000 and bringing the total number to around 93,000 at March 2021. Over the year the number of colleagues equipped with the technology to work from home rose from 21% to over 90% and network was expanded from offering 6,500 connections to the DWP to over 120,000 (includes contingency).

Oct 2020

Plan for Jobs: October
JETS goes live in England and Wales.

Nov 2020

Plan for Jobs: November
Kickstart jobs for 16 to 24-year-olds begins

Plan for Jobs: 25 November
Spending Review 2020 announces Restart and expanded work search support

5 November
England enters second national lockdown.

Dec 2020

Jan 2021

Plan for Jobs: 11 January
Job Finding Support service for the recently unemployed goes live

5 January
England enters third national lockdown.

Feb 2021

March 2021

April 2021 onwards

Plan for Jobs: 28 June
Restart Scheme commences with referrals to providers starting from July 2021.

Risks impacting the delivery of our objectives

In last year's accounts we set out our top three risk themes for 2020-21 as:

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

Over 2020-21 we have managed a wide range of risks whilst delivering our strategic objectives during the pandemic. The risks identified at the start of the year are not mutually exclusive and each required careful management to ensure the right balance to ensure that our people and customers remained safe, benefits were processed efficiently whilst at the same time safeguarding taxpayers' money.

The performance analysis section of this report talks about how we delivered our business alongside risks and impact of COVID-19. While these impacted across all our priority outcomes, particular mitigation activity against the 2020-21 risk themes is set out in priority outcome 4 on page 73 and in the COVID-19 timeline.

Information on our approach to risk management and the risk themes for 2021-22 can be found in the governance statement on page 150.

To help ensure we struck the correct balance in 2019-20 the Risk and Control Assessment (RCA) programme was introduced to provide assurance on the effectiveness of internal controls and risk management across the Department. The programme supports each director general by providing second line of defence assurance.

Aligned with our three phased strategic response the RCA assessed the following:

Phase 1 – Response: provided overall assurance to the initial response to COVID-19, including the risk management and assurance of decision-making and implementation of changes to systems, processes and controls.

Phase 2 – Run: assured activities to transition from the response to run phase including the management of cross-cutting decisions, risks and controls, the withdrawal or retention of easements introduced as a result of responding to COVID-19 and ongoing management of the decision-log.

Phase 3 – Restoring services: Ensured that all key system, process and risk management controls are tested and evidenced.

Performance Analysis

Priority Outcome 1 Maximise employment across the country to aid economic recovery following COVID-19

Employment Support

COVID-19 has had an unprecedented impact on the economy and labour market and we are working to help everyone who has been affected by delivering employment support that ensures that no-one is left behind as a result of the economic impacts of the pandemic, whoever they are and wherever they live.

To work towards this ambition, in July 2020, the Chancellor announced the Plan for Jobs. A cross-government £30 billion package to provide wide–ranging employment support to help the country navigate the pandemic and move towards economic recovery. This package includes a number of wide-ranging programmes for newly unemployed, young-people and the long-term unemployed who may have become disconnected from the labour market.

In addition to employment support, we are working with the Department for Education to support people to improve their skills and to retrain. This allows individuals to make the most of new opportunities in existing sectors with growing labour demand, as well as in emerging sectors and occupations.

The Jobcentre Plus offer

The Plan for Jobs package bolsters employment support measures delivered through our Jobcentre Plus network by increasing the number of DWP Work Coaches by up to 13,500, increased the Flexible Support Fund by £150 million and supporting the delivery of the new Youth Offer.

Our Jobcentre Plus network has continued to support many people into work throughout 2020-21 whilst ensuring that our customers and people remain safe by adhering to COVID-19 public health guidance. Throughout the estate we have installed around 13,500 desk screens, social distancing signage, hand sanitiser and face coverings/visors to ensure our colleagues and claimants can attend one of our jobcentres and remain safe.

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 fund that jobcentre staff can use at their discretion to supplement mainstream services, such as paying for upfront childcare costs and travel costs for interviews. It can also be used to commission tailored training to meet local needs
- the **New Enterprise Allowance (NEA)**, supports people on eligible benefits who want to move into self-employment. It is available to people aged 18 and over claiming Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA), the dependent partners of JSA and ESA claimants, Income Support claimants who are sick or who are lone parents. Some Universal Credit (UC) claimants who wish to enter self-employment are also eligible for NEA support

The NEA also supports UC claimants who are already self-employed, but whose income from the business falls below their Minimum Income Floor. Claimants in this group can receive mentoring support to draft a Business Development and Growth Plan. The aim is to support these claimants to increase their earnings from their business, thereby making the business more sustainable and reducing their benefit dependency.

There have been 254,360 starts to NEA and 140,110 businesses set up through the programme since April 2011.

Plan for Jobs Initiative

DWP Youth Offer (16-24 year olds)

We know that young people have been particularly impacted by the economic impacts of the pandemic so we are committed to providing effective support to help young people move into work and avoid the scarring effects of unemployment.

There are three elements of our Youth Offer:

- the Youth Employment Programme (YEP) is a structured 13-week programme for young people – during which (as capacity allows) they will be referred to the most appropriate work related support, such as a Sector-based Work Academy Programme (SWAP), a traineeship, work experience, Mentoring Circles, Kickstart or an apprenticeship. The YEP is now live and our dedicated work coaches are delivering the programme nationally to young people
- Youth Hubs are co-located and co-delivered with our network of external partners. They are currently rolling out nationally. Young people who require it, can access tailored support up to 6 months to meet any skills gaps and bring them closer to labour market opportunities. We plan to open a Youth Hub in every Jobcentre Plus. We already have some hubs operating and supporting young people digitally
- Youth Employability Coaches across the country are supporting young people with significant complex needs and barriers to help them move into employment. These young people will additionally be offered 6 weeks of in work support once they have secured employment

As part of participating in the Youth Offer, young people are supported to take up meaningful work related training, education or employment.

We know that young people often leave education to take their first jobs in sectors that have been particularly hard hit by COVID-19, for example hospitality, retail, tourism. The government has invested in apprenticeships, traineeships, careers advice and, for school and college leavers, high value courses of up to a year in length. This will support young people to develop skills and we have aligned our skills and training offers to priority areas for economic recovery. This is alongside **Sector-based work academy programme** SWAPs and the Kickstart scheme, which are helping young people enter work across a broad range of industries.

Sector-based work academy programme (SWAP)

Additional funding of £17 million has been awarded to support 32,000 more vocational training placements to enable more SWAP starts in 2020-21. Our Secretary of State also pledged to increase further the number of people taking part by 80,000 in 2021-22. SWAP offers unemployed benefit claimants in England and Scotland a short period of training, work experience and a guaranteed interview for a live job vacancy to help them move into work.

Data up to 6 December 2020 shows that there have been a total of 44,130 starts to a Sector-based Work Academy Programme.

Kickstart

We are also supporting young people through the new £2 billion Kickstart scheme which launched in September 2020 to fund the creation of additional jobs for young people at risk of long-term unemployment. The Scheme gives hundreds of thousands of young people the chance to build their confidence and skills in the workplace, and to gain experience that will improve their chances of progressing to find long-term, sustainable work through six month, high quality work placements.

The first participants commenced roles from November 2020 and it is anticipated that the Scheme will remain open until December 2021, meaning that the final cohort will complete their participation in the Scheme in Summer 2022. Since the start of the scheme latest figures show that over 180,000 jobs have been approved by the scheme.

Skills and Mentoring

Mentoring Circles support young people aged 16-24, giving them an opportunity to build on their employability skills through facilitating an interaction with employers.

The main aim of Mentoring Circles is to increase the confidence, motivation and job search skills of the young people to help them move closer to employment by raising their aspirations and fostering a can do approach. Mentoring Circles are delivered over three sessions by employers who share their experiences with mentees. This gives the young person the opportunity to talk to others facing similar barriers, as well as receiving advice on their CVs and job applications. The young people also receive a chance to practice interviews and employability skills. As a result of COVID-19, we are currently delivering Mentoring Circles sessions virtually.

We also have a Support for Schools programme which is a demand led programme for young people aged 12-18 who are at risk of becoming Not in Education, Employment or Training (NEET) or might face disadvantages when looking for work.

Support for Schools is designed to facilitate school-to-work transition, training or further study for young people better suited to vocational qualifications, instead of a traditional degree, to help them fulfil their career ambitions.

Other support available is via our direct engagement with the National Employers Partnership team to support the youth customer group (including 16 and 17 year olds), working with partners such as Movement to Work, the Prince's Trust, Accenture and Youth Employment UK.

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.

Job Finding Support (JFS)

From January 2021 JFS has been available to support people to increase their employability and provide links with suitable employers. JFS will be offered to working-age people in England, Scotland and Wales who have been unemployed for less than 13 weeks and who:

- are not participating in other DWP Contracted Employment provision or similar job finding provision
- are assessed as needing and benefiting from JFS including consideration of suitability for an individual who has left full-time education within the last 26 weeks
- are capable of participating on JFS including being able to work online, via video conferencing and/or telephone connections

The JFS is delivered locally through an external provider.

Job Entry Targeted Support (JETS)

As part of a Plan for Jobs, the Chancellor allocated £232.2 million (£73.4 million 2020-21 and £158.8 million 2021-22) to JETS. This included grants to London and Manchester and funding for JETS Scotland. JETS provides light-touch employment support to claimants in receipt of Universal Credit 'all work related requirements group' and New Style Jobseeker's Allowance (JSA) who have been unemployed for at least 3 months.

JETS provides personalised support for up to 6 months, helping participants effectively re-engage with the labour market and focus their job search.

Support is based around getting participants into employment, including support with moving in to a new sector where appropriate. Providers use their links with local employers to provide support. JETS went live in England and Wales on 5 October 2020. Equivalent provision was launched in Scotland in January 2021. This support is intended to be accessed by people within the first 12 months of unemployment.

Restart

Announced at the Spending Review and due to roll-out from summer 2021, the government is also investing up to £2.9 billion in the Restart Scheme. This scheme will provide intensive and tailored support to over 1 million claimants in the Intensive Worksearch Group on UC in England and Wales.

Restart supports claimants who have been unemployed for between 12-18 months into sustained work. Through regular contact with all participants, providers will develop a strong understanding of individuals' employment history, skills, aspirations and support needs to develop the right package of support to help each participant succeed.

For some participants, the support package might include bespoke training to take advantage of opportunities in a growth sector or to succeed in a major recruitment exercise, for others it might include support to get the right certificates to take up a job in a different industry such as construction or transport, or to update skills such as digital.

Scotland is receiving consequential funding through the Barnett Formula to deliver its own provision.

As we continue to roll-out the Plan for Jobs initiatives we will conduct a comprehensive evaluation through a multi research strand approach to examine key elements of the programmes and assess value for money.

In-work progression

The In-Work Progression Commission into the barriers and steps to support people in low pay to progress in work, led by Baroness Ruby McGregor-Smith, is due to report in Spring 2021. The original timetable was slowed to account for the impact of the pandemic on the labour market. The Commission will address the importance of skills development, the role of government and employers and the need to tackle certain key logistical barriers. The Commission will make recommendations to the Department, wider government and other relevant stakeholders on improving progression in low-paid sectors.

Levelling-up the regions

Within England we manage the 2014-20 European Social Fund – on average £440 million per year. Over the course of the programme we will have supported over two million people through projects that provide preparatory, additional and alternative employment and skills support to people with disadvantages. This includes:

- 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 people in employment but facing disadvantage, to support their progression

The 2014-20 European Social Fund programme will continue to commit funding through to the end of December 2021. This enables projects to continue to deliver support to individuals beyond this date, with all project activity ending by December 2023.

Since the impacts of the COVID-19 pandemic hit in March 2020, the ESF Managing Authority has worked closely with stakeholders to understand emerging support needs and to inform the Programme response to the pressures and challenges our delivery partners and projects are facing. The Managing Authority has implemented a number of flexibilities to enable support to continue, including:

- paying projects in advance of checks being completed for current claims
- relaxing the requirement for "wet" signatures and allowing alternative verification methods, such as email for existing projects
- considering requests from existing projects to amend their approach or refocus their support to respond to the COVID-19 situation

In recognition of the need to respond swiftly to emerging support needs, the Managing Authority has taken steps to streamline the process to assess bids for funding and invested in additional resource to further reduce the time taken for funding decisions to be made.

As the ESF ends, the UK Shared Prosperity Fund (UKSPF) will provide this type of support. The UKSPF will help to level up and create opportunity across the UK in places most in need, such as ex-industrial areas, deprived towns and rural and coastal communities, and for people who face labour market barriers from 2022.

A second portion of the Fund will be targeted to people most in need through bespoke employment and skills programmes that are tailored to local need. This will support improved employment outcomes for people who face labour market barriers.

The UK government will ramp up funding, so that total domestic UK-wide funding will at least match current EU receipts, on average reaching around £1.5 billion a year. The financial settlement will be determined at the 2021 Spending Review for April 2022 onwards.

In addition, to help local areas prepare for introduction of the UKSPF, a joint DWP and Ministry for Housing Communities and Local Government (MHCLG) programme will provide additional UK funding in 2021-22 to support communities to pilot programmes and new approaches.

The DWP Place-Based Approach

The Department's response to COVID-19 has built on strong existing partnerships at a local level, working through the Jobcentre Plus network with Mayoral Combined Authorities, Local Enterprise Partnerships, Skills Advisory Panels, and with businesses and charities, all of whom have valuable expertise and knowledge of their local labour markets. We are building on this experience to work closely across local and central government to understand place-based labour market issues and to embed feedback in design and implementation of employment programmes. For example, we now engage directly with Mayoral Combined Authorities and the Greater London Authority, alongside Department for Education (DfE), to collaborate and align employment and skills services.

The Department currently provides labour market support through an extensive range of interventions at a national and local level. This includes flexible provision driven by local need, nation-wide employment programmes and jobcentre support. The Department is working with local government representatives to ensure Restart considers local needs. Providers will be expected to tailor their offer to individual and local need across their contract package area.

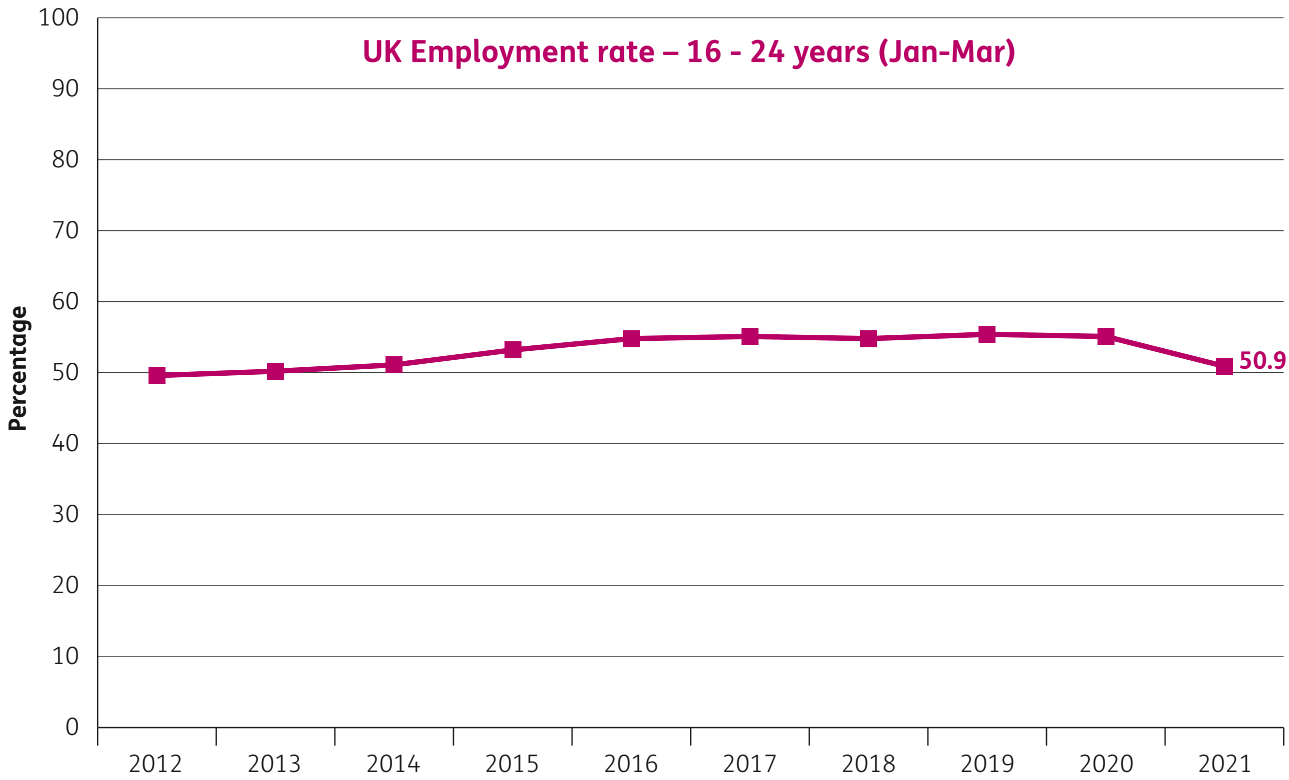
To help shape local engagement plans, the Jobcentre Plus place-based toolkit has been developed to provide jobcentres with information about an area's customer base, Labour market and departmental policy.

Since 2017, the Department has also developed Innovation Pilots with five Mayoral Combined Authorities. Driven by place-based needs and local knowledge, these were aimed at offering support to address long-term barriers to finding employment and in-work progression. We are currently evaluating these pilots.

Performance Indicators

UK and regional employment rate (16-24)

The latest available data, covering January to March 2021, shows the UK's employment rate for young people (aged 16-24) at 50.9%. This rate has fallen by 4.2 percentage points on the year, and by 4.7 percentage points since December to February 2020 (prior to the impact of COVID-19). Prior to COVID-19, the youth employment rate was last at this rate in 2014.

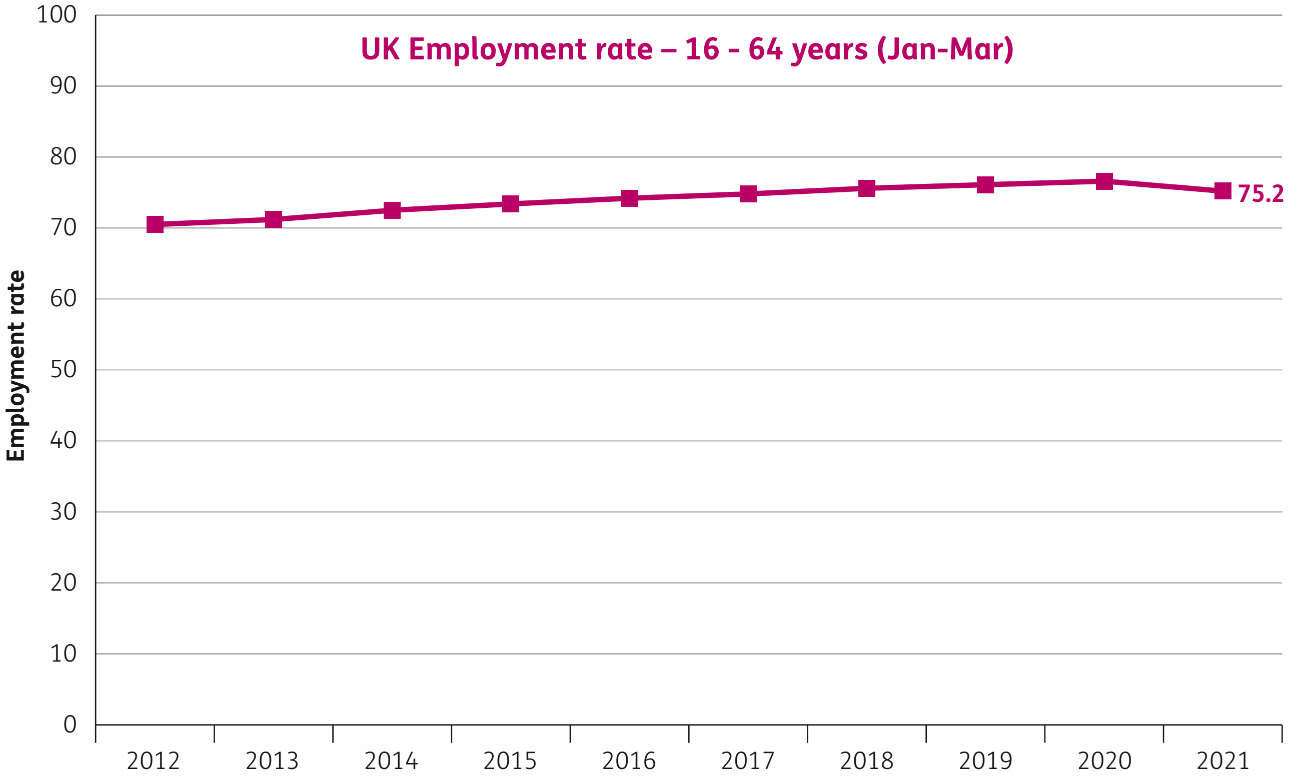


The data shown below (for the regions / nations of GB) is experimental data published by ONS. As with the headline employment rate for those aged 16-64, the majority of areas saw a fall in their youth employment rate over the year.

(Jan-Mar)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
North East	48.8	42.7	48.8	44.4	50.1	57.8	50.9	54.4	52.8	51.7
North West	46.2	50.1	51.2	55.0	55.5	57.4	53.8	51.6	56.7	50.7
Yorkshire and The Humber	46.0	49.9	50.5	50.2	50.6	54.9	55.0	53.2	56.5	49.0
East Midlands	52.2	50.0	53.4	54.1	52.7	56.3	57.5	59.4	57.8	54.4
West Midlands	45.5	46.3	48.9	49.6	51.4	46.5	49.1	49.6	49.5	49.6
East of England	57.2	54.0	53.5	54.9	60.4	58.9	58.4	60.2	59.5	55.4
London	37.7	40.7	41.8	45.5	46.0	45.6	45.7	43.1	46.2	41.2
South East	55.5	51.7	51.2	55.7	60.5	55.5	55.3	58.9	59.2	54.6
South West	54.0	53.9	56.9	58.6	57.7	61.2	61.8	63.7	58.8	54.6
Wales	43.3	47.2	46.4	46.3	52.7	50.3	57.8	55.4	52.7	49.3
Scotland	52.1	56.5	51.5	59.2	54.7	58.6	55.6	59.3	54.6	54.5

UK and regional employment rate (ages 16-64)

The latest available data, covering January to March 2021, shows the UK's employment rate at 75.2%. The rate has fallen by 1.2 percentage points on the year, and by 1.4 percentage points since December to February 2020 (prior to the impact of COVID-19). These falls are relatively small given the impact of COVID-19 on GDP, and reflects the significant support provided to the labour market through CJRS and SEISS.



At a regional/nations of GB level, the majority of regions saw a fall in their employment rate over the year.

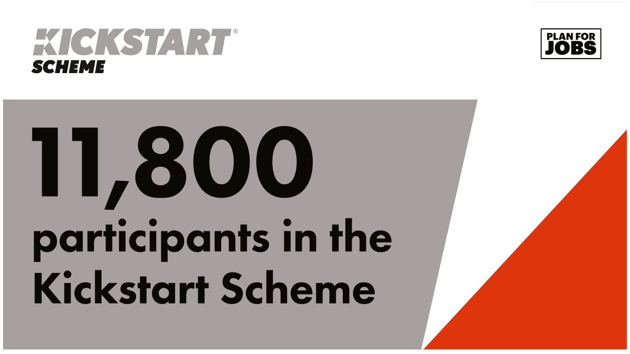
(Jan-Mar)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
North East	66.6	66.3	69.0	68.9	70.2	71.5	73.5	71.1	72.7	72.2
North West	68.1	69.0	69.5	71.5	73.2	74.0	73.7	74.8	75.8	73.5
Yorkshire and The Humber	69.1	70.5	71.4	71.7	71.8	73.6	74.0	74.4	73.7	73.7
East Midlands	72.2	70.9	73.0	73.8	74.2	75.3	75.6	76.5	77.9	75.3
West Midlands	68.6	69.5	69.8	71.2	71.6	71.5	73.8	73.9	74.7	74.2
East of England	74.8	74.6	76.2	76.8	77.4	77.5	78.3	79.4	77.8	78.0
London	66.8	69.7	71.2	72.2	73.3	73.2	75.1	75.0	76.6	74.8
South East	75.0	74.6	76.0	77.1	78.2	78.4	78.5	79.1	79.9	78.5
South West	73.2	74.4	75.8	77.3	77.0	78.6	79.3	79.6	78.7	76.7
Wales	68.2	69.6	70.0	69.6	72.4	73.7	73.6	75.4	74.0	74.0
Scotland	71.2	71.8	73.4	74.7	73.4	74.3	74.8	75.4	74.5	74.4

Number of participants in Kickstart

The overall number of participants in Kickstart as of 8 April 2021 is 11,800.

There have been 18,900 applications received from gateway organisations and employers, of which 5,300 have been approved since the scheme opened for applications on 2 September 2020. These approved applications represent over 180,000 jobs.

As this is a new scheme for 2020-21, we have no comparable data available for previous years.



The table below shows all participants in the scheme by region[8]

Region	Participants
East Midlands	660
East of England	780
London	2600
North East	490
North West	1700
Scotland	1100
South East	1200
South West	780
Wales	540
West Midlands	1200
Yorkshire and The Humber	890

8 We are unable to provide a breakdown of the approved jobs by region as at the approval stage a company provides their registered address which will often not reflect the location of associated jobs.
The table shows the number of starts broken down by region. The data in the table has been rounded. Although care is taken when processing and analysing Kickstart applications, referrals and starts, the data collected might be subject to the inaccuracies inherent in any large-scale recording system which has been developed quickly.
The management information presented here has not been subjected to the usual standard of quality assurance associated with official statistics, but is provided in the interests of transparency.

Priority Outcome 2

Improve opportunities for all through work, including groups that are currently under-represented in the workforce

Improving employment support and opportunities for everyone, especially groups which are currently under-represented in the labour market is one of our key priorities. The pandemic has seen the most disadvantaged groups disproportionately impacted, so it is more important than ever to ensure everyone has the opportunity to enter and progress in work.

As we look to maintain and expand the support to those who need it the most, we continue to listen and be informed by our external partners and organisations to ensure that everyone has access to effective employment support regardless of where they are located or what their personal circumstances are.

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

The lockdown resulting from the COVID-19 pandemic required significant changes to operational delivery in jobcentres. The pause to face-to-face interventions and the re-prioritisation of resource severely impacted some initiatives proposed for 2020-21.

We continued to review the feasibility to start testing measures throughout the year however the ongoing impact of COVID-19 presented significant practical challenges. As a consequence, the initiatives planned for Health Model Offices, specialist advice, additional work coach time and the hardest to reach were unable to start.

Underspend resulting from the measures not commencing was used to support additional measures including the development of an Access to Work digital app and online payments service.

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 is expected to provide innovative support to around 275,000 people. The latest statistics, that report up to the end of November 2020, show that 130,000 people have started the programme with 41,000 starting work and 21,000 job outcomes up to that point. Seventy-four percent of people starting the Work and Health Programme have a disability.

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 coordinated 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.

Although referrals to Specialist Employability Support (SES) ended in November 2019, the programme continued to support people referred to the programme until August 2020. This was a voluntary programme aimed at individuals whose health-related barriers did not allow them to benefit from other employment programmes. The programme support included tailored guidance, learning and training relevant to each participant. Up to September 2020, there were 7,020 starts to the SES programme.

The Intensive Personalised Employment Support (IPES) programme started in December 2019 to help people with both disabilities and complex barriers to employment who are considered by our work coaches to be more than twelve 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 health conditions

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.

Disability Confident provides employers with advice, support and resources to attract, recruit retain and progress disabled people in the workplace. The scheme was developed by disabled people, disability organisations and employers and was launched in November 2016. The scheme is designed as a learning journey and has three levels. All employers start the journey at Disability Confident Committed (Level 1), where they commit to providing a range of opportunities to disabled people. To achieve Disability Confident Employer (Level 2), they work through a self-assessment process measuring their policies and procedures against the criteria within the scheme and have access to a range of support including toolkits, videos and case-studies. To reach Disability Confident Leader (Level 3), employers agree to submit their self-assessment for external challenge, reporting on how they support their disabled staff; provide leadership activity to encourage and support other employers to become Disability Confident and are required to report of disability, mental health and wellbeing using the Voluntary Reporting Framework (VRF).

Disability Confident is voluntary and access to the guidance, resources and materials is free.

As of 31 March 2021 20,269 employers had signed up to the scheme.

Disability Confident - employer levels achieved as of 31 March 2021	
Disability Confident Committed (level 1)	16,259
Disability Confident Employer (level 2)	3,662
Disability Confident Leader (level 3)	348
Total	20,269

Source: DWP Disability Confident: list of employers that have signed up to 31 March 2021

To drive take-up and promote the scheme as widely as possible, we work closely with the Disability Confident Business Leaders Group, which includes senior representatives of major businesses throughout the UK.

During the pandemic, it has been extremely important to remain closely connected to the widest Disability Confident employer community, so that during and after COVID-19, employers receive timely and appropriate support to help them attract, recruit, retain and progress disabled people in work.

To do this in the most effective way, we are working with a number of Disability Confident Leaders, delivering virtual national webinars, covering a range of employer hot topics, hosted by Professor Amanda Kirby (CEO Do-IT) and sponsored by Microsoft.

We are also working with DWP Work and Health Programme Providers, delivering national employer virtual events, focusing on subjects such as: mental health and wellbeing, new ways of working and access to work.

We have continued to provide support through Access to Work, a demand-led discretionary grant scheme that provides funding for individuals who have in-work support needs that are beyond standard reasonable adjustments. The scheme provides a wide range of support such as funding for support workers (including British Sign Language interpreters), workplace adjustments such as special aids and equipment, adaptations, travel to and in work, and holistic workplace assessments. Access to Work does not replace the duty an employer has under the Equality Act 2010 but instead complements support provided by employers.

The latest Access to Work official statistics show that over 43,000 people received an Access to Work payment in the 2019-20 financial year, an increase of 20% on the previous year. Total Access to Work expenditure increased to £141.7 million in 2019-20, a new record amount, equating to an 8% increase in real terms expenditure compared to the previous financial year.

Access to Work is continuing to extend its reach, with people who have a mental health condition being the biggest group supported in 2019-20. In addition, the number of people with mental health conditions who had Access to Work support approved was up by 95% from 2018-19 figures. Access to Work has also seen a rise in the support it provides for young disabled people, with record numbers of young people (nearly 5,000) aged 16-24, receiving Access to Work support in 2019-20, which is an increase of 18%, compared to 2018-19.

To support disabled people during COVID-19, Access to Work has introduced a new flexible offer of support which can be used to complement support provided by employers. The new offer contains a combination of support that can be tailored to meet the needs of new COVID-19 working arrangements. The offer includes:

- support to work from more than one location
- a package of home working support which can be blended with workplace support
- mental health wellbeing support for people returning to work after a period of furlough or shielding
- travel-to-work support for those who may no longer be able to safely travel by public transport due to the nature of their disability and
- prioritising Access to Work applications from disabled people in the clinically extremely vulnerable group

Access to Work is continuing to develop the service it provides for customers and to modernise and improve customers' experience. Access to Work is developing a new digital customer journey. The digital journey will build on our digital application process and deliver a quicker, more efficient service and improved customer experience.

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 revisited the proposals included within the consultation and assessed them in light of COVID-19 which has brought renewed focus on elements of the package, and concluded that the proposals remain valid.

The pandemic has highlighted the importance of Occupational Health (OH) services and advice. We are currently undertaking further exploratory work and initiating developmental work around proposals outlined within the consultation for OH. This includes supporting innovation and supporting measures to improve the capacity of high quality OH healthcare professionals and the availability of cost-effective OH services for employers and employees to access.

We are considering changes to the legal framework around sickness and ill health, to encourage early action to support individuals when they are absent from work and to facilitate more conversations to agree effective workplace modifications and better advice and support from the government for employers to understand and act on their responsibilities in relation to employee ill-health.

Statutory Sick Pay (SSP) reform is also being considered, taking on board the feedback from the consultation and the lessons learned from the temporary changes introduced in response to COVID-19. A response to the consultation will be published shortly.

To help mitigate the impacts of COVID-19, we have made SSP payable from the first day of sickness absence from work, rather than the fourth, and extended eligibility to those who are self-isolating due to coronavirus (the usual SSP eligibility conditions apply). Small and medium employers with fewer than 250 employees are currently able to reclaim up to two weeks' of SSP for absences related to coronavirus.

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

Through the Joint DWP/Department of Health and Social Care (DHSC) Work and Health Unit, we have invested in a programme of initiatives 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:

- investing a total of around £50 million since 2017, to triple 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. In 2020-21, due to disruption to the labour market caused by COVID-19 and the anxiety this has caused IAPT clients, we have seen increased demand for employment support. The initiative has provided this support remotely in compliance with COVID-19 requirements. Between June and December 2020 employment advisers have seen 40% more clients than in the same period in 2019. In the first nine months of 2020-21 over 20,000 people have started employment support and we expect over 28,000 to have done so by the end of this financial year. In the 2020-21 financial year employment advisers in IAPT sites have seen 30,000 IAPT clients start employment support compared with 23,000 in 2019-20, an increase of 28%
- funding was secured for a post-trial service in our Individual Placement and Support (IPS) Health-Led Trial areas: Sheffield City Region and the West Midlands Combined Authority. This post-trial service ran between November 2020 and March 2021. These services provided employment support within the health service using the IPS model to people with common mental health and/or physical health conditions. IPS providers in both areas have adapted to the new restrictions stemming from COVID-19 and have continued to work flexibly to support participants
- developing resources and interventions through the Work as a Health Outcome programme, which is supporting healthcare professionals to discuss work with patients. These include a consensus statement promoting health and work, supported by the medical royal colleges, a health and work e-learning resource for healthcare professionals and a new health and work medical undergraduate curriculum piloted across a selection of medical schools. In addition, a health and work medical champion role was piloted where doctors played a role in joining up strategic and operational activity on the health and work agenda and promoting this across healthcare organisations within three areas (London, East Midlands and North East of England)

To support the government's response to the COVID-19 pandemic, we worked with the Department of Health and Social Care and the NHS to develop a bespoke form of evidence to support those needing to self-isolate due to COVID-19. This enabled people to use the isolation note service to obtain evidence of the need to self-isolate rather than visit their GP for a fit note. The service is highly regarded by GPs in helping to safeguard both clinical time and the gateway to fit notes for people with non-COVID-19 health issues throughout the pandemic.

Employment support for people from a Black, Asian and minority ethnic background

Using data from the government's annually updated Race Disparity Audit and our own analysis we have been helping those underrepresented in the labour market to enter and progress into work where possible.

The ethnic minority employment rate was 68.1% in January to March 2021, an increase of 0.1 percentage points on the year. The ethnic minority unemployment rate was 8.9% in January to March 2021. This is an increase of 2.6 percentage points on the year, and 4.2 percentage points higher than the unemployment rate for the total population.

We are monitoring data to see how COVID-19 is continuing to affect this over upcoming months.

Our approach involves maximising the effectiveness of our jobcentres and influencing the behaviour of employers in supporting ethnic minority jobseekers into employment. This is in addition to the comprehensive package of employment support the government announced earlier this year to protect, support and create jobs. We will be analysing ethnicity data on the Plan for Jobs interventions which will inform both process and impact evaluations.

We have been providing targeted assistance 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.

Skills and mentoring are an important component of the targeted support. We know from the data that some ethnic minority women can have specific and sometimes challenging barriers to moving into employment. Our jobcentre outreach work links up with organisations that help women furthest from the labour market move closer to employment.

These complement our national programme of mentoring circles, where employers offer specialised support to young ethnic minority jobseekers, as we know ethnic minority young people are over-represented in some sectors hit the hardest by the COVID-19 pandemic. These mentoring circles provide an opportunity to build confidence and raise aspirations and job search skills, whilst at the same time helping employers understand and revise their recruitment practices. In the reporting year, because of the pandemic, these were made available virtually.

Informal carers

The Family Resources Survey, published in March 2021, estimate there were 2.4 million informal carers in employment before the pandemic began. Recent research by English Longitudinal Study of Ageing indicates that 1 in 3 50+ working carers increased their caring responsibilities during the current pandemic. We are committed to supporting people to remain and return to work and are working with employer organisations to host webinars for small and medium enterprises on how to support working carers to remain in work and maintain their well-being and productivity. The Business in the Community (BITC) 'Supporting Carers in the Workplace: a practical guide for employers,' has been updated to reflect the specific needs of working carers during the COVID-19 outbreak.

People aged 50 years and over

In the quarter January to March 2021 the number of people aged 50 years and over in employment was 10.5 million, an increase of 2.2 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 2000 to 2020 occurred for females aged 60 to 64 years – up 25.9 percentage points from 25.5% in 2000 to 51.4% in 2020. The pandemic has disrupted the trend for people aged 50 years and over. In the quarter January to March 2021, the employment rate for people aged 50 years and older was 41.7%, down by 1.2 percentage points from January to March 2020 (42.9%).

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.

Veterans

As part of the Department's commitment to the Armed Forces Covenant, Work Coaches promote tailored employment opportunities and personalised support to members of the Armed Forces Community, working in partnership with their local Armed Forces Champion.

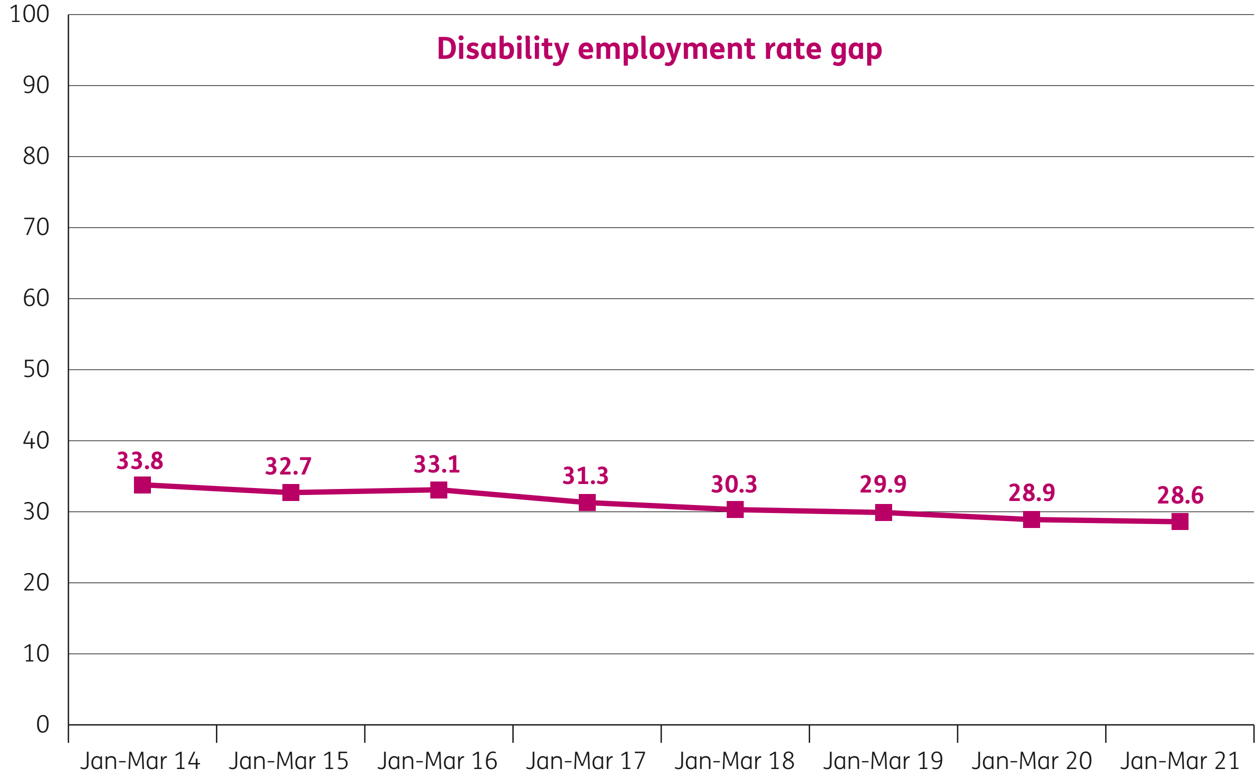
There is an Armed Forces Champion in each of our Jobcentre Plus districts who work with military units, charities and other partner organisations. Over the course of last year Armed Forces Champions have continued to be active and where new ways of working have been necessary to keep people safe during COVID-19 they have provided virtual support, including; delivering virtual Mentoring Circles and virtual jobs fair events.

Performance indicators

Disability employment rate gap

The UK disabled employment rate gap, between disabled and non-disabled people in January – March 2021 was 28.6 percentage points.

The gap has decreased by 5.2 percentage points over the last 7 years, from 33.8 percentage points in Jan-Mar 2014 (the earliest comparable date).



Priority Outcome 3: Address poverty through enabling progression into the workforce and increasing financial resilience

DWP provides a vital safety net to society, reducing poverty and improving people's financial resilience through a wide range of existing services, at all stages of life; from the Child Maintenance Service to the State Pension. After a record number of years of increasing employment rates and reducing unemployment, the COVID-19 pandemic had a significant impact on the country, the economy and our department. We have been quick to adapt to the financial pressures the pandemic has placed on many, prioritising timely payment of essential financial support and temporarily uplifting Universal Credit (UC), increasing people's resilience during the pandemic.

In addition to the direct payment of benefits we also play 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 around £30 billion in 2020-21 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.

COVID-19 Response

Universal Credit £20 uplift and other financial support

The COVID-19 pandemic has led to an unprecedented number of declarations and customer contacts for Universal Credit.

In order to support vulnerable claimants and provide financial security during this challenging period, the government introduced a £6.5 billion package of measures.

A temporary increase of £20 per week to the Universal Credit Standard Allowance, and equivalent in Working Tax Credit, was introduced in April 2020 to support those facing the most financial disruption as a result of the public health emergency, benefiting households by (up to) £1,040 per year at a cost of £6 billion. At Budget 2021 the chancellor confirmed that £20 per week increase would be extended for a further six months (through to September 2021) to bring a total cost of £8.2 billion.
The government also increased the Local Housing Allowance rates for Universal Credit and Housing Benefit claimants so that it covers the lowest 30% of local rents – an injection of almost £1 billion to 1.5 million households.

To bolster this support further, the government introduced a £465 million package to help families stay warm and well-fed over winter 2020-21 and beyond. The package included the £229.1 million COVID-19 Winter Grant Scheme. The scheme is administered by local authorities to help people who need it buy food and other essentials. This is in addition to the wider support package for disadvantaged families and children, which includes:

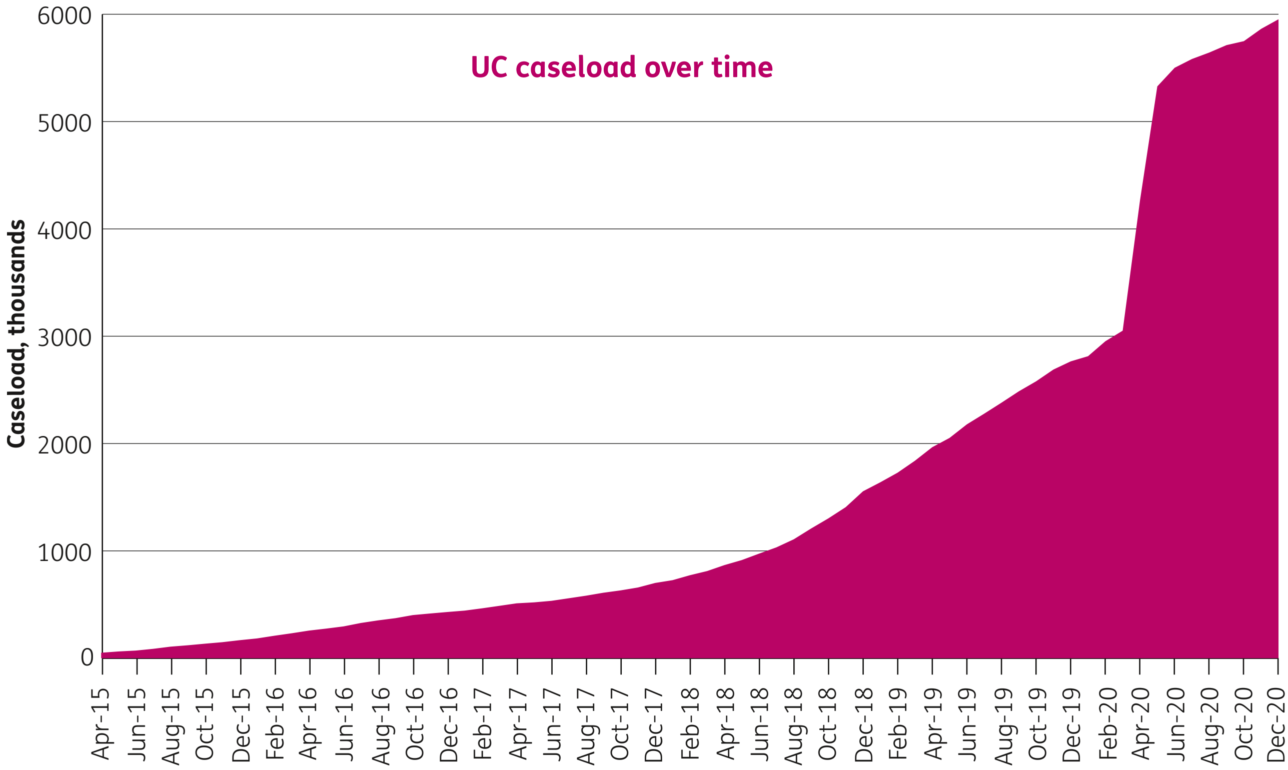
- expansion of the Department for Education's Holiday Activities and Food programme
- increasing the value of the Department for Health and Social Care's Healthy Start vouchers from £3.10 to £4.25 from April 2021
- £16 million to fund local charities through well-established networks and provide immediate support to frontline food aid charities

We have made 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 outbreak.

Universal Credit

Universal Credit (UC) combines six legacy benefits into one and is the cornerstone of our benefits system – helping people with their living costs if they are on a low income, out of work or cannot work. UC helps by ensuring the right incentives are in place to make it more financially rewarding to move into employment and increase their earnings and is designed to help people move into work more easily, with tailored support from an allocated Work Coach.

We have continued to consolidate the secure delivery of Universal Credit and to work closely with a diverse group of stakeholders including charities, campaign groups, local authorities and housing associations.



Latest statistics, published on 26 January 2021, show there were 5.9 million people receiving UC on 10 December 2020 and of these 39% were in employment[9]. This compares to 3 million people in March 2020 of which 35% had employment. Even as the caseload has grown, service delivery performance has remained strong: for example, the latest published figures show payment timeliness for new claims remained high, at around 90% being paid in full and on time.

9 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 (10 December 2020). They are not necessarily in employment on the count date.

Providing housing support

In 2020-21 we spent almost £29 billion in helping people across the UK with their housing costs. This has increased from almost £25 billion in 2019-20.

Local Housing Allowance (LHA) determines the maximum financial support available for renters in the private rented sector. Following a four year freeze to LHA rates from 2016 to 2020, rates were originally due to increase in line with the Consumer Prices Index from April 2020. However, in response to COVID-19, from April 2020, LHA rates were increased to the 30th percentile of local market rents to further support tenants through this period. 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 1.5 million households have seen an increase in their Housing Benefit or Universal Credit housing costs, on average, of £600 in 2020-21.

The 2020 Budget also announced from October 2023 a widening of groups who would be exempt from the Shared Accommodation Rate 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.

Due to the impact of COVID-19 on young people the changes to the care leavers and homeless exemptions have now been brought forward to June 2021 as announced at Spring Budget 2021. These changes will benefit around 6,000 people by an average increase of around £34 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.

Since 2011 we have provided over £1 billion in funding for Discretionary Housing Payments, enabling local authorities to provide additional support with housing costs in the social and private rented sector. In 2020-21 the government made available £180 million in Discretionary Housing Payments funding for local authorities in England and Wales to distribute to help support vulnerable people with housing costs.

We continue to provide help through Support for Mortgage Interest (SMI). An interest bearing loan balancing the needs of owner occupiers and the tax payer, while providing robust protections against repossession. Through 2020-21 we have continued to monitor the impact of the change and loan take up as well as available data on mortgage arrears and repossessions. From March 2021 SMI claimants can transfer this support to their new property when moving home, rather than having to repay the loan immediately.

Jobcentres in England continue to offer a voluntary referral to claimants who may be homeless or threatened with homelessness to a local housing authority of their choice. This earlier intervention is intended to give people the stability they need to move into, and remain in, work.

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.

Debt Management

As part of our wider effort to get money to people quickly we moved a significant number of Debt Management colleagues to roles where they supported the efficient payment of benefits to people making new claims. As a consequence, debt recovery was paused for 3 months from April 2020, with agreement from the Accounting Officer, Secretary of State, Treasury and the Chancellor - with the exception of fines, third party deductions and Universal Credit Advances.

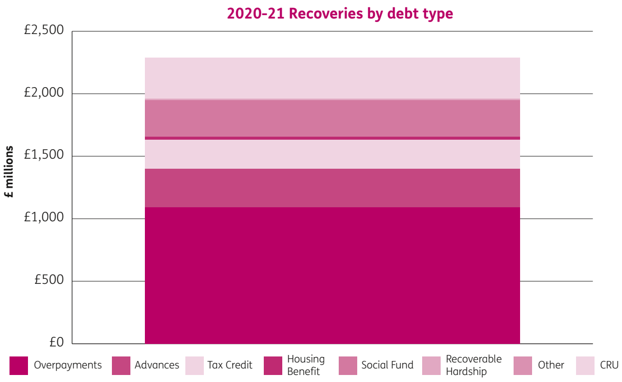
To carefully manage the demand on services and ensure customers continued to receive a good service we adopted a phased and controlled approach as we switched back on debt recovery work. We recommenced referral of 1.6 million new and stockpiled overpayments in September 2020, with the majority cleared by the end of June, and by November 2020 we had restarted existing debt recovery for over 1.5 million cases.

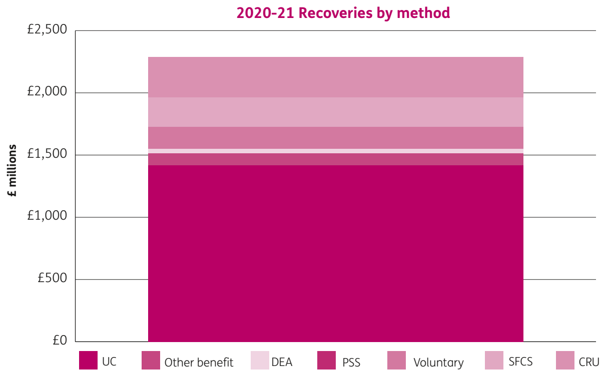
Despite measures taken this year to prioritise payment of new claimants, Debt Management's total recovery (excluding Housing Benefit recovered by Local Authorities, but including £0.3 billion benefit debt recovered by DWP) amounted to £2.3 billion which represents a slight increase on 2019-20.

We understand the impact that recovering debt can have on benefit claimants and people with low income. We ensure that priority deductions, like key utilities and rent arrears – are taken before the benefit overpayment/debt related deductions. The amount we can deduct from people on benefit is set by legislation and for Universal Credit, the cap on deductions was reduced from 30% to 25% from 12 April 2021. In addition, all customers can contact us if they are experiencing financial hardship in order to negotiate a reduction in their rate of repayment.

Methods of recovery

DWP made a commitment this year to publish details of our debt recovery, including how we recover money across the different benefit types. The tables below, provide this information.





CRU: Compensation Recovery Unit
PSS: Private Sector Suppliers

SFCS: Social Fund Computer System
DEA: Direct Earnings Attachment

The most efficient method of recovery where a debtor is in receipt of benefits is to recovery from source; nearly 90% of debt was recovered this way in 2020-21. When a customer leaves benefit we seek to agree an affordable recovery plan in the first instance, however we also have the powers of Direct Earnings Attachment where customers are in work and as a last resort we can also refer debts to the private sector. Approximately 67% of debtors are in active recovery.

Debt stock

The money which we still have to collect, is called our debt stock. DWP has a robust control of its overpaid benefit debt stock. There has been a build-up of new debt caused by the pause in loading new debt and by an increase in new debt brought about by our work to review cases.

At the end of 2020-21 benefit overpayment and tax credit balances accounted for £5 billion of the total overall debt stock. This is expected to increase next year. To tackle this, we have recruited additional staff and we plan to bring in further staff by the end of 2021-22. We are also taking forward work to analyse our debt stock. This will help us develop a robust understanding of the effectiveness of our processes, policies and recovery strategies. Findings will inform options for possible policy/legislative change and possible extension of recovery powers.

Supporting children and families

Child maintenance can play an effective role in reducing child poverty and in enhancing the life outcomes of children in separated families. Our analysis shows that child maintenance payments help to reduce the chances of children being raised in poverty.

As a result of child maintenance arrangements, we estimate around £2 billion is transferred between parents each year for the benefit of children, and we know that approximately 120,000 fewer children are growing up in poverty as a result of child maintenance payments.

Over the course of 2020-21, and throughout the pandemic, we have continued to encourage separated parents to use the online child maintenance Options service for guidance and support in making a maintenance arrangement and calculating an estimate of what may be reasonable to pay.

In April 2020, during the early stages of the COVID-19 pandemic, a significant number of CMS staff were redeployed to support other areas of benefit delivery. To manage the Child Maintenance Service, we introduced temporary changes, for example, directing customers to use our online services in the first instance, which were available 24 hours a day, 7 days a week.

By autumn 2020, all CMS staff had returned from redeployment and we have been able to reinstate virtually all core areas of service delivery with business returning to normal by October. Our tight control of work combined with a flexible operating model has meant that throughput remained consistent throughout this period.

The Options service continues to encourage separated parents to make collaborative family based arrangements in a way that works for their own individual circumstances. We are not prescriptive as to what a family based arrangement should include. It could include regular financial payments or it could include other kinds of support such as sharing child care, housing, or support with school expenses for example.

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

We know that the vast majority of separated parents – whether receiving parents or paying parents – take their responsibilities extremely seriously and want to do the best for their children. Our primary aim is to help parents do that and we are sensitive to the needs of both separated parents.

The child maintenance system is designed to promote collaboration between separated parents and for them to agree their own family-based arrangements wherever possible, without state intervention.

However, where a family based arrangement is not suitable, then the Child Maintenance Service (CMS) administers a statutory scheme for those who really need it. The parent that makes an application to CMS is charged a £20 fee, which is waived if they are under 19 years old and / or have experienced domestic violence or abuse.

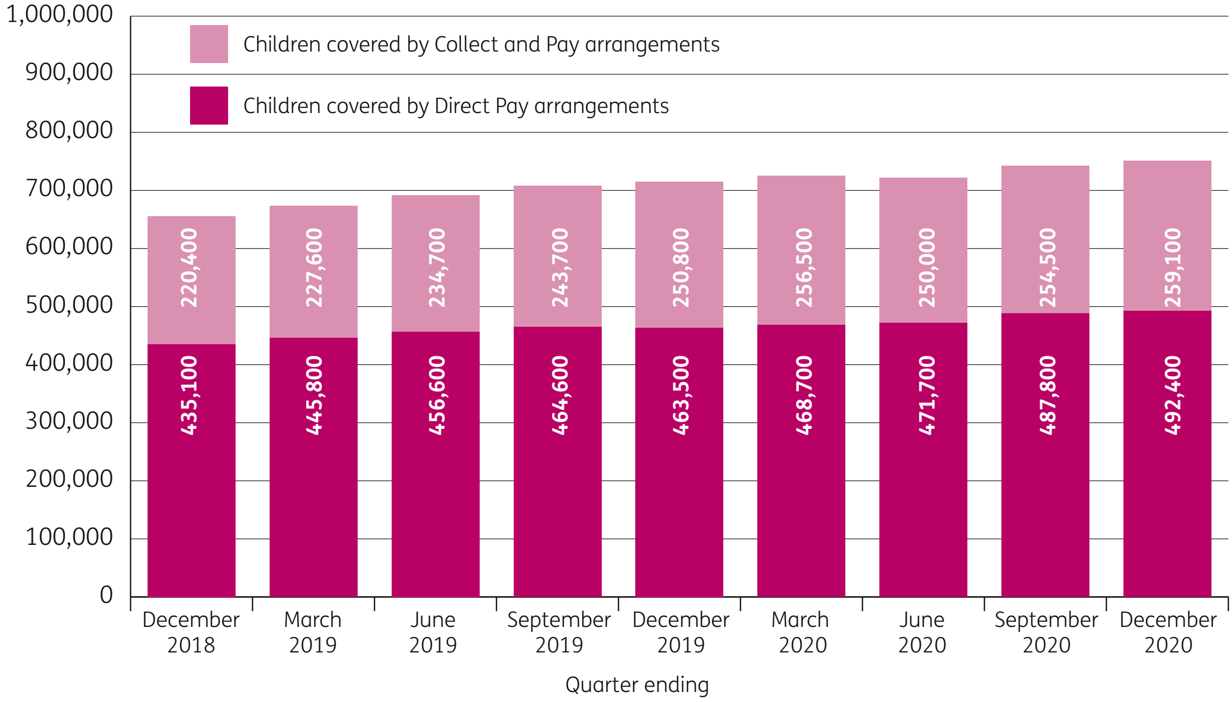
Once in the statutory scheme, cases are managed through one of two types of service:

- Direct Pay – where the CMS provides a calculation and a payment schedule, but payments are then arranged privately between the separated parents. There are no ongoing charges for either client for the use of the Direct Pay service. We check in with both parents periodically, usually via a simple text message, just to check that the arrangement is still working for both parties
- Collect and Pay – where one parent makes payments to the CMS who then pass that money on to the parent who has primary responsibility for the day to day care of the child. There are collection charges for the use of this service: a 4% charge for the receiving parent (i.e. a deduction of 4% from each maintenance payment); and a 20% charge for the paying parent (i.e. an additional 20% that is added to whatever is paid to the other parent for child maintenance).

The latest statistics (as at December 2020) show that:

- by December 2020 there were 751,500 children covered by CMS statutory arrangements
- in the quarter ending December 2020, 72% of collect and pay service cases were paying some child maintenance
- in the quarter ending December 2020, £201.8 million due to be paid through Direct Pay arrangements and £42.2 million paid through the Collect and Pay service

Children covered by Child Maintenance Service arrangements, December 2018 to December 2020



Source: Child Maintenance Service statistics available on StatXplore

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

The Department plays a key role in supporting the government's commitment to families and wants every child to have the best start in life. Over the course of 2020-21 through the Reducing Parental Conflict Programme we have maintained support for families, using methods of delivery that meet social distancing requirements so that families can still access support through the COVID-19 pandemic.

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 other long-term future outcomes. This covers conflict below the threshold of domestic abuse.

The government is committed to reducing conflict between parents - whether they are together or separated. Sometimes separation can be the best option for a couple, but even then, continued cooperation and communication between parents is better for their children. It is for this reason that we have invested in the Reducing Parental Conflict Programme, which is developing the evidence base on what works and working with local authorities and their partners to integrate parental conflict support into their local services for families. In 2020-21 the Programme has been delivered in close collaboration with local authorities, their local partners and a number of contracted service providers and grant-holders.

We continued to deliver throughout the year, working with our partners, commercial providers and local authorities, to explore options for maintaining provision which enabled us to adapt in response to the pandemic, creating alternative, innovative ways of continuing to deliver support virtually. We have been able to continue to help families facing rising parental conflict in the home due to confinement throughout the year.

We have been testing eight interventions within 31 local authorities in England, who alongside their partners, identify parents who are experiencing harmful levels of conflict, and determine the level of support needed. These are building and strengthening the evidence base on what works and we have seen over

2700 parents starting an intervention, with 1200 of them having successfully completed as of March 2021.

Financial support for disabled people

Personal Independence Payment (PIP) provides a valuable, financial contribution towards the additional costs working-age people with a long-term health condition or disability can face. The design of the benefit is intended to prioritise support on those experiencing the greatest barriers to living independently and to treat all conditions fairly and equally, regardless of whether they are of a physical or non-physical nature. PIP has replaced Disability Living Allowance (DLA) for new working age claims and for existing DLA recipients who were aged 16 to 64 on 8 April 2013 or reach age 16 since then.

Since PIP was introduced in 2013 we have processed nearly 5.7 million claims to PIP, 3.7 million new claims and 1.9 million reassessments. We introduced easements to comply with public health guidance and the average new claimant completed the end to end process within 19 weeks in January 2021, the same duration as January 2020 prior to the COVID-19 pandemic. We have also taken positive steps to reduce the frequency of regular award reviews by introducing guidance changes for those in receipt of the highest PIP awards and where their needs will not improve and for those of State Pension age. Claimants falling into these groups receive ongoing awards with a light-touch review at the 10 year point.

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 have also implemented a judgement that considered the definition of ‘social support’, in the PIP assessment. This was implemented from September 2020[10].

Reforming our health assessments through the Health Transformation Programme

We remain committed to developing a transformed service for people with disabilities and health conditions who require a health assessment as part of their claim to benefits. This will be delivered through the DWP Health Transformation Programme (HTP), involving the creation of a single, integrated Health Assessment Service, supported by a single digital platform, developed by DWP. This will provide a more joined up claimant experience as it will help improve information sharing by re-using relevant information we already hold and reduce the burden on claimants of providing the same information multiple times.

However, due to the impact of COVID-19, HTP had to review delivery plans and pause some planned activities. The majority of HTP’s staff were redeployed as part of the Department’s wider response to the pandemic to support other business critical areas, such as administering UC claims. HTP did continue to work on key delivery areas, including:

- supporting the Department’s response to keep people safe during COVID-19 by introducing, in May 2020, an electronic PIP2 claim form which could be completed via email, which was enhanced with an online version, starting on a small scale in November 2020. This provides ‘save’ and ‘resume’ functionality for claimants as well as the ability to submit the claim form and upload supporting evidence into the Department’s document repository service
- progressing the development of the new DWP-led Departmental Transformation Area (DTA) where we will develop and test the evolving integrated health assessment service. This will be a safe, controlled environment where we will be able to try out a variety of ways in which we can improve claimants’ experience of the service. The first DTA site started in London from 21 April 2021

10 https://questions-statements.parliament.uk/written-statements/detail/2020-09-17/hcws454

- we are developing and testing a digital channel - "Apply for Personal Independence Payment" - to widen claimants' choices on how to make a new claim for PIP. We are currently scaling this service to increase the number of claimants using it by Summer 2021. The full online service (public beta) is scheduled to start by the end of 2021
- as this digital channel will be optional, we will ensure we continue to offer our telephony service and paper form for those who are unable or prefer not to use our online services

We had to review our commercial approach due to the impact of COVID-19, and announced our intention to extend both the PIP and HDAS contracts for conducting health assessments for up to 2 years (2023) as it was not possible to launch a procurement exercise for new contracts as planned. The contract extensions are expected to be signed by 31 July 2021, ensuring that there be continuity of services.

As a result of the pandemic, all face-to-face assessments for sickness and disability benefits were suspended, however in line with public health guidance and adhering to strict safety protocols, the department has started to reintroduce face-to-face assessments for health and disability benefits.

Face-to-face assessments for Industrial Injuries Disablement Benefit (IIDB) claimants resumed from April 2021. Face-to-face assessments for Work Capability Assessments (WCAs) and Personal Independence Payment (PIP), resumed from May 2021 across England and Scotland and in Wales when public health guidance allows. Face-to-face assessments will take place alongside existing paper-based assessments, and telephone assessments (for WCAs and PIP), which will continue to take place where suitable. We had paused work to align audio recording of PIP assessments with WCA due to the impact of COVID-19. We are finalising arrangements with both PIP Assessment Providers to deliver an audio recording service for face-to-face assessments, building on the solution introduced for telephone assessments. We are planning on this being available by late summer. We recognise that there are positive lessons to be learned from our experience of delivering our services during the pandemic. We are reviewing the lessons learned from the pandemic which will be reflected in our wider transformation plans, including the forthcoming green paper, and subsequent policy decisions regarding the delivery of health assessments.

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

We administer and make State Pension payments to around 12.5 million people. Approximately 11 million who reached State Pension age before 6 April 2016 and around 1.5 million on the new State Pension system which was introduced on that date. The new State Pension enables people to plan for their total retirement income needs. The new system means that younger people will know that they will receive over £9,300 a year (2021-22 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 25 million digital forecasts have been viewed on our 'Check your State Pension' digital service up to December 2020.

The government passed the Up-rating of Benefits Act 2020 to ensure that State Pensions could be increased in 2021 in line with the Triple Lock commitment. This ensured that, although the reference measure of average earnings was negative in 2020 (an economic consequence of the COVID-19 pandemic), the Triple Lock increases could still be applied, with rates increasing by 2.5% for 2021-22.

Underpayment of State Pension

In 2020 we discovered cases where people were being underpaid State Pension particularly certain categories of married women, widows and people aged 80 years and over. For each group of individuals affected, our IT systems produce a prompt to consider if an individual's State Pension amount should be increased. The prompt required our Retirement Services people to take further manual action and, in some cases, this did not take place.

The cases fall into distinct groups. People who are married or in a civil partnership who reached State Pension age before 6 April 2016 and may be automatically entitled, following a 2008 legislative change, to a Category BL uplift based on their partner's National Insurance contributions. People who have been widowed and their State Pension was not uplifted to include amounts they are entitled to inherit from their late husband, wife or civil partner, and people who have not been paid Category D State Pension uplift as they should have been from age 80. This is an issue that dates back in some cases to the 1990's.

We are fully committed to making sure that people who have been underpaid State Pension receive the money they are rightly entitled to and rectifying these cases is a priority for the Department.

From July 2020 to January 2021 we carried out a number of complex scans of legacy computer systems that analysed many millions of State Pension records. Analysis of the scans has identified around 400,000 cases that require further investigation.

Given the complex nature of the scans involved, however, these numbers are uncertain and the number of cases to review will be refined by our analysts as the correction activity progresses, and we are able to base future estimates on management information gathered from actual cases as they are reviewed and corrected.

From 11 January we commenced a corrective action through a Legal Entitlements and Administrative Practice (LEAP) exercise. In addition to the 150 people currently working on the correction activity we intend to increase capacity of the team with an additional 360 staff during 2021-22. We expect this additional resource to speed up the correction activity, with the aim to complete the exercise by the end of 2023.

For more details on progress of our plans to correct this see page 77.

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 May 2020, there were just over 1.5 million Pension Credit claimants.

In 2020-21 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.

Since August 2020 the BBC has limited the free TV licence for people aged 75 and over to recipients of Pension Credit. The announcement before the policy commenced and the subsequent mass mailings by the BBC to those affected led to a spike of calls made to the Pension Service but it is still too early yet to say whether this will lead to a significant increase in the Pension Credit case load. We continue to work closely with the BBC in order to ensure that messaging about Pension Credit remains strong and consistent and that pensioners are clearly directed as to how to make a claim if they haven't done so already.

Supporting pensioners through 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. It improves access and enables family, friends and organisations to help pensioners make a claim.

To further support our customers, we worked closely with the National Shielding Service in 2020 which was contacting clinically vulnerable citizens who were advised by NHS England to shield. As a result, we launched a new service on 10 April 2020 for shielding customers using Post Office card accounts who would normally leave their house to collect payments at the post office. For those customers who needed help we were able to offer them a number of options over the phone. For our 245 most vulnerable customers we worked closely with Post Office Ltd to provide contact free cash payments through Royal Mail Special Delivery with guaranteed next day delivery. This service was suspended when the phase 1 shielding ended last year but was reintroduced from 9 February 2021 to 31 March 2021 to support our most vulnerable claimants during the most recent shielding exercise introduced by the government.

Giving eligible workers the opportunity to save into a workplace pension

Workplace pension saving through automatic enrolment

We are committed to enabling more people to save while they are working so they can achieve greater security in retirement. Alongside the simplified new State Pension, the Department introduced automatic enrolment. Automatic enrolment has transformed workplace pension saving, enabling millions of people to save towards the retirement they want.

This was phased in from 2012, starting with the largest employers. 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. In 2019, an estimated additional £22.7 billion a year was being saved into workplace pensions compared to 2012 among eligible employees, 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 40% in 2012 (or 59% without a workplace pension) and 86% in 2019, which is now comparable to the rate for men. Among people aged 22 to 29, 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.

Impacts of COVID-19 on workplace pensions participation

The government's immediate priority has been to support employers and savers during the pandemic. The automatic enrolment duties have continued to apply to all employers with eligible workers. In order to help businesses and workers with their commitments, the government put in place a package of support, including the Coronavirus Job Retention Scheme (CJRS), with support initially available through this scheme for employer pension contributions and National Insurance Contributions (NICs).

The CJRS has been extended until 30 September 2021 and whilst, as of August 2020, direct support for pension contributions is no longer covered under the scheme, it continues to support businesses by covering 80% of furloughed workers' regular salary, capped at £2,500 per month. The Kickstart Job Creation Scheme was also created to provide six month paid work placement opportunities for 16 to 24 year olds who are on Universal Credit and are deemed to be at risk of long-term unemployment. This scheme includes funding to cover employers' minimum automatic enrolment contributions.

We are continuing to monitor the implications of COVID-19 and its impacts on scheme members, employers and the pension industry.

As part of supporting the UK's economic recovery, our aim remains to help workers achieve greater financial resilience in retirement. The 2017 Review of automatic enrolment included ambitions to continue to normalise pension saving among workers, with a particular focus on younger people, lower earners and women – through reducing the qualifying age to 18 and removing the lower earnings limit – in the mid-2020s. We will pay close attention to the impact and costs of making changes and consider the optimal approach on implementation in the light of the impact of the pandemic and our overall focus on the recovery, while continuing to support long-term saving, balancing the needs of savers, employers and tax-payers.

Encouraging retirement saving amongst the self-employed

We are making progress on the self-employed agenda, following the 2017 Review, by carrying out research and trials to build the evidence base to find ways to make retirement saving easier for self-employed individuals. We commenced a trialling research programme in 2019-20 to test a range of approaches and interventions aimed at promoting self-employed individuals to save.

In addition, we have completed a short research project to evaluate the impact of the COVID-19 pandemic on the savings and financial wellbeing and resilience of self-employed businesses. We aim to commence the next stage of trials, which were paused in light of the pandemic, from summer 2021.

We are also working with HM Revenue and Customs to explore whether it is possible to make use of behavioural prompts that encourage saving amongst the self-employed, through established accounting and tax processes, utilising the opportunities presented through Making Tax Digital and the associated software developments.

Deferred scheme members with small pension pots

We are committed to making the automatic enrolment system work better for scheme members with deferred small pots. Extending workplace pension saving within a labour market as dynamic as the UK's necessarily comes with challenges, given workers who move jobs can accumulate multiple deferred, small pension pots over their working lives.

Given the risks that the growth of deferred small pots presents for savers and their access to good quality pension provision the Minister for Pensions and Financial inclusion set up a cross-sector small pots Working Group chaired by the Department, to help prioritise options to tackle this problem.

The Working Group report was published on the 17 December 2020, with a framework to enable progress towards consolidation solutions. The first stage is for the pensions industry and providers to tackle administrative challenges to enable large scale transfers within the mass market, working with regulators and government.

In order to take this work forward, the Pensions and Lifetime Savings Association and the Association of British Insurers have jointly convened a new industry coordination group (launched March 2021). We are working with industry as part of this group and industry is expected to report in the Summer.

Simpler Annual Benefit Statements

We are also aiming to help scheme members to better understand their pension pots through simpler, more consistent annual benefit statements. These will encourage savers to be more engaged with their retirement savings thereby prompting them to plan effectively for the retirement that they want.

In the government response we published last year on the consultation on simpler benefit statements we indicated that we will regulate in this area to drive change, with a focus on statements used for automatic enrolment in the first instance. Consultation on regulations commenced in May 2021.

Costs and Charges

We are committed to ensuring that pension savers who are automatically enrolled into a pension scheme are protected from high and unfair charges. In 2020, we launched a review of the default fund charge cap and standardized cost disclosure. The charge cap has been an important factor in driving down costs for savers in defined contribution pension schemes. Our review concluded that the defined contribution market is working competitively, with average administration charges significantly below the charge cap limit of 0.75%.

Our review also highlighted the need to tackle the issue of pension pot erosion caused by the use of flat fee administration charges. This is a particular issue for pension saver with lower value pots, who have stopped contributing to their pension, but continue to be charged these flat fees. To address this in the short term we have committed to introduce a £100 limit, below which these charges cannot be applied. If a member has multiple pots in the same scheme, the limit will apply to all pots that are being charged. We propose to consult on this change in 2021.

We will also look more closely at how pension savers can access comprehensive and transparent information on costs and charges in 2021.

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 make the most of their money and pensions. In October of 2020, MaPS launched a new marketing campaign to increase the reach of the service. Starting in summer 2021, MaPS will publish quarterly data on the pension guidance services they offer. MaPS are launching a new single website, currently planned for the summer of 2021, to bring together the different services they offer and aid transitions between them.

We continue to work together with MaPS, The Pensions Regulator, and the Financial Conduct Authority to deliver Sections 18 and 19 of the Financial Guidance and Claims Act 2018. These set out a requirement for a stronger nudge towards pensions guidance at the point when a consumer applies to access their pensions savings. The two interventions tested in the stronger nudge trials, completed in 2020, were both successful in encouraging pension savers to book and attend a Pension Wise appointment. The Department set out how section 19 will be implemented in a statement of policy intent published in October 2020. We will consult on draft regulations in summer 2021.

The Pension Schemes Act 2021

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 don't 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 Act will 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 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 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
  - analyse the effect of different global warming scenarios on the scheme
  - publishing metrics; and
  - setting climate-related targets

The Pension Schemes Act completed its passage through Parliament on 19 January 2021. We are now working to develop secondary legislation on the measures in the Act.

Pensions dashboards

Pensions dashboards will enable individuals to see their pensions information online in one place. They will revolutionise the pensions industry and bring it into the 21st century, by helping consumers re-connect with their lost pension pots, and creating an opportunity for the millions of UK citizens with pension savings to engage with them in a safe, secure and convenient way. Following publication of the government's response to its consultation on dashboards in April 2019, the Money and Pensions Service established the Pensions Dashboards Programme.

The programme is responsible for developing and delivering the technology infrastructure required to introduce dashboards, and putting in place the arrangements for pension schemes to connect to this new service. Its call for input on the data that pension schemes will need to provide to individuals via dashboards concluded at the end of August 2020. The findings of this, alongside other research and engagement, were used to inform an initial version of the data standards published by the programme in December 2020. The delivery plan shows that dashboards should become available from 2023.

Primary legislation enabling pension schemes to be compelled to make their information available to individuals via dashboards was included in Part 4 of the Pension Schemes Act 2021. The legislation also allows consumers to access a dashboard service provided by the Money and Pensions Service from day one of dashboards availability. We are committed to the provision of State Pension information via dashboards, with development and testing continuing into 2021. Further consultation on the detailed policy and regulations for dashboards, including the consumer protection framework, will take place in due course.

Protecting 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.

We have brought forward draft regulations and statutory guidance for consultation which will require all schemes with £1 billion or more in assets, as well as all multi-employer defined contribution schemes known as Master Trusts which have been authorised by The Pensions Regulator to put in place effective governance of climate change risk and reporting in line with the internationally-recognised Task force on Climate-related Financial Disclosures. These measures, which are expected to apply to 70% of pension scheme assets and 80% of pension scheme savers by October 2022, will include assessing how their portfolio will be affected by different global warming scenarios; publishing a range of metrics, including their carbon footprint; and setting climate-related targets.

We have brought forward legislation which could widen the kinds of investments pension schemes make and give trustees more confidence to invest in less liquid or alternative assets such as private equity and infrastructure, by offering them more certainty about the scope of the charge cap and its operation. This draft legislation also sought 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 are introducing legislation that will make it harder for criminals, by putting trustees and scheme administrators in the driving seat. The Act allows us to introduce regulations which will specify safe destinations and in certain circumstances prevent the statutory right to transfer. We will also require, in other circumstances, that the member proves to the trustee or administrator that they have taken guidance before they have a statutory right to transfer. These measures build on wider commitments, such as HM Revenue and Customs' tighter scheme registration rules, that make it harder to open fraudulent schemes. This is in addition to HM Treasury's ban on pensions cold calling, which came into force from 9 January 2019.

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

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. The impacts of COVID-19 on employer solvency have reinforced calls for secure forms of consolidation.

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, whilst reducing the risks posed to the Pension Protection Fund. In many cases, consolidation will incentivise employers to significantly improve scheme funding, increasing the likelihood of members receiving their benefits in full.

DWP have been working closely with representatives from the pensions and insurance industries, with other government departments and regulators, to design a robust authorisation and supervision regime for Superfunds. We aim to set out our vision for the future regulation of Superfunds in autumn/winter 2021, in response to the 2018 consultation on “Defined benefit pension scheme consolidation”. We are continuing to develop the future regulatory regime and will look to legislate as soon as parliamentary time allows. The Pensions Regulator published its interim regime for Superfunds in June 2020, and updated its guidance in October with ‘gateway principles’ for schemes considering consolidation, which will help ensure the market develops in a controlled manner, prior to legislation being introduced.

Performance indicators

Number of children in a workless household (United Kingdom and National)

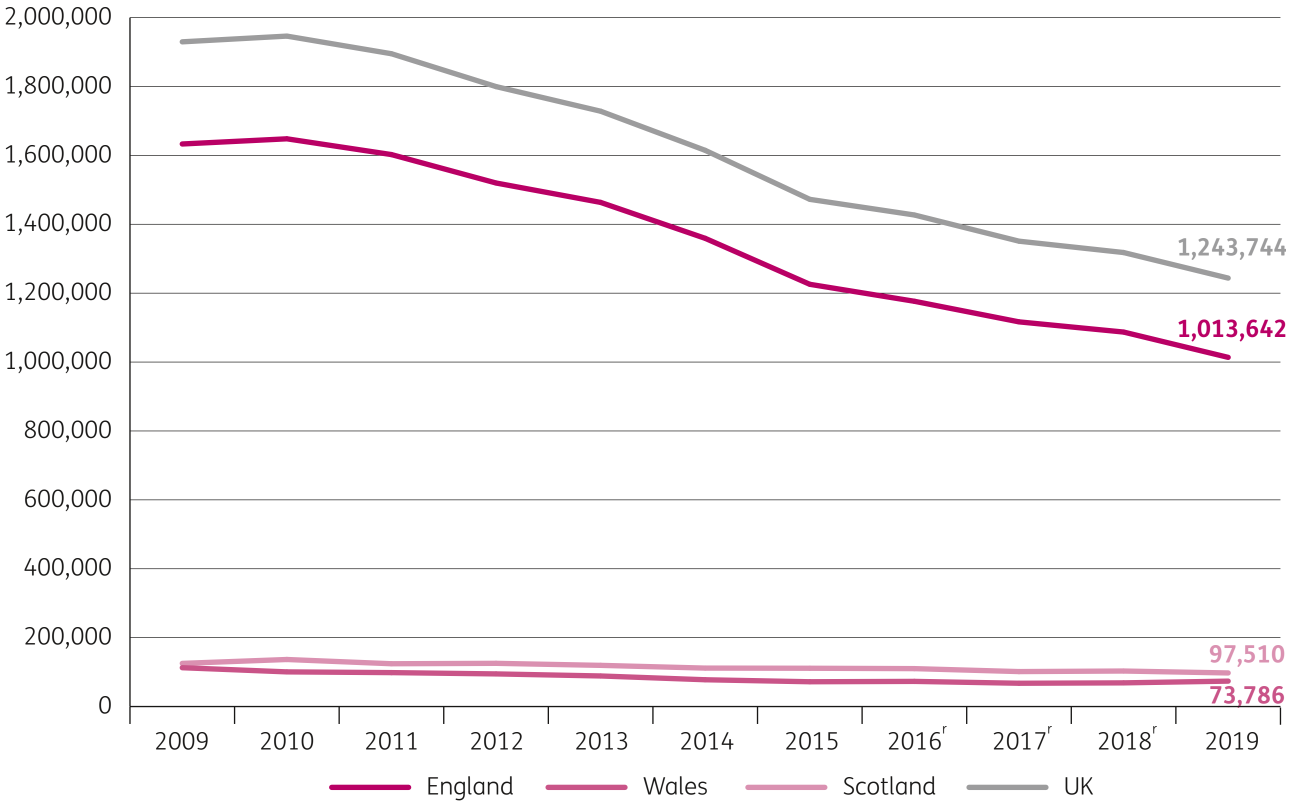
In 2019 the number of children in workless households in the UK was 1.2 million. This has been declining since 2010 when 1.9 million children lived in workless households, down 700,000.

This indicator measures the number of children (16 and under) who live in a household with at least one person 16-64 where all adults are workless. Thus a fall in this measure relates to an improvement.

There is clear evidence about the important role of work in reducing child poverty and improving children's long-term educational and employment outcomes.

In 2019-20, a child in a home where all adults are working is around 4 times less likely to be in absolute poverty (after housing costs) than a child in a household where nobody works. Children growing up in workless families are almost twice as likely as children in working families to fail at all stages of their education. So this consistent fall of children in workless households is a positive indicator of improving future outcomes.

Number of children in a workless household (United Kingdom and National)



[r] indicates a revision in previous years data

New claims processed within planned timescale

In 2020-21, 82.3% of new claims for Universal Credit (UC), Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA), State Pension, Pension Credit, Disability Living Allowance (DLA), Personal Independence Payment (PIP) and Child Maintenance (CMG) were processed within planned timescales.

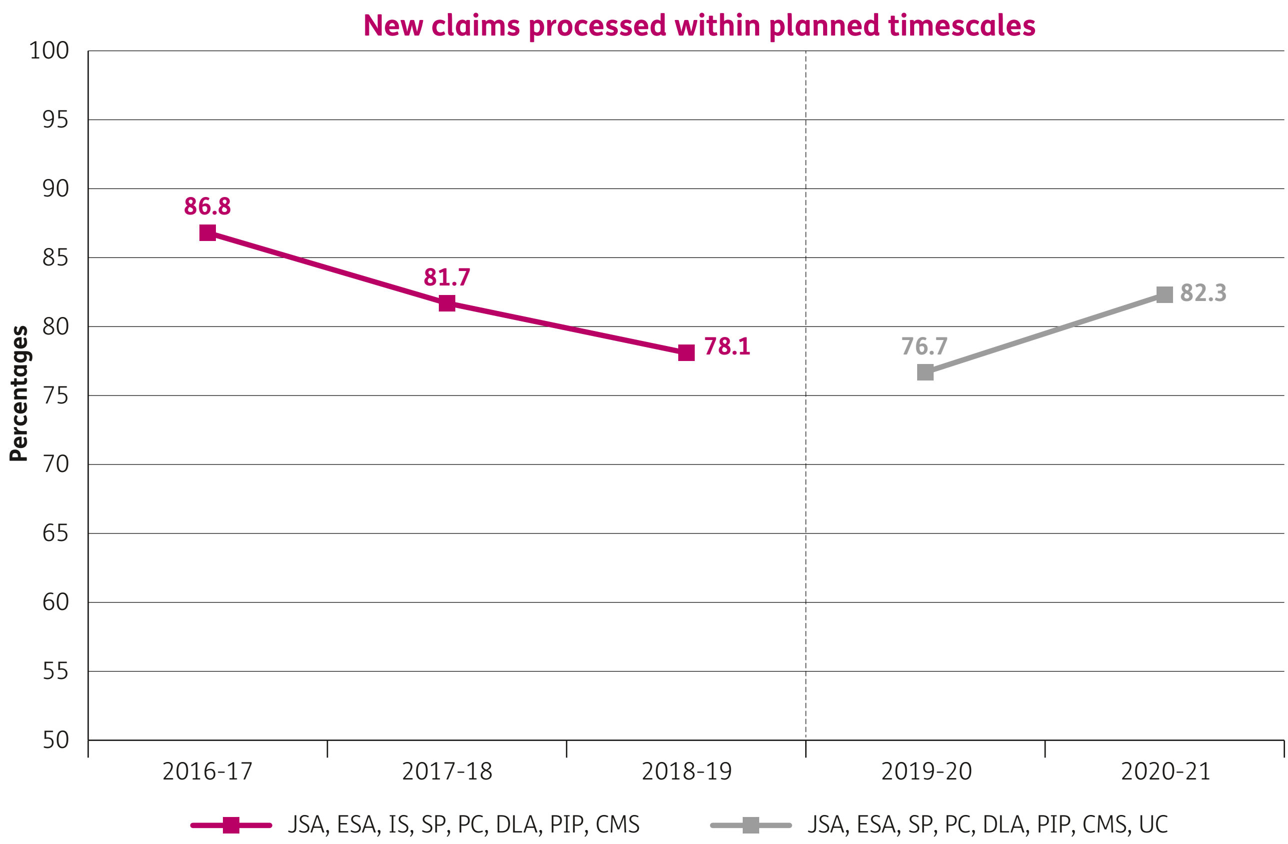
Following the changes made to the methodology in 2019-20, which enabled the Department to include UC in the calculation for the first time and remove Income Support (IS), the figures for 2020-21 are directly comparable to the previous year. This equates to an 5.6% improvement.

A surge in applications for UC and JSA began in March 2020 and this required the Department to react rapidly to meet demand.

In UC, automation improvements and changes to telephony have been a main contributor to the performance improvement. The automation and supporting telephony changes allowed case managers to focus on activities to improve speed and quality through the customer journey as well as prioritising those cases which required case manager intervention. Some controls were initially removed due to the fact the processes were usually done face-to-face but lockdown limited our capacity to undertake these checks. In transforming these controls, we have automated and made use of remote verification to streamline new processes but also ensure they reduce fraud and error.

In JSA, claims were prioritised through redeployment of resource which enabled JSA payments to be made timeously. We also made some short-term simplifications to the processing journey for each of the benefits, and brought in extra resource to help us handle the sudden volume increase.

Despite the unprecedented demand received in 2020-21, five of the eight areas improved performance from the previous year, including UC and JSA. There were also marked improvements in PC and SP as a result of our improved online and automated service offer.



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). From 2019-20, data no longer includes IS and now includes new claims for Universal Credit (UC) and reflects the current view of expected timescales for all products.

Absolute poverty before housing costs

The percentage of the UK population estimated to be in Absolute Poverty Before Housing Costs fell between 2009-10 and 2019-20. For the latest year where estimates are available, 2019-20, 14% of the population were in Absolute Poverty Before Housing Costs and 700,000 fewer people were in Absolute Poverty Before Housing Costs than in 2009-10.

There were falls in poverty for all age groups over this decade. There were 400,000 fewer working age adults, 200,000 fewer pensioners and 100,000 fewer children in Absolute Poverty Before Housing Costs than in 2009-10.

The falls in poverty seen for working age adults and children have been driven by real terms increases in earnings over the decade for working-age families, with the employment rate increasing from 70% at the end of 2009-10 to 76% by the end of 2019-20. Pensioner poverty has been reduced by policies such as the Triple Lock uprating of State Pension, real terms increases in Pension Credit and the introduction of the new State Pension.

Comparing the two most recent years in 2019-20 there were 500,000 fewer people in Absolute Poverty Before Housing Costs than in 2018-19.

Priority Outcome 4 Deliver a reliable, high-quality welfare and pensions system which customers have confidence in

The COVID-19 pandemic has been a challenging period, creating significant barriers for individuals, businesses and public services across the country. Colleagues across the Department have played a vital role alongside other critical workers, to ensure our citizens are supported during these unprecedented times.

Playing a key role as the society's safety net, our primary focus at the start of the pandemic was to ensure we processed new claims and paid benefits quickly to the millions of people depending on our services, whilst ensuring we safeguard our staff and support vulnerable people.

We have prioritised supporting our staff during the pandemic by continuously improving our ability to respond to COVID-19 pressures, increasing capability through recruitment, building resilience and rolling out IT equipment to allow even more staff to work from home. However, as key workers we must maintain our services, and have kept our jobcentres open for our most vulnerable customers who cannot access our services in any other way. Our offices are COVID-19 secure and we continue to apply and communicate the 'Keeping Safe Guidance'.

As a department, we are aware of the importance we play in supporting the country through this challenging period and this will continue for some time to come. We recognise things are changing rapidly with public health advice, therefore we are keen to keep developing and improving our approach when different challenges emerge. We will ensure it maintains a strategic focus on the required services needed once the pandemic is over.

Improving the Customer Experience

The Customer Experience Directorate was established in 2019 to improve customer experiences. The directorate supports the Department to become a better learning organisation by informing and influencing the design of services based on customer and colleague insight and measurable data. This listen and learn approach enables continuous improvement for customer experience across all products and services. In addition, the Customer Experience Directorate supports the work of the Serious Case Panel, where customer experiences are considered at the most senior level of the Department.

The directorate comprises of operational, strategic and enabling teams. This multi-disciplinary approach ensures there is a customer-centric focus for the end-to-end customer experience for all DWP products and services. Since 2019 the directorate has made use of data, insight and past learning to make the services we deliver more efficient and effective for our customers.

The Serious Case Panel has been fundamental in driving forwards this cultural shift across the Department. The Panel considers systemic issues arising in customers' experiences, through looking at common features of the most serious and often tragic cases handled by the Department. Over the course of the past year, the Panel has met four times to consider four issues, in addition to monitoring implementation of the actions agreed at the first Panel in March 2020, where two issues were considered. Minutes and the terms of reference of the Panel are publicly available online at: https://www.gov.uk/government/groups/dwp-serious-case-panel

This section sets out how the Department has driven forwards customer improvements, both through decisions made by the Panel and through the wider influence of this new and innovative approach to building customer-centric evidence to support experiential improvements.

In brief, issues explored via the Panel, and which this section will provide updates on, have included:

- how the Department supports vulnerable customers at higher-risk moments in their journey with us (stopping payments when there is no longer entitlement to benefit, and paying large sums)
- how we respond to customers who may be put at risk of harm because of an issue which is within our gift to resolve, and needs a rapid resolution

- how customers express dissatisfaction with our services and decisions
- how the Department engages with customers whose mental health issues pose accessibility challenges in communication with us
- the experience of existing customers on legacy benefits who have had their identity hijacked and fraudulent claims to Universal Credit have been made in their name

Across all these issues, while we have delivered priority changes already to ensure customers see improvements in their experiences with us, we continue to monitor, evaluate and explore further opportunities for continuous improvement. Moving forward we will build on this approach to ensure we continue to improve the customer experience, both in work relating to the Panel and other customer-centric improvements.

Supporting vulnerable customers at higher-risk moments in their journey

In March 2020, the Panel considered how we support vulnerable customers effectively at two higher risk moments in their journey with us:

- when we stop payments to a customer: we are legislatively bound to stop paying customers where they cannot demonstrate entitlement to benefit. This protects taxpayers and the integrity of the benefit system. However, we had seen serious cases where highly vulnerable customers, who would have had entitlement, were not engaging and communicating with the Department to demonstrate this entitlement and therefore benefit payments were stopped
- paying large sums: from time to time the Department needs to pay a customer an atypically large sum. In certain cases, this created a risk of harm to the customer – for example, where there were addiction or substance misuse concerns, or the customer was vulnerable to financial exploitation by others. While the Department must of course pay customers their entitlement, the Panel considered the options for how we might support customers when receiving large payments

Across both issues, the Panel identified a need for consistency in how we respond to these situations across all product lines. In addition, it recognised the importance of relationships between DWP colleagues and local community partners and agencies to identify and support vulnerable customers appropriately.

In 2020 we introduced a new Advanced Customer Support team to grip and drive forwards this and other work directed at supporting vulnerable and at-risk customers. Part of this team's early work has been to set up and recruit a network of Advanced Customer Support Senior Leaders (ACSSLs). The ACSSL network provides coverage across Great Britain to ensure any DWP customer at risk of harm receives the targeted, wraparound support they need.

The ACSSLs work across DWP product lines and by engaging with local external stakeholders. They provide an escalation route for cases involving customers with advanced support needs, stepping in when all other business-as-usual avenues of support have been exhausted.

The Advanced Customer Support team and the ACSSLs are overseeing the Panel's recommendations on large payments and stopping payments. We have completed this work for the stopping payments issue, and our next step will be continuing to assess the effectiveness of these changes and identify scope for any further improvements. The assessment will take into account that we are not currently running some of the relevant processes in a business-as-usual manner due to the social distancing measures introduced to support the Coronavirus response.

On stopping payments, we have developed instructions to introduce a pause before payment is stopped or suspended so we can identify whether the customer has advanced support needs. Where it is identified that a customer has advanced support needs, we have introduced case conferencing, bringing together colleagues to take a holistic view of the customer circumstances before taking next steps. This could include referral to the ACSSLs who work with external agencies to facilitate join-up of support to the most vulnerable customers. We have also introduced a clear and visible route for escalation where additional support is required for colleagues before a decision is made, introducing safety points into the process.

With regard to large payments, work is currently underway to consider and design a process that will allow us to make large payments safely where additional safety measures are needed.

Facilitating and acting on expressions of customer dissatisfaction

In July 2020 the Panel considered the experience of customers in expressing dissatisfaction with the Department's decisions of the service received, such as lengthy complaints and disputes journeys.

The Panel endorsed the customer benefits of a number of rapid improvements that were already underway:

- in response to the pandemic we have established a single tier complaints system that simplifies the process, provides national consistency and prioritises our most vulnerable customers
- we are transforming the way we deal with disputes

In addition, the Panel asked the Customer Experience Directorate to explore further opportunities to improve these customer journeys. The paragraphs below provide an update on this work.

Customer Complaints

In July 2020, in response to the pandemic and the evidence from the Serious Case Panel, we introduced a new single tier approach to complaints handling through a centralised team of complaints handlers. Complaints are triaged and those from claimants who need our help the most, i.e. vulnerable people and those needing a payment, are prioritised.

Whilst it's still too early to properly analyse the impact of our new approach, we continue to learn from it. In December 2020, we started a complaints rapid discovery that is looking at the complaints service in line with the recent successful approach for disputes and this will provide a wide view of how DWP handles customer dissatisfaction as a whole. The findings from the discovery will inform the development of a roadmap and improvement plan for the end-to-end complaints service.

By introducing a single operating system, we now prioritise and action complaints first from the claimants who need our help the most. We've also introduced robust quality checking through dedicated quality coaches who support complaints handlers in responding to our claimants. The complaints discovery we started in December 2020 will help us identify further improvements we can make to our service.

As part of a cross-government group we are supporting the Parliamentary Health Service Ombudsman to develop a set of Complaints Standards, including a bespoke version specifically for DWP customer needs.

Based on feedback relating to our customer journeys we have made the following improvements:

- revised Employment and Support Allowance (ESA) disallowance forms to reflect the correct reason for disallowing this benefit
- improved the published information on GOV.UK for Carer's Allowance for customers deferring their State Pension
- Personal Independence Payment (PIP) clerical claims - we've published 'ways to claim' on GOV.UK including a video relay service (Relay UK) and details of how to get a clerical claim form at www.gov.uk/pip/how-to-claim
- updated GOV.UK about how a change of circumstances can affect a Universal Credit assessment period

Statistical data on complaints can be found at the end of this chapter along with information on State Pension age complaints, the Independent Case Examiner, and the Parliamentary and Health Services Ombudsman.

Disputes

We have concluded discovery activity that has provided us with further insight into a number of people, process and technology service opportunities that we may want to further develop. These are now being formulated into a next stage plan to make service improvements for our customers. This plan will include completing our automation activity for exchanging appeals information with Her Majesty's Courts and Tribunal Service that will conclude by December 2021. This allows us to reduce the time in sharing data.

Data and further information on mandatory reconsiderations can be found at the end of this chapter.

Engaging and communicating with customers with mental health accessibility challenges

In September 2020 the Panel discussed the accessibility challenges faced by some customers with mental health issues. The Panel heard directly from an ACSSL about the challenges customers can face in accessing our services, and from Dr Amanda Skeate of St Basils who shared her organisation's approach to creating a psychologically informed environment to facilitate improved engagement and customer outcomes.

Panel members recognised the scale and complexity of the challenges in addressing matters of communicating effectively and accessibly with customers with mental health issues, and the interaction with the wider accessibility change agenda in the Department. They agreed the principle that rapid improvements should be driven forwards where proportionate and feasible within the current operating context (recognising the challenges the pandemic has posed to our delivery of services), and that we should continue to build up the evidence around this issue to inform future improvement activities and transformation.

Despite the current operating challenges, we have established a dedicated Equality and Accessibility team to continuously improve the accessibility of our services as part of DWP's commitment to deliver on our Equality Duty. Key deliverables of this team have included:

- better consistency in the way we capture and record the accessibility needs of customers so that we hold information in one place about the reasonable adjustment needed
- establishing an external stakeholder forum through which we gain insight from disability groups on current services and areas we should be focusing on for improvement
- embedding information about the need to consider the equality duty in learning products to raise awareness

We recognise the fact that we need to do more and we are on a journey to move towards a more proactive approach to accessibility. To support that we are reviewing processes so that we can ensure reasonable adjustments are factored into the design and delivery of services at an earlier stage.

Over the last year we have been working in a collaborative way with the Equality and Human Rights Commission to share the improvements we have underway and we will build on that relationship with the aim of moving towards a more person-centred approach. This includes consideration of the mental health accessibility item discussed by the Panel.

Customers who have been victims of fraud or hijacked identity

In November 2020 the Panel discussed cases in which customers have been victims of fraud or stolen/hijacked identity and noted the large amount of work that had already been done to respond to such cases, learning from serious cases rapidly and demonstrating the learning culture of the organisation. The Panel considered remaining gaps in our support for affected customers and requested that further work be undertaken to pinpoint opportunities for additional improvements and ensure we have an up-to-date picture of what is happening with these end-to-end customer journeys. A number of improvements have been identified and will be progressed through the next operational year.

In addition, the Panel recognised the importance of raising awareness of this issue to protect customers who are potential victims of fraud from harm. Awareness campaigns are being developed ensuring clear information is available on GOV.UK to customers who have been affected and a stolen ID telephony line was initiated to support victims through the process.

Resolving issues urgently where they may put a customer at risk of harm

In March 2021 the Panel discussed the service provided by the Department at the point where a customer tells us something is going wrong. The Panel reflected that this issue was similar to the issue identified with the hijacked identity theme previously considered by the Panel with a more general focus. The Panel also reflected on the important difference that ACSSLs and other interventions have already made in improving customer experience of this issue, although there is a need for continuous improvement and learning.

Panel members agreed to a series of next steps, covering both interventions directed at rapid improvements in customers' experiences and capitalising on longer-term opportunities to bring the learning from this issue into the heart of longer-term change and transformation in the Department.

As the Panel met at the end March 2021, progress updates on implementation of these next steps are not currently available, but actions will be progressed and updates provided in future Annual Reports.

Continuous improvement and customer-centric cultural change

Since 2019 the Customer Experience Directorate has made use of data, insight and past learning to create a customer-centric culture of continuous improvement and learning in the Department. The Serious Case Panel has helped hone this customer-centric culture. For example, we have:

- addressed National Audit Office findings[11] regarding the Department's learning from serious cases by strengthening Internal Process Review arrangements
- introduced a Customer Analytical team that brings together data and insight from across the Department, which uses analysis and reviews to ensure the Serious Case Panel is underpinned by a strong evidential bases which drives on which prioritised targeted changes to bring about service improvement
- supported and influenced wider departmental initiatives to join up the customer experience. For example, the directorate completes a corporate Customer Service Excellence evaluation annually to support and guide operational service lines with their rolling programme assessments. This support has led to improved scores for both service line and corporate applications, with the independently assessed corporate evaluation achieving the highest score to date of 100% compliance, with 93% of criteria rated as strong
- we have used customer feedback to further understand the experience of those using our services. Insight is captured from a wide range of data sources by teams across the directorate to inform strategic decision making. This includes consultation with customers, external stakeholders and data obtained from appeals and mandatory reconsiderations, complaints, quality assurance metrics, social research, operational feedback and internal process reviews. Analysis of this data provides a strong evidential basis on which to implement improvements and prioritise targeted changes to our processes

Legal Entitlements and Administrative Practice (LEAP) exercises

We are committed to delivering an excellent level of service, ensuring the right outcome for our customers. We are continuously learning and improving but from time to time, the Department becomes aware of situations where we have not paid our customers the right amount of money or where we have not followed our statutory processes. In these circumstances it is necessary for the Department to conduct a Legal Entitlements and Administrative Practice (LEAP) exercise.

LEAP gives effect to our legal duties to ensure customers have received the correct benefit entitlement.

11 Findings in the NAO report 'Information held by the Department for Work and Pensions on deaths by suicide of benefit claimants'

LEAP has an established governance board, chaired by the Finance Director General. The board provides assurance, governance and control to ensure LEAP activity across the Department is robust and prioritised, and lessons from earlier exercises are learned and implemented. It has senior representation from all DWP business areas.

At present the Department is conducting the following LEAP exercises:

Exercise Name	Description of issue
State Pension Underpayments Estimated cases requiring review – around 400,000 (this figure is uncertain and will be refined as work progresses)	Some married women, widows and people who have reached age 80 are potentially being underpaid State Pension because their current payment does not include additional entitlement they may have based on their husband's, wife's or civil partners National Insurance contributions "automatically" without the requirement to make a claim. The 3 categories are: • Cat BL – a category of State Pension that is based on spouse or civil partners National Insurance (NI) • Missed Conversions – Widows and widowers whose State Pension was not uplifted to include amounts they are entitled to inherit from their late husband, wife or civil partner • Cat D – people who have not been paid Category D State Pension uplift as they should have been from age 80 In addition to the cases identified by the system scan, the dedicated LEAP team are also working through cases brought to the Department's attention by customers requesting a review of their claim to ensure that they are receiving their full entitlement.
ESA: IBR Underpayments Cases requiring review at outset – 600,000 Exercise on track to complete Spring 2021	Some customers that migrated from incapacity benefits to ESA were not assessed for income-related benefit.
PIP: Mobility Activity 1 (MH) Estimated cases requiring review at outset – 1.5 million. On track to complete Summer 2021	A decision of the Upper Tribunal requires the Department to consider how overwhelming psychological distress affects a claimant's ability to plan and follow a journey.
PIP: Safety Supervision (RJ) Estimated cases requiring review at outset – 1.6 million. On track to complete Summer 2021	Estimated cases requiring review – 1.5 million. On track to complete Summer 2021
PIP: Daily Living Activity 3 (LB) Estimated cases requiring review at outset – 192,000	Decision by the Upper Tribunal judgement which ruled that both medication and monitoring constitute 'therapy' (making more claimants eligible for more points and higher PIP awards). The UT also asked that we consider whether claimants who need additional help with a prescribed diet are eligible for the higher scoring 'therapy' descriptors.

Resolving Customer Disputes

If a DWP customer disagrees with a decision about benefits or child maintenance they can ask for the decision to be looked at again - this is called 'mandatory reconsideration'. Disputes Resolution Service provides the service that allows our customers to challenge a benefit decision (mandatory reconsideration) or submit an appeal against a benefit decision.

In Disputes Resolution Service we work with our customers to understand their individual circumstances, collate and interpret evidence and make decisions that have real life impact. Disputes Resolution Service is responsible for considering mandatory reconsiderations and appeals in the following areas:

Benefit product	2019-20 MRs Received	2019-20 appeals received in DWP from HM Courts and Tribunal Service
Personal Independence Payment	320,560	95,530
Universal Credit	160,190	22,250
Employment Support Allowance*	51,940	21,650
Incapacity Benefit Reassessment	90	50
Income Support	3,540	940
Jobseeker's Allowance	3,450	680
Disability Living Allowance Child	33,220	7,730
Retirement Provision	8,310	1,610
Child Maintenance	41,580	4,040
Total	**621,800**	**154,480**

All figures rounded to nearest 10

* Employment Support Allowance figures include ESA Work Capability Assessment, Non Work Capability Assessment and European Union.

Customer complaints data

DWP complaint data	2018-19	2019-20	2020-21
Tier 1 (Complaint Resolution)	40,881	36,308	19,548
Tier 2 (Complaint Review)	3,870	3,011	619
Total	**44,751**	**39,319**	**20,167**

As we moved to a single tier complaints service on 9 July 2020, only complaints received prior to that date were handled across our previous two tier system. For this reason, the number of complaints recorded against Complaints Review (Tier 2) in 2020-21, can't be directly compared with previous years.

The Department treats all complaints seriously and use the feedback to improve our services. The number of complaints about our service represent less than 1% of our customer base and the number has reduced from 2019-20 to 2020-21.

Complaints about State Pension age changes

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, further disclosure is not provided as, in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), the Department considers that the disclosure could seriously prejudice ongoing litigation.

Independent Case Examiner

Customers can ask the Independent Case Examiner (ICE) to investigate their complaint, if having exhausted DWP's complaint process they remain dissatisfied with the outcome. 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, evidence will be requested and the complaint will be allocated 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.

Complaints about DWP:	2018-19	2019-20	2020-21
Received by ICE	4,189	3,285	3,926
Accepted for examination by ICE	968	835	889 (294[12])
Cleared by ICE	3,456	891	932 (57[12])

Note:

1. The table excludes complaints about Providers because they are responsible for managing complaints about their own service. DWP and our 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 2512 which were closed due to legal proceedings. The Office completed 944 complaint examinations in 2018-19.
3. DWP replaced its two-tier complaint process with a single tier process in July 2020.

In 2020-21 ICE cleared 932 DWP complaints. Of these:

- 30, of which 2 were done under the single tier process, were withdrawn by the complainant
- 228, of which 53 were done under the single tier process, were resolved or settled with the agreement of the complainant
- 467 were upheld, fully or partially, by the ICE
- 207, of which 2 were done under the single tier process, were not upheld by the ICE

12 Denotes the number of cases that were dealt with under the single tier process.

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)

	2017-18	2018-19	2019-20
Number of complaints investigated	96	30	15
Number/% of complaints not upheld	66 (69%)	21 (70%)	8 (53%)
Number/% of complaints partly upheld	11 (11%)	4 (13%)	3 (20%)
Number/% of complaints upheld	3 (3%)	0 (0%)	2 (13%)
Number/% of other outcomes	16 (17%)	5 (17%)	2 (13%)

Complaints to the Parliamentary Ombudsman in 2019-20

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	-	-	1	-	1	-	-
Child Maintenance Service	-	-	4	2	1	1	9
Pension, Disability and Carers Service	-	-	-	-	-	-	-
Debt Management	-	-	-	-	-	-	-
DWP (corporate)	3	-	5	3	2	-	12
Independent Case Examiner	2	-	4	-	3	1	-
Pensions Protection Fund	-	-	-	-	-	-	-
Pensions Regulator	-	-	-	-	-	-	-
Capita	-	-	1	-	1	-	-
Health and Safety Executive	-	-	-	-	-	-	-
Pensions Ombudsman	-	-	-	-	-	-	-
Total	**5**	**0**	**15**	**5**	**8**	**2**	**21**

Special Payments

In 2020-21, we authorised ex-gratia payments totalling £2.19 million (£0.98 million in 2019-20). This includes £1.09 million authorised for maladministration. Payments for financial redress paid for loss of statutory entitlement (LOSE) are excluded from these figures. The total cost of LOSE in 2020-21 was £0.44 million (£0.34 million in 2019-20).

These figures also exclude any special exercises, to address cases where current legislation does not allow payments which were intended by Parliament or ministers. This money is excluded from the total as it is not an extra cost arising from maladministration, but payment that should have been made anyway.

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
- sex
- 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.

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

- legal background on each protected 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 about 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 are also committed to making improvements to services and products so they are as accessible as possible.

Over the 2020-21 operational year, our key achievements with regard to providing reasonable adjustments include:

- making the Video Relay Service (VRS) available across all DWP benefits. VRS enables deaf customers to make an inbound call to DWP via a British Sign Language (BSL) interpreter using a video connection
- implementing a system to record and share information about customers' communication needs
- establishing a Reasonable Adjustment Forum to gather insight from a range of external customer support organisations of and for disabled people. It helps us at a working level to improve the reasonable adjustments we offer. It met for the first time in October 2020
- continuing to increase the range of products as Easy Read published on GOV.UK. We prioritise new Easy Read products based on identified user need, and on our most commonly used forms. We continue to test our Easy Read products with Mencap prior to publication ensuring they are fit for purpose with our target audience
- producing 18 new British Sign Language videos to reflect benefit changes due to COVID-19 and updating existing BSL content
- enhancing Employment and Support Allowance (ESA) scripts so that colleagues ask questions about reasonable adjustment requirements at the start of the claim
- enabling 3-way calls in PIP so that customers can receive support from a representative when discussing their claim with us
- making information on GOV.UK on alternative formats more prominent

In addition, we also 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.

Employment equality

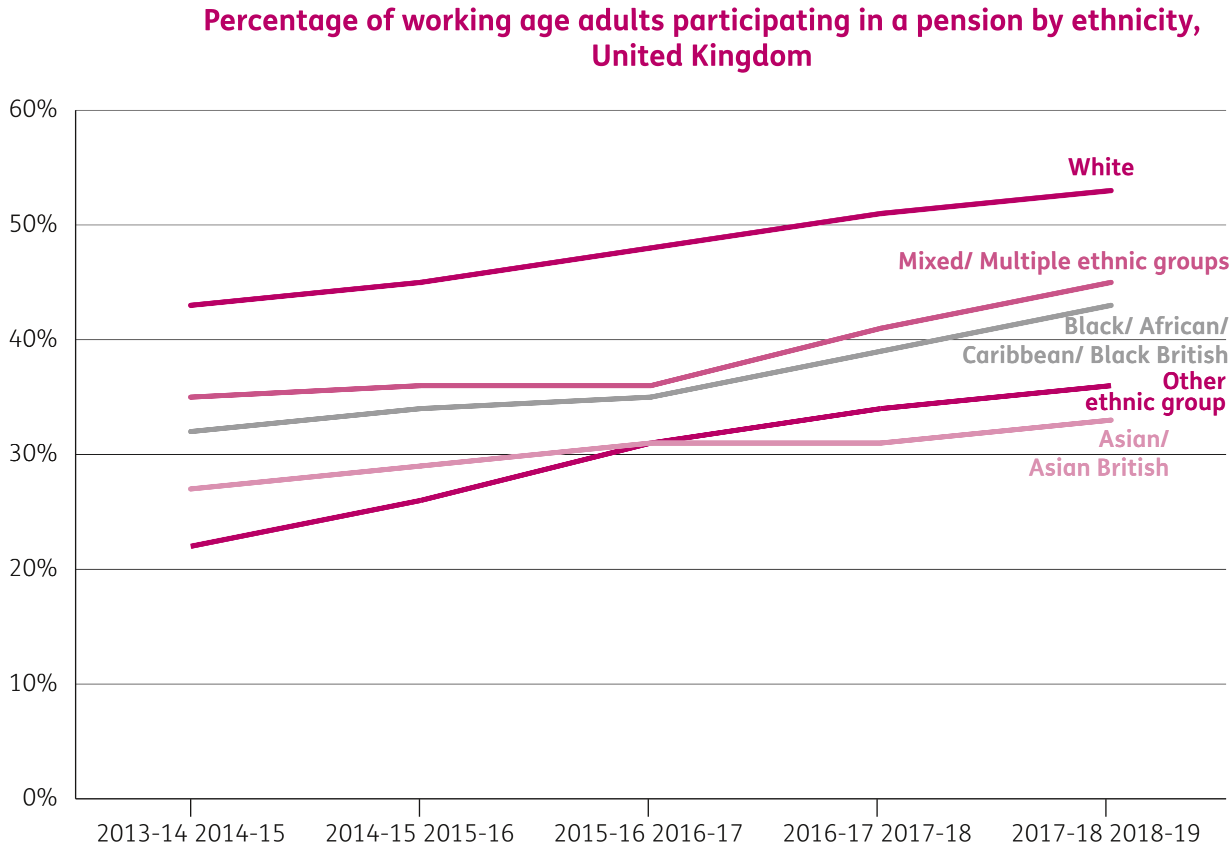
The employment gap shown here as the distance between two groups (rather than to the distance to the midpoint)

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

- the latest available data, covering January - March 2021, shows the UK's gender employment gap at 6.0 percentage points. This is a decrease of 1.6 percentage points on the year. The narrowing of the gap is due to the male employment rate falling due to the impact of COVID-19 (to a greater extent than the female employment rate)
- the disability employment gap stands at 28.6 percentage points – a fall of 0.3 percentage points on the year
- the ethnicity employment gap stands at 8.2 percentage points – a fall of 1.6 percentage points on the year. This has been caused by changes in the ethnic minority working age population since COVID-19, not an improvement in the number of ethnic minorities in employment
- the age employment gap stands at 14.2 percentage points – an increase of 1.2 percentage points on the year

Characteristic	Employment Gap Jan-Mar 2020	Employment Gap Jan-Mar 2021	Change (percentage points)
Gender (16-64) (between males and females)	7.6ppts	6.0ppts	**-1.6ppts**
Disability (16-64) (between those who are declared non-disabled and disabled)	28.9ppts	28.6ppts	**-0.3ppts**
Ethnicity (16-64) (between those who are white and those from a BME background)	9.8ppts	8.2ppts	**-1.6ppts**
Age (between those aged 35-49 and those aged 50-64)	13.0ppts	14.2ppts	**+1.2ppts**

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 still exist, including across ethnicity. Participation has increased less for individuals not eligible for automatic enrolment.

In this year's report, where available, data on pension participation for groups wider than just those employees eligible for automatic enrolment have been used to reflect differences that arise from the make-up of the eligible workforce.

Therefore, figures may not be comparable to those in previous reports, where statistics for eligible employees were used, or between different breakdowns in this year's report. The overall trends are similar to those for eligible employees.

Workplace pension participation among employees aged 22 to 29 has increased from 31% in 2012 to 80% in 2020, and the participation gap between this group and the age group most likely to participate (those aged 50 to 54) has reduced from 29 percentage points to only 5 in 2020. Participation among employees aged 16 to 21, who are not eligible for automatic enrolment, has also increased albeit remaining much lower, from 7% in 2012 to 20% in 2020.

Among full-time employees in the private sector, the workplace pension participation rate for both male and female employees in 2020 was 84%, whereas in 2012 the participation rate for male employees was 6 percentage points higher (41% compared to 35%). In the public sector, the participation rate for full-time female employees in 2020 was slightly higher than male employees (94% compared to 93%).

Among part-time employees in both the public and private sector, female employees have a higher participation rate than male employees, however in the private sector the greater proportion of women working part-time means there is an overall gender gap in participation in the private sector of 8 percentage points.

Participation in any pension[13] among all working age adults has risen for all ethnic groups but gaps persist. Between the 2013-14 to 2015-16 period and the 2017-18 to 2019-20 period the White ethnic group consistently had the highest participation rate, with a rate of 53% in the latter period, compared to the Asian/Asian British ethnic group who had the lowest participation rate at 33%. The gap between the highest and lowest participation rates by ethnic group has changed very little in recent years, from 21 percentage points in the 2013-14 to 2015-16 period to 20 percentage points in the 2017-18 to 2019-20 period. Participation rates by ethnicity presented here are lower than most rates for other characteristics due to being calculated on all working age adults, rather than only employees.

Recent statistics of pension participation by disability are only available for employees eligible for automatic enrolment. 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%).

Source: Family Resources Survey, 2013-14 to 2019-20 releases, DWP

Notes:

1. data are presented as an average over three years as there are small sample sizes for some ethnic groups
2. sample sizes for ‘Gypsy, Traveller or Irish Traveller’ are small, so for Northern Ireland ‘Irish Traveller’ is included in ‘Other ethnic group’ and for England, Wales and Scotland, ‘Gypsy or Traveller’ is included in ‘White’
3. ‘Arab’ has been included in ‘Other ethnic group’ due to small sample sizes
4. working age adults are those below the State Pension age, and 16 and over unless the individual is defined as a dependent child. During the period shown, the State Pension age for women has been gradually increasing
5. figures shown are for participation in any pension, whether workplace or personal

13 Both workplace and personal pensions.

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 2020-21 includes:
Mainstreaming sustainability	• We are currently revitalising the network of Sustainability Champions ready for the next financial year. This will include campaigns which cover any new ways of working. • DWP Estates has recruited additional resource (1.6 FTE) within its Utilities, Energy and Sustainability Team to drive the Sustainability and Energy Agenda • The updated Social Value policy went live in January 2021, with procurements having to include 10% of Social Value criteria. There are 5 key policy themes that support government objectives, including Fighting Climate Change. The Commercial Directorate have been promoting the policy to wider stakeholders and ALBs by delivering mandatory eLearning workshops through a Cabinet Office subject matter expert. • DWP Estates are installing new bins and signage to a large number of sites across the estate to improve our recycling rates.
Net Zero Carbon	• DWP Estates continues to review and update its Design Standards to ensure they align with DWP's ambitious carbon reduction and sustainability targets. • In support of the UK's 'Net Zero Carbon' by 2050 commitment, DWP Estates have produced a Carbon and Water Management Plan. This plan outlines what actions are required for the estate to support the UK's ambitions. • DWP Estates have been successful in securing funding via the Public Sector Low Carbon Skills fund to implement a low carbon heating solution together with a range of energy efficiency projects at one of our largest consuming sites. We will continue to explore these opportunities to ensure our ambitions are deliverable across the estate. • DWP Estates are optimising and upgrading existing Building Management Systems to improve our ability to control consumption from heating, ventilation and air conditioning systems.
Sustainable procurement	• The government's 25 Year Environment Plan required DWP to work to remove certain consumer single use plastics from the estate by 2020. DWP Estates made good progress in this area before the pandemic, and are working on plans to resume these activities in FM and catering post-COVID-19. • Working towards the central government target of 33% of our expenditure with providers going to small and medium sized businesses – our figures for 2019-20 show we have achieved 12.2% which is an increase from 11.9% in 2018-19. Figures for 2020-21 will be available in August 2021 • DWP Commercial Directorate have considered sustainability throughout their involvement in the Rapid Estates Expansion Programme, as well as business as usual activities, by utilising the CCS framework to ensure that suppliers meet the energy efficiency and net zero requirements for the manufacturing and distribution of goods • DWP Digital Group utilise a procurement framework which requests the supplier to confirm the green credentials of the device. This includes; device packaging, recycling options, materials, power consumption and disposal options

Initiative	Activity in 2020-21 includes:
Climate change adaptation	• We have been considering climate change in policy and guidance in areas such as pensions. Last year, Government tabled amendments to the Pension Schemes Bill which enabled duties to be imposed on the governance bodies of pension schemes in relation to the effective identification, assessment and management of climate change risks and opportunities, and to report on how they had done so in line with the Taskforce on Climate-related Financial Disclosures (TCFD). We consulted on detailed regulations and statutory guidance to achieve this in January 2021 and subject to approval by Parliament, these duties will come into force in October 2021. • DWP Estates has commissioned a consultant to conduct a climate change risk assessment and adaptation action plan across the estate. This project will highlight what areas of the estate are at most risk from climate impacts, and also what actions DWP can take in the future to make the estate more resilient.
Rural proofing	'Being flexible enough to meet the needs of rural communities, businesses and people.' Case studies: • Wales – Conwy are heavily involved in working with the rural community and supporting their employment needs. The team have worked closely with a local social enterprise/community centre in Llanrwst who run job clubs, men's sheds, theatre groups and sensory gardens, which help support people with a whole different set of needs. This has also helped people from the Armed Forces Community • Cumbria and Lancashire – Our teams have engaged with Lancashire and Cumbria Adult learning to deliver virtual skills development for all clients that highlighted work opportunities in growth sectors across district, specifically supporting rural communities. This work has been delivered virtually and this new innovative offer for our young people has been enabled by digital access via FSF awards to ensure clients in rural areas have access to IT.
Biodiversity	During 2020-21, DWP Estates have been in the process of installing bird boxes on approximately 200 sites where we believe they can deliver the following advantages: • Provide additional shelter and habitat for breeding small birds • Encourage wild birds onto our sites to enhance biodiversity • Provide education, enjoyment and increased health and wellbeing benefits to staff and visitors

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 Environment 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. As part of our efforts to support the UK's Net Zero by 2050 ambition, DWP Estates has produced a Carbon and Water Management Plan that outlines what is required to meet our Greening Government Commitments. While COVID-19 continues to impact our business as usual working, we have continued to implement sustainable initiatives and improvements across the estate.

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 2020-21 Single Departmental Plan (SDP).

Sustainable Development Goal (SDG)	SDP Objective				
	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

	2009-10 baseline	2019-20 performance	2020-21 performance	Reduction
Reduce greenhouse gas emissions by 51% from a 09/10 baseline from the whole estate and business-related transport				
Total Greenhouse Gas Emissions (TCO_2e)	202,341	77,902	70,015	65%
Scope 1 – direct emissions from owned or controlled sources (TCO_2e)		36,150	38,431	
Scope 2 – indirect emissions from the generation of purchased electricity consumed (TCO_2e)		29,824	28,356	
Scope 3 – all other indirect emissions that occur in DWP's value chain (TCO_2e)		11,887	3,229	
Gross Expenditure on the Purchase of Energy		£26,149,667	£26,473,408	
Reported Areas of Energy Gas		£6,089,993	£6,586,519	
Reported Areas of Energy Oil		£216,078	£208,900	
Reported Areas of Energy Electricity		£19,843,596	£19,661,749	
Accredited Offset Purchases		£0	£0	
Official Business Travel		£25,257,130	£3,719,571	
Reduce domestic business travel flights by 20% by 2015 from a 09/10 baseline.				
Number of domestic flights	21,931	3,885	150[14]	99%
Reduce the amount of waste going to landfill to less than 10%				
Total Volume of Waste Produced (tonnes)	16,626	8,245	4,905[15]	70%
Waste Sent to Landfill (tonnes)	6,104	575	203	97%
Waste Recycled/Reused (tonnes)	10,522	7,669	4,702	
Waste Incinerated for Energy[16] (tonnes)		2,135	1,792	
% of Total Waste to Diverted from Landfill		93%	96%	
Reduce the amount of paper used by 50%				
A4 (Reams)	2,061,685	442,835	157,910	92%
A3 (Reams)	8,606	1,596	512	94%
Paper Costs (Inc VAT)		£1,093,254	£402,428	

14 The number of domestic flights has been significantly impacted by the COVID-19 global pandemic
15 This does not include ICT waste as this is captured by HM Greening Government ICT reporting
16 This figure is also included within the Waste Recycled/Reused figure

	2009-10 baseline	2019-20 performance	2020-21 performance	Reduction
Reduce water consumption from a 2014-15 baseline, and report on office water use against best practice benchmarks				
	2014-15 baseline	**2019-20 performance**	**2020-21 performance**	**Reduction**
Total Water Consumption (m^3)	595,194	581,468	481,195	19%
Total Water Cost[17]		£3,014,528	£2,643,214	

Our People

People Strategy

Our vision continues to be 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.

Continuing to underpin 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

Towards the end of the 2019-20 reporting year we saw an unprecedented demand for our services as Government legislation and Public Health England advice took effect across the UK and National Lockdown commenced. DWP was designated a critical department during the COVID-19 outbreak, and experienced a significant increase in demand for its services. A resourcing strategy for DWP service delivery was developed for 2020-21 initially to stabilise essential services and then rapidly increase DWP capacity and supply to respond to the unprecedented increase in demand.

Resourcing

As part of our immediate COVID-19 response at the end of March 2020, all "business as usual" recruitment across DWP was suspended and we shifted our resourcing and recruitment focus on additional 'supply' into the Department to support critical delivery.

The 2020-21 supply strategy for DWP service delivery was developed and focussed on maximising supply and delivering on the government's commitment to double the number of EO work coaches by 13,500 by year end. This was addressed through a combination of activities outlined below:

- conversion of existing FTAs to permanent
- creation of a Virtual Service Centre
- redeployment of existing DWP staff
- loans from other government departments (OGDs)
- increase in use of outsourced staffing
- engagement of agency workers
- Work Coach referrals direct from UC caseload through Direct Temporary Recruitment (DTR)
- cross-government recruitment
- external recruitment

All of the above methods provided critical resource during 2020-21. The Department's overall staffing and headcount position was increased through external recruitment and permanent transfers from OGDs with other supply increases achieved either on a transient basis to meet peak workload volumes or engaged through alternative employers i.e. outsourcing and agency workers (Brook Street). This level of recruitment and pace of supply increase is unprecedented and was achieved against the logistical and wider organisational capacity challenge of delivery which was

17 Water cost includes both water and sewerage costs

heavily dependent on estate availability (heavily impacted by social distancing), IT and L&D availability and wider impacts of ongoing COVID-19 restrictions.

Initial resourcing activity (Wave 1 period April – August 2020) focussed on resource to front line roles to initially stabilise essential services and increase DWP capacity to respond to unprecedented increase in demand. This included:

- Conversion of c2,430 existing Fixed Term Appointments (FTAs) to permanent.
- Virtual Service Centre - at its peak c3,900 colleagues were deployed including c1,000 from 7 OGD's. (The majority returned to original roles/OGDs by end October).
- Recruitment and increased supply of around 4,000 Service Centre AOs. Filled through use of existing waiting lists, direct recruitment and temporary agency workers. Some of these people have now left the business or been successful in applying for FTA posts advertised subsequently for example EO work coach roles.
- Increase from c1,000 to over 2,000 telephony agents for UC National Telephony Service provided by external partners (Capita/Serco/G4S)
- Redeployment of c10,000 DWP colleagues, moving from policy, back office roles and other benefit services into new claim handling roles

The Virtual Service Centre (VSC) was set-up in April 2020 as part of our response to exponential growth in UC claims as a result of COVID-19. We recognised that the pandemic, and subsequent critical re-prioritisation of our work, provided an opportunity to re-deploy a substantial proportion of our people to support the emergency response.

Deployed into VSC

	DWP Corporate	DWP Service Excellence	OGDs
Volumes (SIP)	1494	2157	1165
Percentage of VSC deployment	31%	45%	24%

This table shows the total numbers deployed into the VSC during its life-span (April 2020 to October 2020). Some colleagues and teams were deployed for the full duration of the VSC, others for a shorter period of time. The initial expectation was that deployment would be for a period of 3-months however it quickly became apparent that the VSC would be needed for a longer period. Deployment into the VSC built up quickly during April to June - with peak intake being around 500 new colleagues per week, but volumes started to fluctuate after this point with some colleagues being recalled into other critical areas of work, whilst others were joining the VSC. Managing the flow of leavers and starters was a considerable challenge - particularly in respect of training, induction and consolidation and the movement of caseload work from exiting colleagues to new or existing colleagues.

As well as deploying over 3,000 DWP colleagues into the VSC, we also sought out and successfully secured over 1,000 further civil servants from other government departments (OGDs), including Her Majesty's Revenue and Customs (HMRC), Office for Standards in Education, Children's Services and Skills (OFSTED), UK Visas and Immigration (UKVI), Her Majesty's Passport Office (HMPO), Office for National Statistics (ONS), Department for Environment, Food and Rural Affairs (DEFRA), Government Internal Audit Agency (GIAA) and Land Registry, to work in the VSC.

Other government departments deployed to DWP (staff in post)

HMRC	Land Registry	OFSTED	UKVI	HMPO	ONS	DEFRA	GIAA
313	219	196	155	112	102	47	21

The VSC relied heavily on support from OGDs. Some departments deployed newly recruited colleagues - so their first experience of working in the Civil Service was being deployed into DWP VSC, some departments, most notably HM Revenue and Customs surge team, brought in teams with inbuilt team leaders whilst others were content for DWP to act as surrogate team leaders. Close contact at both a working level and senior leadership level was critical to the success of the deployment.

We were able to streamline learning to focus on the most frequently occurring customer interactions. This approach, combined with DWP's ability to filter, identify and direct more straightforward cases into the VSC, meant a condensed version of training could be delivered, and that the workforce could be effectively operational within 5 days (8-days for OGDs).

From July 2020 onwards we focussed on more sustainable resource as we continued building supply, through a combination of:

- 13,500 EO work coaches. This was split into Wave 2 (to achieve 4500 new work coaches by end October 2020) and Wave 3 (a further 9000 by end March 2021). Wave 2 work coach recruitment activity began with a cross government internal exercise and by Autumn c1100 existing DWP AOs had come through that exercise and been promoted through that route. As external work coach campaigns then ran through Wave 2 and Wave 3 we have continued to both draw from waitlists and see internal AO colleagues apply as well as bring thousands of new employees into the Department;
- 3,500 further service centre staff (predominantly AOs) to cover benefit payments and tackling fraud, error and debt. These were a combination of internal leadership roles, DTR and Agency Workers
- additional UC line management requirement of c1150 HEO - G7 to support new AOs and EOs;
- further business critical recruitment of c2,000 AOs to backfill AO attrition including those moving into Work Coach roles (c1,150 to join by end March 21) and smaller numbers joining in other business areas such as Retirement Services.
- continued use of c2500 FTE from external partners to provide UC telephony

The resourcing strategy we developed in response to COVID-19 has created positive movement from our traditional resourcing model. Processes were accelerated and we developed effective methods for safe, virtual recruitment across the Department which brings efficiency gains particularly to large scale campaigns. Work coach recruitment has improved brand attraction and candidate experience.

We have also made extensive use of agency workers through Brook Street and the establishment of the Virtual Service Centre (see below) has created a blueprint for rapid redeployment of existing staff to any future response.

The recruitment and deployment of a total of 13,500 additional work coaches by the end of the 2020-21 financial year was the result of incredible focus of teams working across the whole department to ensure all Job Centre Districts came in on target by the end of the reporting year with the Department reaching the 13,500 threshold by the end of March.

This resulted in some weeks in March where the volume of new work coach starts was over 800 per week.

Diversity and Inclusion have been key drivers this year in recruitment and have been at the heart of the Work Coach campaign. We have targeted campaigns on recruitment choices to ensure DWP improves overall diversity. Diversity and Inclusion data of newly recruited staff:

- 10.7% declared a disability
- 30% are BAME
- 15% are in 16-24 age range
- 16% are in 25 – 29 age range

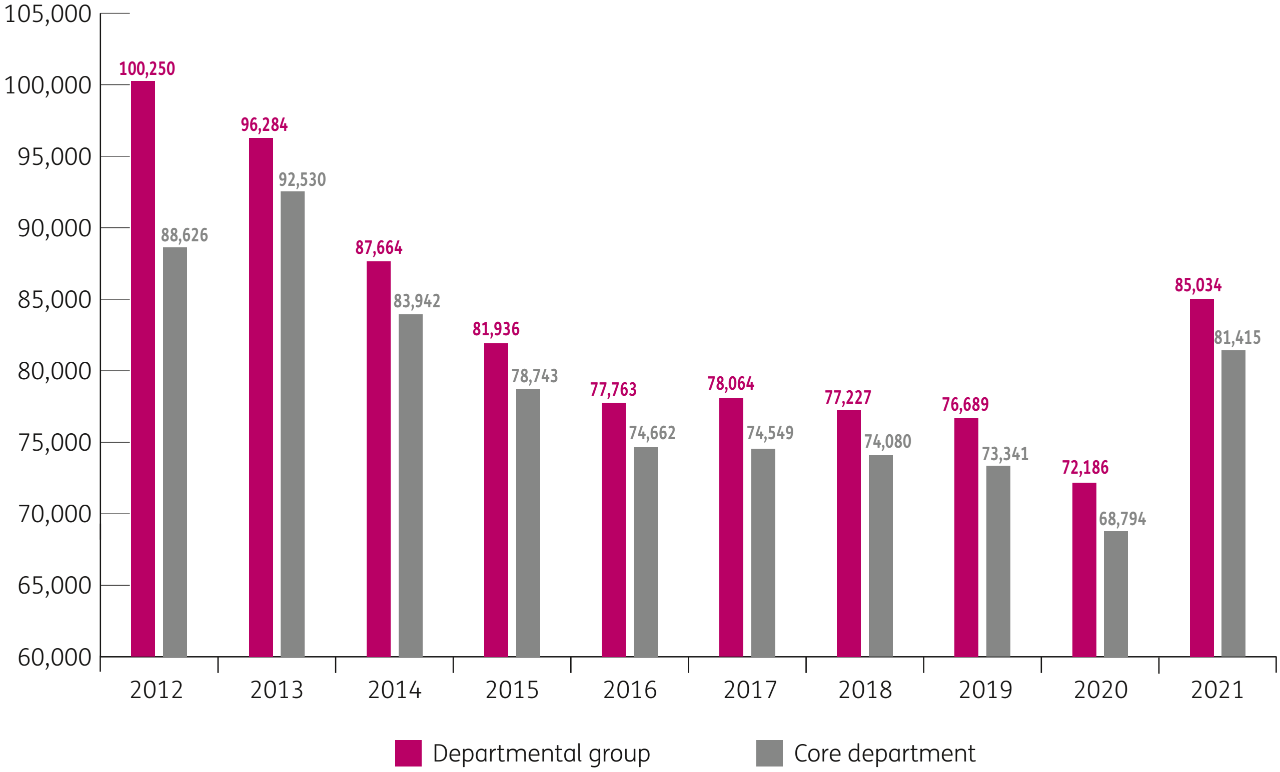
As we delivered on and met our unprecedented resourcing challenges this year we continued to maintain and manage the Department's reputation with the Civil Service Commission which ended 2020-21 with a successful Recruitment commissioner's audit. We are now using this strengthened relationship to trial new ways of recruiting to support our strategic intent on Diversity and Inclusion whilst upholding to the Civil Service recruitment principles. Throughout the year we have worked with the Commission to make changes to how we recruit not just in DWP but across the Civil Service; DWP took a lead role working across government to develop video interviewing; our locations map on a micro-site which has now being replicated on the Civil Service Careers Site.

Capacity constraints on estate, training and IT continue to be very real challenges particularly while social distancing remains and delivery of estate is ongoing. Our focus as we move into 2021-22 is now on movement of resource to the correct face to face location as new estate becomes available to support return to the workplace and delivery of face to face activities.

Workforce Numbers

As at 31 March 2021 DWP had 81,415 FTEs (67,450 Perm, 10,134 FTA and 3,831 Temps) this was supplemented at different levels through the year as required by use of contingent labour and outsourcing. The increase in DWP workforce from March 2020 at March 2021 is in response to the additional demand for our services as a result of COVID-19.

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



Where our people work and how we are working

We have employees across the country - and in 2020-21 we have recruited into - every Job Centre District across England, Scotland and Wales since April. This, coupled with the improved diversity outcomes from that recruitment, puts us in a strong position to understand and meet the diverse needs of our customers and support the Government's levelling up agenda.

Whilst we already have over 50% of SCS outside London, and only c11,000 of our workforce in London and the South East, we are considering how we best meet Places for Growth targets to re-locate existing roles based in London to other parts of the country. This will further increase access to diverse talent pools and improve progression. We are supporting work to review our existing corporate hub locations with a view to spreading work and career development opportunities more widely for some of our functions.

Supporting colleagues in delivering services to customers when they needed them most

Providing colleagues across the Department with the technology to deliver vital services to tens of millions of customers was a top priority in 2020-21. Across many areas, our specialist teams enabled DWP to work in radically different ways – in particular enabling tens of thousands of colleagues to maintain high service levels while keeping themselves safe.

Our delivery included providing more than 72,000 laptops, PC and other devices to enable colleagues to work more flexibly: over the year, we increased the proportion of DWP colleagues equipped with the technology to work flexibly from 21% to 90%. Fast device deployment also enabled DWP to induct 13,500 new recruits quickly and efficiently to meet growing service demand.

Through this approach we have boosted our resilience and enabled thousands of colleagues to work remotely.

Reinvigoration of people performance

Between April 2019 and March 2020 we implemented a new approach to performance management in DWP. The approach includes: individuals having regular one-to-one conversations with their line manager, covering performance, wellbeing, aspiration and development coupled with teams working together more collaboratively by regularly discussing their collective performance against shared team objectives.

During the first half of 2020-21 the work of our people performance team was paused while the team were redeployed to support the response to COVID-19. Having resumed their work in September 2020 the primary focus has been on reinvigorating people performance activities by re-engaging the business, assessing where focus is required, developing new tools to support performance in a virtual landscape and commencing a cycle of assurance and evaluation activity to drive plans for 2021-22.

Building Capability

In this unprecedented year the need for building capability across the whole of DWP to meet business need has been considerable, seeing the re-design of learning, and levels of learning delivery which have surpassed all planning assumptions.

Leadership

DWP has continued to support the development and growth of all its leaders and managers by providing what is widely recognised as a benchmark capability offer. We have transformed our offer to support virtual delivery and we now ensure all our leaders can access the learning they need in real time through live webinars and workplace based learning that focus on developing and consolidating the skills needed to lead the delivery of our services for UK citizens.

Over the last 12 months we have enhanced the skills of all our leaders to meet the challenges the COVID-19 pandemic has placed on our people and our customers. We have provided a new, flexible offer for 2400 new to role team leaders on our Leadership Foundations programme and ensured every single new leader can access the learning they need immediately upon taking up role. We have transformed DWP's core Leadership Essentials offer to be accessible on demand and have added two new leadership talents; Include and Inspire to further develop the impact of our capability offer. All of our leadership learning has been delivered through DWP's own community of leadership coaches, with over 250 leaders at all levels trained to support the delivery of our leadership development offer.

Learning Design and Delivery

In March 2020 when the impact of the pandemic became apparent we had to change our learning model overnight. This meant adapting our vast learning catalogue from traditional face-to-face learning to a blend of products suitable for remote delivery and for use at point of need. Our team, as well as needing to work from home, had to move to designing in creative new ways and delivering virtually requiring the use and development of a totally different set of skills. Our whole way of working changed rapidly to ensure that we were able to provide the learning to enable DWP to meet all of its priority demands.

Our Universal Credit catalogue underwent significant changes responding to easements required as well as supporting the establishment of the Virtual Service Centre, where we trained thousands of people flowing through from corporate roles, other government departments as well as contingent labour. Many thousands of people were also moved into new roles across the business to provide essential services to our customers, all of which generated further demand for learning.

All of our learning products were either adapted or transformed and reiterated numerous times, weekly and often on a daily basis for publishing - this included products for both internal and external stakeholders for example telephony for SERCO and Capita who have been supporting DWPs response to the pandemic for UC claimants. In the initial stage of COVID-19 response many products used were bespoke, created to allow short sharp impact on incoming claims. While the COVID-19 emergency response centred mainly on Universal Credit learning, other product lines have also required learning design effort.

Our planning process became much more agile meaning we were able to better react to the volatility created by ever changing demands. The scale of learning demand was unprecedented, alongside extreme volatility as the Department remained agile in response to emerging scenarios prompted by the pandemic and subsequent economic impacts. Although requests and requirements for learning events changed daily at times, our planning approach met such challenges to ensure delivery of learning.

	2020–21 April – March total	2019–20 April – March total
Learning days	335,381	180,613
E-learning	38,206	37,812
Open Learning	4,087	4,972

Transforming Learning

The experiences from our response to COVID-19 gave us real impetus to be more ambitious with our quest to transform our learning service. Incorporating research from across Government and the private sector, we have moved to a model where instead of lengthy teach / tell learning journeys we deliver the fundamentals for a role and then build on this using a suite of interactive learning interventions at the point of need. This creates a more modern and flexible learning experience that puts learners at the heart and underpins the continuous learning culture we want to create.

Our ambitions were given extra drive by the Chancellor's announcement to double the number of Work Coaches in DWP. Acknowledging we needed to do something different and quickly in order to provide learning for 13,500 new Work Coaches, we radically transformed the learning journey. We reduced the core content by almost half and then developed a suite of bite-sized learning, using digital and interactive material that can be done in the flow of work at a time, place and pace to suit the learner. Our evaluation has shown that making more learning readily accessible at the point of need is definitely more efficient and effective.

Incorporating the lessons, we have learned from the Work Coach experience we have since transformed learning for UC Case Managers and learning for new entrants in Child Maintenance and Personal Independence Payments. Our vision and pursuit of a transformed approach to capability has significantly strengthened DWP's ability to manage the impact of COVID-19 and has given us a tried and tested blueprint to work from in the future.

Apprenticeships

In support of the wider Civil Service aims, DWP has placed apprenticeships at the heart of our long term departmental capability build. At the outset of 2020-21 we have 4,760 apprentices undergoing an apprenticeship in DWP with over 2,750 apprenticeship starts in 2020-21.

DWP ended 2020-21 by achieving the apprenticeship legislative target for the first time, despite the impact of COVID-19 and a three-month pause across all programmes while we adjusted to the new virtual delivery environment. This reflects the efforts the team have made to drive through high volumes of enrolments, maximising the opportunities presented by the massive recruitment increases via in-house procurement of additional training providers. This represents a total of 3.7% of DWP headcount, meaning that we have met and overachieved the 2.3% target.

In 2020-21 over 400 apprentices completed their apprenticeship in DWP. We have a total of 40 different apprentice schemes ranging from level 2 (GCSE) to level 7 Master's Degree. Our youngest apprentice is 19 and our oldest is 69.

In 2020 we re-launched our Social Mobility Apprenticeship scheme. This supports DWP's aims of helping the most vulnerable in society move into work. In DWP we are currently looking to fill 656 vacancies with Social Mobility Apprenticeships. These vacancies will be filled by people with a Social Mobility background, (prison leavers, ex-care leavers, veterans or their spouses, or a person who requires additional support to find work under our supported apprenticeship scheme). This scheme has been so successful we are supporting other government departments in filling their vacancies, thus increasing diversity across the wider Civil Service.

We have worked on the quality of our programmes independently introducing new providers who offer new standards and a diversity of options for our learners, by leading the way on procurement cross-government.

As a result of all this work DWP was recognised as 21st in the top 100 Apprenticeship employers nationally, and recognised as 14th in the Social Mobility Index this year.

Movement to Work / Kickstart / Diversity Internships

Due to the pandemic all Movement to Work (MtW) activity was paused between March 2020 and August 2020. However, we were able to develop a safe, secure and meaningful virtual MtW framework for young people aged between 18 and 30 years who are Not in Education, Employment or Training (NEET) and from September 2020 onwards all MtW delivery was conducted virtually. Our total number of MtW starts during 2020-21 was 368 and 318 participants completed the two week programme. Many of these (between 35-40%) have already gone on to secure employment. We are committed to offering over 800 MtW placements during the 2021 calendar year.

We have committed to delivering 200 Kickstart opportunities across DWP and are working closely with Civil Service HR colleagues to support them in encouraging uptake across government. Start dates will be staggered between June and December 2021 to ensure participants have a smooth transition into DWP and their induction, learning and experience is meaningful.

We have also committed to supporting the Department for Education with the Care Leaver Internship Programme. We allocated 13 placements during 2020-21 and 11 of the 13 were made permanent in February / March 2021. We are supporting 51 Care Leavers during 2021-22 (five times more than in previous years). We have also agreed to help DfE place a further 30 Care Leavers who have been unable to secure an internship across government.

We have secured 34 placements for our 2021-22 Summer Diversity Internship Programme. All were deferred from 2020-21 due to COVID-19.

In September and November 2020 we welcomed two Autism Exchange interns and made adjustments to their working patterns to accommodate requirements associated with the pandemic. Although both placements started, they later withdrew due to ongoing challenges resulting from the national lockdown. Nevertheless, we have secured three placements for the Autism Exchange Internship Programme in 2021-22.

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 2020-21 can be found in the accountability report on page 189.

Ensuring the health, safety and wellbeing of our people, whether they are working in the office or at home and the personal support we offer them, remains of paramount importance to the Department and its leaders. As COVID-19 has developed we have continuously reviewed and adapted our offer and safe systems of work to ensure it meets the needs of our colleagues, and our customers. We have provided internal support through dedicated email advice routes – including social distancing, positive test results and wider health and safety queries. We updated and increased our training offer, building on our existing and ongoing internal communications to colleagues and managers; being clear to recognise both the physical and psychological impacts of the last year. We updated our risk assessments to address COVID-19 related activity and needs, while being fully engaged and consulting with our Trade Union colleagues throughout.

We significantly enhanced our wellbeing offer and put in place a wide range of bespoke physical and emotional support for all our people, developed on employee insight and data and targeted where there was greatest employee need.

Keeping Our Colleagues Safe

2020-21 has seen unprecedented change and challenge for DWP in terms of keeping our staff and customers safe. DWP has led across Government developing and influencing HR and health and safety policy and guidance to ensure colleagues are safe in our 800 offices. This has supported the Department to ensure that our jobcentre network remained functional with the colleagues who needed to be in our offices, working safely within their workplace and delivering to customers. Health and Safety is an area that we have increased headcount in response to COVID-19, enabling us to maintain COVID-19 secure buildings, provide clear advice and guidance to our people and a 7 day a week response team to support leaders across DWP to respond to positive cases. 2020-21 also brought great pride both of what we have done in response to COVID-19 but also winning the Royal Society for the Prevention of Accidents (RoSPA) Public Service and Local Government award for our safety management systems.

As part of our COVID-19 response we:

- developed a departmental COVID-19 Risk Assessment and associated H&S site-based documents and advice for our people, including a BAME risk assessment for staff to complete.
- established and maintained an H&S advice-line inbox and a social distancing concerns inbox to allow colleagues to raise concerns and receive advice as soon as possible
- provided a bespoke 7 day a week response to every positive case including deep cleans of sites and where numbers rise and to help prevent further spread sites have been closed for a circuit breaks, to break the transmission pathway
- led out with the introduction of Lateral Flow Testing, being one of the first departments to introduce this offer to staff
- supported a number of cross-government COVID-19-related work streams to share our learning and inform future thinking
- reviewed our "temporary work at home arrangements" to consider health and safety arrangements of proposed Hybrid Working arrangements including impact on Display Screen Equipment users. We have provided expert advice and will continue to support development to ensure we remain an exemplar employer and meet health and safety obligations for hybrid workers.
- Developed a COVID-19 awareness training which has been completed by over 37,000 staff.

Engagement

Over 54,000 of our employees (66%) completed the 2020 people survey. We achieved a record high engagement score of 63%. 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.

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
46%	44%	48%	54%	55%	56%	61%	60%	59%	59%	63%

Although the score for 'Inclusion and Fair Treatment' remains the same as 2019, 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 across DWP; and the continued support and management of the mental health first aider community (1,600+ colleagues). We introduced Ambassadors for Fair Treatment (AFTs) in 2019. 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. The roll out of the AFT training was paused in March 2020 due to COVID-19 but is now being delivered virtually and our aspiration is to have 1,200 AFTs trained by March 2022. We have also put in place a BHD Strategy and action plan which outlines our intent to tackle BHD and address inappropriate behaviour.

We have introduced a regular ‘Wellbeing Pulse Survey’. All of our staff have the opportunity to share with us how they have been feeling. This gives the Department an up to date picture of the wellbeing of its staff, measures levels of pride in the Department. The results are analysed and help inform senior leader decision making and can be used to identify particular demographics who may be needing additional support. Using the findings in the pulse survey, we have been able to introduce specific wellbeing sessions, supporting those individuals who are LGBT+, from an ethnic minority background, have hidden disabilities or are under 30.

Developing and Implementing DWP’s ‘Our Values’

In 2020 we came together more than we ever thought we could as a department, we’ve faced challenges like never before and our customers have needed us more than ever. As we look to the future, we were keen to take what we had learnt and apply it more widely to help us all; therefore, we engaged with thousands of colleagues to develop and implement ‘Our Values:’

1. **Ask everyone about DWP at its best**

   We started last July by inviting line managers and leaders to lead a ‘Let’s Talk About’ conversation with their teams, exploring their experiences in the early months of the COVID-19 pandemic. Teams picked 3 words that they felt described DWP at its best. Over 18,000 words were submitted, and we collated the most popular ones into a word cloud.

2. **Dig underneath the words in the cloud to reveal real stories and experiences**

   The next step was to find out the meaning behind the words in the word cloud. We sought volunteers from staff network groups such as the National Race Network to be Advocates. Advocates then ran over 200 conversations within their networks to explore the stories and experiences that sit behind the word cloud. They took detailed, anonymised notes of their conversations and shared these with us.

3. **Analysing (all) the data**

   Next, we analysed every line of data from the Advocate-led conversations and clustered the words, stories and experiences into broad themes. Through further analysis, we were able to distil these clusters down to the ‘key ingredients’ – the most important things that matter to colleagues.

4. **Statements that can be used every day**

   Finally, from all of the analysis, we were able to identify the essence of what our colleagues think DWP looks like at its best… these became our values.

We care

We look out for each other. We listen to each other and to our customers. We take people’s needs seriously.

We deliver

We are committed and professional. We take responsibility for getting the job done right. We take pride in our expertise and our purpose.

We adapt

We learn and grow together to find better ways of working. We change what we do as our customers’ needs change.

We work together

We pull together because we know that when we join up with others we achieve greater things.

We value everybody

We work to make this a place where everyone belongs and can be at their best. We know that being inclusive will be at the heart of our success.

Our Values demonstrate: ‘This is us at our best, this is DWP at its best.’ They are more than a list of words to go on the wall. Our values guide how we work with each other, customers and others. And understanding how we live up to them helps us learn for the future. They sit at the heart of everything we do, for each other and our customers.

The Values were launched on Wednesday 24th March 2021 through an extensive strategic communications and engagement plan which will run throughout 2021-22 alongside a robust programme of evaluation. The reception and response to Our Values has been extremely positive to date. The strategic programme of engagement and evaluation over the coming year will enable us to further support and test how Our Values are being embedded into ways of working and the impact this has on the organisation.

Estates

Throughout the COVID-19 pandemic one of our key priorities has been to ensure that our workspaces have been able to remain open and safe, both for our people and our customers. Our estate spans the breadth of the UK, consequently we have worked flexibly and dynamically to ensure that we comply with national lockdowns and the frequently changing public health guidance in all regions and the devolved nations.

This has been achieved through delivering prompt changes to supply chain services (such as cleaning services) and the introduction of new enhanced sanitation, protective screens and social distancing controls. This has included the design and installation of new signage and over 10,500 protective screens for frontline desks, medical assessment centres and Counter Fraud and Compliance Directorate Interview Under Caution rooms.

Throughout the year we have ensured that every site has been available for operation, with the exception of a small percentage of Centre for Health and Disability Assessment (CHDA) and sites where we have co-located with local authorities outside our direct control. In doing so, we have ensured adherence to the latest COVID-19-related legislation and industry guidance.

In order to meet the additional capacity requirements of expanding our workforce, the Estates department has worked as a major delivery partner to the DWP face-to-face Capacity Programme. Utilising existing supply partners and standing up additional capability we are supporting the rapid acquisition, fit out and operationalising of new properties across the UK.

In addition, we have also ensured that supply chain services and leasehold arrangements have been reviewed and amended to facilitate the introduction of extended opening hours on over 280 sites.

Seeking to address the ongoing legacy issues of under-investment of maintenance we have embarked on a £40 million plus lifecycle works asset replacement programme in 2020-21. Alongside this, significant multi-year investment will be required to replace the remaining critical aged assets in our buildings and mitigate the risk of asset failure, which could lead to interruptions to business operations.

In relation to suppliers, following the mutually agreed exit of the incumbent facilities management supplier in December 2019, we are undertaking a competitive procurement exercise for these services. The new supply chain partner will replace the interim supplier who successfully mobilised in 2020-21 to deliver certain statutory compliance services for the Department.

9,140 visors for frontline colleagues

1,140 full sanitisation cleans

13,061 protective screens installed

102,500 re-usable face coverings for frontline colleagues

15,545 calls taken per month by virtual helpdesk

283 sites supported to operate on Saturdays

1,247,700 disposable face coverings for customers

Keeping workplaces and colleagues safe

44,000 colleagues completed working from home training module

2,202 hand sanitiser units installed

c.800 sites with signage and way markers

36,621 litres of sanitiser distributed

1,850 additional daytime cleaning hours introduced

47,200 colleagues completed COVID-19 training module

4,605 items of specialist furniture despatched to support colleagues working from home

Digital

The significant challenges DWP faced in 2020-21 demonstrated the value of digital technology in ensuring customers and colleagues can access vital services where and when they need them. We continued to implement our established strategy to improve customer and colleague experiences. We reduce costs by building more joined up digital services around user needs, life events and customer journeys. Our digital delivery priorities were heavily shaped by our COVID-19 response, and our digital teams played a critical role in the Department's pandemic effort.

Providing modern external digital services built flexibly around customer needs

COVID-19 saw us accelerate delivery of digital services, and create new ones, to enable a growing customer base to access vital support when they needed it most. Digitalisation and automation reduced the administrative burden for busy colleagues, and simplified access to services for customers – including those unable to visit DWP offices. Fast digital changes also enabled DWP to quickly enact necessary policy changes.

Examples of digital delivery in response to extraordinary customer needs, as well as continued implementation of our wider digital strategy, included:

- rapid changes to Universal Credit streamlined delivery for colleagues, simplifying and speeding up communications with customer's in the face of exceptional demand. Scheduled fortnightly releases continued to deliver steady improvements to customers
- fast-tracking delivery of the Confirm Your Identity (CYI) service to speed up Universal Credit applications. More than 1.7 million customers used CYI with 43% successfully verifying their identities remotely (compared to 15% before its launch) significantly reducing the need for customers to physically attend jobcentres
- trebling daily capacity for Faster Payments for Universal Credit, and doubling capacity for other benefits, ensuring we could provide immediate financial support to customers where required
- wider digital support for our labour market offer. This includes support for the Kickstart and Job Finding Support initiatives, technology to enable video appointment trials, and system changes to maintain Jobseeker's Allowance payments without customers needing to attend a jobcentre every two weeks
- introducing and improving digital access to a wide range of services, including Pension Credit and New Style Employment and Support Allowance claims, Child Maintenance applications, Bereavement Support Payments and debt repayments. These changes simplified and speeded up transactions, made it easier for customers to access services from home, and freed up colleagues' time to support more vulnerable customers
- delivering various other initiatives including self-service identity verification, claiming State Pension entitlement, administering seasonal payments such as Cold Weather Payments and the Christmas bonus, and providing colleagues with more access to customer data

Improving the efficiency and performance of DWP's digital services, and reducing reliance on legacy technology

Despite the pressures created by COVID-19, we made further significant progress in modernising DWP's underlying technology, improving the efficiency, performance and flexibility of our digital services. Examples include:

- we finalised the complex multi-year move of our digital services from inefficient supplier-owned hosting arrangements to a mix of modern government-owned datacentres and 'elastic' public cloud hosting
- we completed a challenging long-term programme to modernise our critical (non-Universal Credit) benefit payment services, carefully creating more resilient, easier-to-maintain versions of these systems while avoiding disruption to payment delivery. Re-platforming our Jobseeker's Allowance Payment System in April 2020, for example, enabled us to increase capacity and speed up processing times at a time of increasing customer demand. In completing this activity, DWP has become

the first government department to fully modernise its ageing 'Virtual Machine Environment' technology

- we decommissioned our other ageing mainframe operating system, Multiple Virtual Storage (MVS), reducing performance risks and generating cost savings
- we fully modernised our Central Payment System (CPS), bringing it up to date with the latest supported software and refreshing every aspect of the underlying technology. CPS processes benefit payments for DWP as well as partners such as the Scottish Government – around 656 million in 2020-21 with a total value of almost £200 billion. CPS generates more than a third of all British interbank BACS transfers
- overall, we implemented 14,700 individual digital changes across the year. Availability of our systems remained strong at 99.91%, above our 99.5% target. IT incidents raised by colleagues increased by 42%. This is reflective of the sudden shift towards home-working and lack of access to on-site support

Strengthening DWP's digital capability

We continued to invest in building DWP's digital capability, successfully filling around 650 vacancies. Strengthening our internal expertise delivered further reductions in supplier and contractor costs. Crucially, in-house digital teams (with established collaborative relationships with policy and operational colleagues) provided the expertise, business knowledge and flexibility that helped DWP to respond decisively to the early challenges posed by the pandemic.

As well as streamlining recruitment processes and strengthening our external employer profile, we also announced in September 2020 that our dedicated digital technology service provider, BPDTS Limited, will join DWP in summer 2021. Bringing 1,000 additional specialists fully into the Department will represent another significant step towards building the breadth and depth of internal expertise to enable DWP to accelerate transformation of services for our customers.

Commercial Digital

We continue to break up legacy technology contracts. We have completed closedown of the legacy mainframes for Virtual Machine Environment and Multiple Virtual Storage, replacing them with modern services, backed up by more flexible contracts and delivered by a more diverse supply base. We implemented and progressed the On Premise Hosting strategy, introduced hyper-scale cloud contracts (Amazon Web Services in December 2020 and Microsoft Azure April 2020) and continued to progress our replacement of the Application Deployment contracts which provide application development, application maintenance, and technology professional resources and which expire in 2021. To date we have decommissioned 84 applications, with 12 applications brought in-house.

Our Supplier Relationship Management programme continues to grow, with further roll-out not only across DWP Digital, but wider DWP and across government, enabled by our coaching. We hosted a supplier event to share DWP and Digital strategy with the market and ask suppliers for their support with DWP challenges. In total 182 suppliers joined the event, of which 56 were new to government. As a result, 66 suppliers submitted 228 offers of help. Of these, 40 are now progressing through further pre-market engagement.

As COVID-19 began to impact, we established a Digital Sustain team to carry out supplier due diligence across 132 suppliers in an attempt to identify any financial viability concerns, and where applicable, carry out supplier failure contingency planning exercises to minimise the risk of service disruption. Weekly supplier engagement meetings were held including access to government updates and supplier relief. Commercial teams established a supplier front door for supplier offers and also created a minimum viable product to ensure we were focussed on the right contracts at the right time. Processes included procurement of IT kit, softphones, licenses, helping set up the national shielding programme and bringing in the kit to deliver on COVID-19 activity. With regards to commercial contract management, we set up streamlined processes to enable emergency renewals and direct award (meeting Government Commercial Organisation

Procurement Policy Note criteria) and also supplier relief on contracts where we had withdrawn due to COVID-19.

Through our sourcing and contract management activities we achieved significant savings, delivering £88.5 million of which £48.6 million cash (realisable cash savings that can be released for other spend) and £40.0 million efficiencies (more for the same money or cost avoidance).

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 service 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.

The Communications Directorate played a crucial role in informing and supporting our people and customers through the COVID-19 outbreak.

COVID-19 has led to an unprecedented increase in the number of people who need to claim welfare support.

This presented DWP with multiple challenges including helping millions of people navigate the range of financial support available, handling huge volumes of claims and customer contact, and successfully orienting new Universal Credit (UC) claimants to ensure they were paid accurately and on time. Our communications delivered information to support people at each stage of the customer journey to help them identify the right benefit for them, apply and manage their claim, and understand service delivery changes implemented in response to COVID-19.

Key campaign highlights include:

- our ‘don’t call us, we’ll call you’ messaging enabled DWP service delivery to focus on processing the millions of new benefit claims by driving a 90 percentage point decrease in Initial Evidence Interview phone calls in the days immediately following go live, and ensured that call volumes remained manageable thereafter
- messaging to encourage people to use their online accounts to contact us, or call us outside peak times if they needed to speak to someone, led to a 53% reduction in peak calls during the campaign. 12 posts reached people 102,690,882 times, shared 10,608 times and led to over 4 million video views
- over 3.1 million sessions on the Understanding UC site – in the first four weeks of the COVID-19 outbreak we saw an increase of over 300% compared to the same period in 2019

  Our communications helped millions of people access financial support.

  We have not entered into any sponsorship arrangements in 2020-21.

Commercial Contracting

We continually review and scrutinise our commercial contracts to ensure we receive high quality services and value for money. In 2020-21 we delivered total savings of £363.9 million (£251.2 million cash savings and £112.6 million efficiency savings).

The following details our commercial activities in more detail.

Contracted employment support

Our activity to manage and strategically drive the market in the period was severely constrained by the impact of COVID-19. We published the Commissioning Strategy and continued a programme of strategic engagement with key providers and industry groups. We continued to deliver a full set of provision through the COVID-19 pandemic, this was achieved in 16 weeks from lockdown March 2020. This enabled us to keep supporting participants on our programmes, and maintain the capacity and capability of the market to meet the future challenges. We consulted widely and engaged with other Commissioners such as the Welsh, Scottish Government and the Devolved Partners on the Work and Health Programme(WHP), Greater Manchester Combined Authority, Central London, Local London, South London Partnership and West London Alliance.

This approach was vindicated through the successful and rapid expansion of targeted services forming part of the Plan for Jobs. The Commercial agreement for Health and Employment Related Services (CAEHRS) framework went live in September 2020 brought much needed new capacity and entrants into the market, in preparation for future commercial activity. WHP Job Entry Targeted Support (JETS) England and Wales went live in October 2020, Job Finding Support and JETS Scotland both went live in January 2021.

The Restart competition went live in December 2020 utilising the CAEHRS framework with contracts to be awarded in Spring 2021 and Go live in the Summer.

Work and Health Programme

The Work and Health Programme (WHP) 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 programme. In response to COVID-19, these contracts were expanded from October 2020, to include Job Entry: Targeted Support (WHP JETS), to help people unemployed 3 months or more, back into work. This has increased the overall funding on WHP by an additional £232.2 million including £43 million to the devolved areas. WHP JETS will take referral to the programme for 12 months.

Government Commercial Operating Standards (GCOS)

In September 2020 the Department submitted a revised GCOS improvement plan that focused on activities/projects that better aligned with our response to COVID-19. The revised improvement plan consisted of several continuous improvement projects in areas such as contract management, capability and resourcing, planning and governance and commercial systems. The bulk of these projects have now been concluded or are now being implemented. Moving forward, we will be developing a planning response to government's new Commercial Continuous Improvement Assessment Framework, commencing with a self-assessment and improvement programme, which will be intrinsic to our three year commercial strategy and associated objectives.

Summary of key achievements:

- **Standard 1. Commercial strategy, planning and governance** we completed the Commercial Blueprints and the DWP Commercial strategy 2021-23 ahead of time and take account of the Department's revised priorities post-COVID-19

- **Standard 2. Commercial capability and resourcing** we have put in place a gold contract assurance framework to assure all of the Department's most important contracts. The framework will align to the contract treatment strategy and include senior commercial assurance declarations aligned to the contract go-live date / annual milestone. Assurance declarations will be subject to random sampling and our procurement teams will be required to provide evidence of compliance with regulatory, policy and other requirements
- **Standard 5. Manage: Contract Management** we have developed and implemented a Supply Chain Management Centre of Excellence. Initial focus for the Supply Chain Centre of Excellence is on financial stability of suppliers and performance of critical/gold contracts
- **Standard 7. Commercial systems and information** we have added and implemented new supplier and contract management functionalities to our commercial system that will enable better reporting and performance management

The estimated level of fraud and error in benefit expenditure

Fraud and error estimates

Our most recent annual fraud and error estimates[18] were published in May 2021. The benefit reviews, which underpin the annual fraud and error estimates, were stopped in March 2020, due to the visiting restrictions imposed as a result of the coronavirus pandemic, the inability of claimants to provide evidence due to lockdown restrictions, and changes to the process of suspension of benefit (which is a key compliance tool when carrying out benefit reviews). Universal Credit and State Pension (for official error) were as a consequence, the only benefits measured for the financial year ending 2021.

For Universal Credit, the results relate to reviews we carried out between July 2020 to November 2020; for State Pension, the figures relate to reviews carried out between October 2019 and September 2020 (with a break May to July 2020). Other benefits will have had historical or proxy rates applied.

Our 2020-21 results[19]

Our estimates show that the overall level of overpayments in 2020-21 due to fraud and error was 3.9% (£8.4 billion), compared with 2.4% (£4.6 billion) in 2019-20.

At a granular level, the 2020-21 fraud and error estimates saw an increase in fraud overpayments, which totalled 3% (£6.3 billion) compared to 1.4% (£2.8 billion) in 2019-20. Claimant error overpayments (0.6%) and official error overpayments (0.4%) remained at the same rate as last year.

The net fraud and error loss – after benefit debt recovery is factored in – was 3.6% or £7.6 billion. This reduced the overall loss to the Exchequer[20]. Note that some recoveries made by DWP are not included in our net loss estimate as they do not relate to overpayments recorded in our fraud and error reporting, for example recovery of Tax Credits and benefit advances.

The estimate of the total rate of underpayments in 2020-21 was 1.2% (£2.5 billion), a small increase on last year.

Underpayments are calculated on cases that are in payment. Claimant error – claimants not reporting circumstances which would entitle them to additional benefit awards -- accounted for 0.7% (£1.6 billion) of the total, whilst official error made up 0.4% (£0.9 billion) of expenditure.

18 https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2020-to-2021-estimates

19 Relative percentages stated are based on the latest available forecast expenditure for 2020-21 that was available at the time the estimate was prepared (£211.7 billion) and is consistent with the May 2021 statistical release. For this reason, they will not align with the Statement of Comprehensive Net Expenditure (SOCNE) of £212.2 billion, or the Statement of Parliamentary Supply (SOPS) of £212.4 billion elsewhere in these accounts.

20 This measure 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 measure is unaudited. Further information can be found on www.gov.uk by searching for 'Fraud and error in the benefit system 2019-20'.

The rise was due to increases in both Universal Credit and State Pension. In Universal Credit, Housing Costs claimant errors underpinned the increase. The work we are doing to correct certain COVID-19 cases will help address this.

Further detail can be found in the Incorrect Payment Note at page 305 or in our annual publication Fraud and Error in the Benefit System (2020-21).

It remains a key priority for us to ensure benefit payments are correct at the outset. Part of this is about helping claimants to report their circumstances correctly. The increased use of data will also help us check entitlement and correct payments at the earliest opportunity.

Our fraud and error target

For 2021-22 statistics the sampling period started in January 2021 and will finish in November 2021. The cases sampled during this period will still be impacted by COVID-19 easements and therefore the statistics for 2021-22 fraud and error will not represent a stable baseline. Given this, we are forecasting that the fraud and error rate will remain at 3.9%. Without the interventions we have in place, such as the ones around self-employed earnings outlined later in this report, the rate could increase to 4.1%.

We are developing the options for setting an overall fraud and error target, and a separate UC fraud and error target for the 2022-23 financial year, which allows us to have a more stable baseline period. We will announce the target following the Spending Review in the Autumn of 2021 to ensure it includes the options we are developing to further reduce the fraud and error rate. It is also worth noting that we continue to work towards achieving the Universal Credit business case levels for fraud and error which implied an overpayments level of 6.5% by 2027-28.

Alongside the target development, we will be consulting users on the National Statistics on 'Fraud and Error in the benefit system' release. By setting a target for 2022-23 on fraud and error we want to consider options to ensure the target is measured against the most robust and current data available for example options to better align the sampling period to the financial year.

Outside of our published fraud and error results, the Department will continue to use internal management information to regularly monitor emerging trends throughout the year and see that we are on track. Review of this information often prompts deep-dive analysis into specific issues, allowing the Department to understand the underlying causes of fraud and error and develop appropriate strategies to address these issues.

Our response to COVID-19

The Department responded to the challenge of the pandemic by redeploying thousands of our staff from their normal roles to help process the huge increase in new claims. This surge in claims and the constraints of public health considerations meant we also had to make policy and operational changes to the way we worked. For example, to comply with public health guidance we could no longer carry out face to face checks. Equally, we made some difficult decisions so that we could quickly pay people who needed our help during this difficult time.

In practice, this meant we had to ease some of our more stringent checks and operate a 'Trust and Protect' regime. This meant that we accepted the information claimants gave us over the phone, ahead of verifying evidence later via case reviews. We logged each case that went through the verification easements so that we could revisit them at a later date. These changes were collectively known as easements.

We rescinded or adjusted many of these easements at the earliest opportunity; others remain in place. We also built in new steps, like our Enhanced Checking Service, a team of trained investigators who review claims and contact claimants by telephone in order to obtain further information or evidence where there is suspected fraud.

In addition we ensured that our Integrated Risk and Intelligence Service (IRIS) had an increased role in co-ordinating the monitoring of, and response to, fraud risks from individuals and organised crime groups throughout this difficult period.

The action we took in terms of addressing easements, introducing mitigations and actively intervening in cases, made a significant difference to the potential losses the government might otherwise have incurred. We knew, however, that the risk of fraud and error increasing as a consequence of our emergency responses to the pandemic, was high.

Fraud and error in Universal Credit

The impact of COVID-19

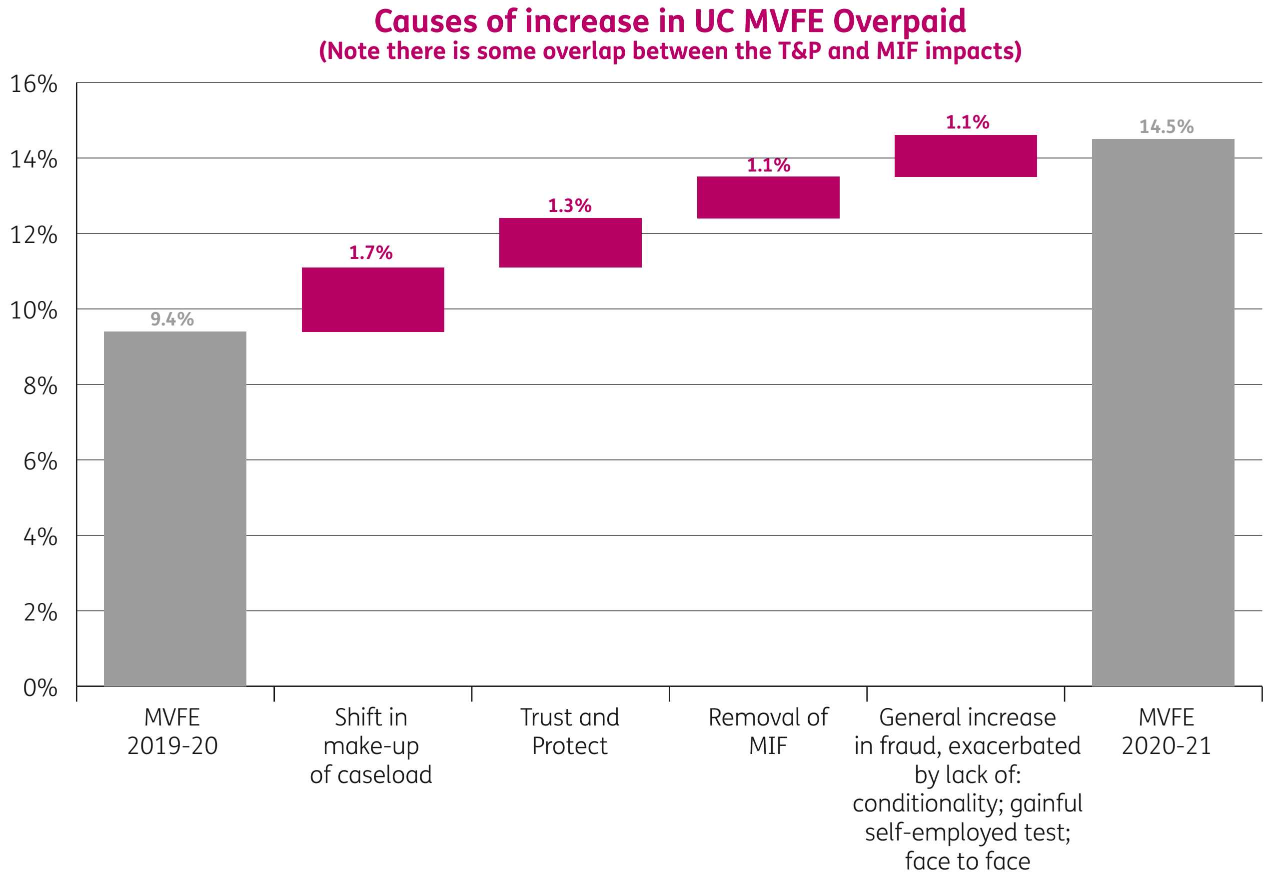
Overall, overpayments in UC increased from 9.4% of Universal Credit benefit expenditure in 2019-20 to 14.5% in 2020-21. Total Universal Credit, expenditure more than doubled from £18.4 billion to £38.2 billion. Because Universal Credit now accounts for a far higher percentage of overall benefit expenditure, it has had a much greater impact on the overall DWP Fraud and Error rate than in previous years.

The change in the overpayments level in Universal Credit largely resulted from a statistically significant increase in fraud overpayments, which rose from 7.6% to 12.8%.

The different ways of working during COVID-19, allied to the decisions we took, particularly in the early days of the pandemic, have impacted the Universal Credit fraud and error rate.
In particular:

- the makeup of the Universal Credit caseload has changed, with increases to the particular claimant groups that tend to have higher rates of fraud and error; for example self-employed claimants
- the Trust and Protect easements applied to Universal Credit claims processing mean some verification was not asked for. This affected the likelihood of errors occurring for reasons related to the verification easements; for example, Housing Costs. A minority of people unfortunately looked to exploit this situation
- the Minimum Income Floor (MIF) is an assumed level of earnings used in the monthly Universal Credit payment calculation. It affects Universal Credit claimants who are gainfully self-employed. The MIF has been temporarily suspended to help Universal Credit claimants during the pandemic. We estimate that MIF would have reduced the Universal Credit overpayment rate by between 0.7% and 1.5% had it been in place
- other COVID-19 easements such as removing face-to-face contact, claimant conditionality requirements and the gainful self-employment check on the self-employed have also likely led to increased fraud and error

Chart 1 below breaks down the increase in fraud and error into its constituent parts.



This is how each element was estimated:

Shift in make-up of caseload: We combined the data collected as part of the 2019-20 fraud and error measurement sample with Universal Credit claimant data to ascertain the overpayment rate for different claimant types and then applied those rates to the caseload of each claimant type present in 2020-21.

Trust and Protect: The information collected as part of the fraud and error measurement sample for 2020-21 included whether the incorrectness was a result of the verification easements introduced as part of the policy of Trust and Protect.

Removal of MIF: Analysts studied each case in the fraud and error measurement sample for 2020-21 to ascertain the level of entitlement and the amount of any error that would have occurred had the Minimum Income Floor been in place.

General increase in fraud: The remainder of the increase in the overpayment level once the previous three elements has been taken into account (including any overlaps) is assumed to be due to a general increase in fraud. This is assumed to be exacerbated by the lack of conditionality requirements, gainful self-employed tests and face-to-face interaction with claimants as a result of COVID.

Loss areas

Earnings/employment

Self-reported and self-employed earnings declarations (to the Department) inform benefit payments. However, claimants can be confused when it comes to allowable expenses, and business data is not always broken down sufficiently. Some people also find it difficult to submit accounts.

Greater use of data will help us corroborate income and allow us to make the right benefit payment, as with Pay As You Earn and Real Time Information. Better information via improved questions in the Universal Credit declaration will, in addition, help us direct customers down the right route, making it easier for them to declare earnings and expenses.

We are at the same time looking to use data to help identify people who may have deliberately misrepresented their circumstances. Matching HM Revenue and Customs data with Universal Credit data allows us to explore the possible extent of any fraud and error, whilst risk rules help define interventions and allow us to challenge self-reported and self-employed earnings where we think they have been misreported.

Reintroduction of the MIF will help address losses arising from under-declared earnings. We will be 'correcting' cases as we engage with self-employed claimants in order to determine their current employment status and income.

The proportion of self-employed claimants increased significantly in 2020-21, from 5.4% in February 2020 to 15.4% in July 2020.

Capital

As with earnings, we are looking to make it easier for Universal Credit claimants to keep their claim up to date, which is why Universal Credit claimants are now able to report changes online. Based on the success of this feature, we will test using different approaches to prompt claimants to report future changes. We also want to encourage people to declare their circumstances correctly in the first place, which is why we have redesigned our initial 'information gather' as part of improvements to the Universal Credit Service.

We also plan to use other government department data to help identify claimants at the point where they make a claim to Universal Credit, so that their potential capital position can be checked before any payments are made. We remain mindful that the nature of fraud is evolving, and there may come a point where we need look at how we can update or replace existing data sharing agreements.

Living together

We understand that it can be hard for claimants to know when they should report a change and we will look to see how we can use data to help people to promptly report changes.

Housing costs

Private Sector housing verification has been a key priority and the Privately Rented Sector upload roll-out has enabled claimants to provide verification documents in a secure and COVID safe way. Social Rented Sector housing errors are often due to a failure to report annual rent changes correctly, but an upgrade to the Universal Credit Landlord Portal will help ensure that from April 2021 rent changes can be reported correctly.

We will continue to look at alternate data sources to validate housing declarations in the longer term and will also consider emerging threats around housing costs; for example, multiple claims at a single address not known to be a house of multiple occupancy.

Integrated Risk and Intelligence Service (IRIS) – A joined up approach

We reported last year how 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 IRIS.

IRIS identified new threats during COVID-19 and developed rules and analytical tools to identify and target risk. As part of this approach, the team worked across government so that we could use data as a means of preventing and detecting fraud. Going forward, IRIS will continue to develop Transaction Risking, which provides us with the ability to identify potential fraud and error when a claim is made or a change of circumstances reported.

Critically, IRIS coordinated the detection of, and response to, fraud risks from organised crime groups seeking to exploit COVID-19, which meant that systematic attacks on the benefit system were detected and shut down. A good example of this, was the way cyber colleagues prevented an attack by organised criminals in May 2020. This led us to suspend 152,000 UC claims and prevented £1.9 billion in benefits from being paid to people trying to scam the system in 2020-21.

In total, our Enhanced Checking Service and our Serious Organised Crime teams disrupted or corrected over 298,000 claims (including the 152,000 mentioned above) in 2020-21.

Universal Credit Advances

Unfortunately, fraudulent claims for Universal Credit Advances resurfaced under COVID-19. The Department had successfully tackled this issue when it first arose in 2019-20. However, COVID-19 restrictions saw a minority of people try and exploit the situation. The Department acted quickly, introducing new risks rules which blocked potentially fraudulent claims, and tightening up verification requirements. Our Enhanced Checking Service considered ‘risky’ applications, with suspicious cases being referred for investigation.

We have continued to monitor UC Advances to identify the levels of risk. We currently believe the percentage of high risk UC Advance payments is less than 1%, which is lower than the level seen pre COVID-19, and down from a peak of 9% at the start of the pandemic. Staff referrals for Advance misuse have followed a similar trend; referrals have reduced month on month from around 40,000 in May 2020 to less than 1,500 in March 2021.

Anyone who has wrongfully claimed a Universal Credit Advance is being contacted so that they can pay the money back. Where appropriate, we will consider formal action.

Any fraud and error in claims that receive an advance but then close before going into payment are not included within our estimate of fraud and error.

Reviewing COVID-19 claims in payment

Whilst our systems held up well, we recognise that some Universal Credit claims made during COVID-19 are in payment incorrectly. We are now re-visiting those cases which have the highest residual risk of incorrectness so that we can re-apply the verification standards that would have been applied before COVID-19 (See Fraud and Error ‘AME losses’ graph for the potential reduction in overall losses).

This work is customer focussed and starts from the premise a case is correct until the evidence suggests otherwise, recognising that the vast majority of customers will be genuine and their application correct.

However, on cases where incorrectness is established we will take the appropriate corrective action. Some of the false aspects to claims may well be genuine errors or mistakes rather than deliberate fraud, but where fraud is a factor, we will consider formal action. As a minimum, we write out to people about any overpayment in order to recover this money.

Note that approximately 400,000 claims had been closed or suspended by the time the Department began the retrospective checks in January 2021. We have yet to make a decision as to whether further work will be done to recover any amounts potentially lost on these claims.

Estimating the impact of preventative action

We have attempted to estimate the fraud and error impact of the easements and controls made under COVID-19 on UC expenditure. These include verification easements under 'Trust and Protect' and other easements such as the lack of face-to-face checks and conditionality requirements.

Our modelling also includes an estimate of the consequences of the actions that we subsequently took to minimise those losses:

- Adapting some of the COVID easements by re-establishing various checks and balances, including the reintroduction of independent verification checks of child dependents along with the verification of certain housing costs. We also mitigated the fraud risk by implementing Confirm Your Identity Phase 2.1 to enable more claimants to identify online, and for claimants unable to verify online we introduced an outbound telephone call with enhanced biographical questions. We estimate that these prompt actions resulted in a £2.1bn saving in 2020-21 alone
- Referring any suspicious claims, often using our improved data systems, for further intervention via our new Enhanced Checking Service. We estimate that this process delivered a £0.8bn saving in 2020-21
- Implementing a retrospective action process, whereby we are now going back and verifying any evidence that was not independently checked in the early months of COVID-19. This process will not have delivered a significant saving in 2020-21, but will deliver savings in later years

In total, our model estimates that these interventions prevented additional losses to 2020-21 expenditure as a result of the new UC claims made in 2020-21 of around £3bn, by reducing potential 2020-21 losses of £4.2bn to £1.3bn. (If future year expenditure is taken into account, the interventions reduced potential total losses of £8.6bn to £1.8bn.) If we add the estimates from our modelling to the published overpayment level of fraud and error of 3.9% of DWP benefit expenditure, it would imply that the rate of fraud and error across all DWP benefit expenditure for 2020-21 could have been as high as 5.4%, had we not taken these actions to minimise the effects of the easements.

The following graph shows the outputs of that modelling, and the notes explain the modelling process and assumptions.

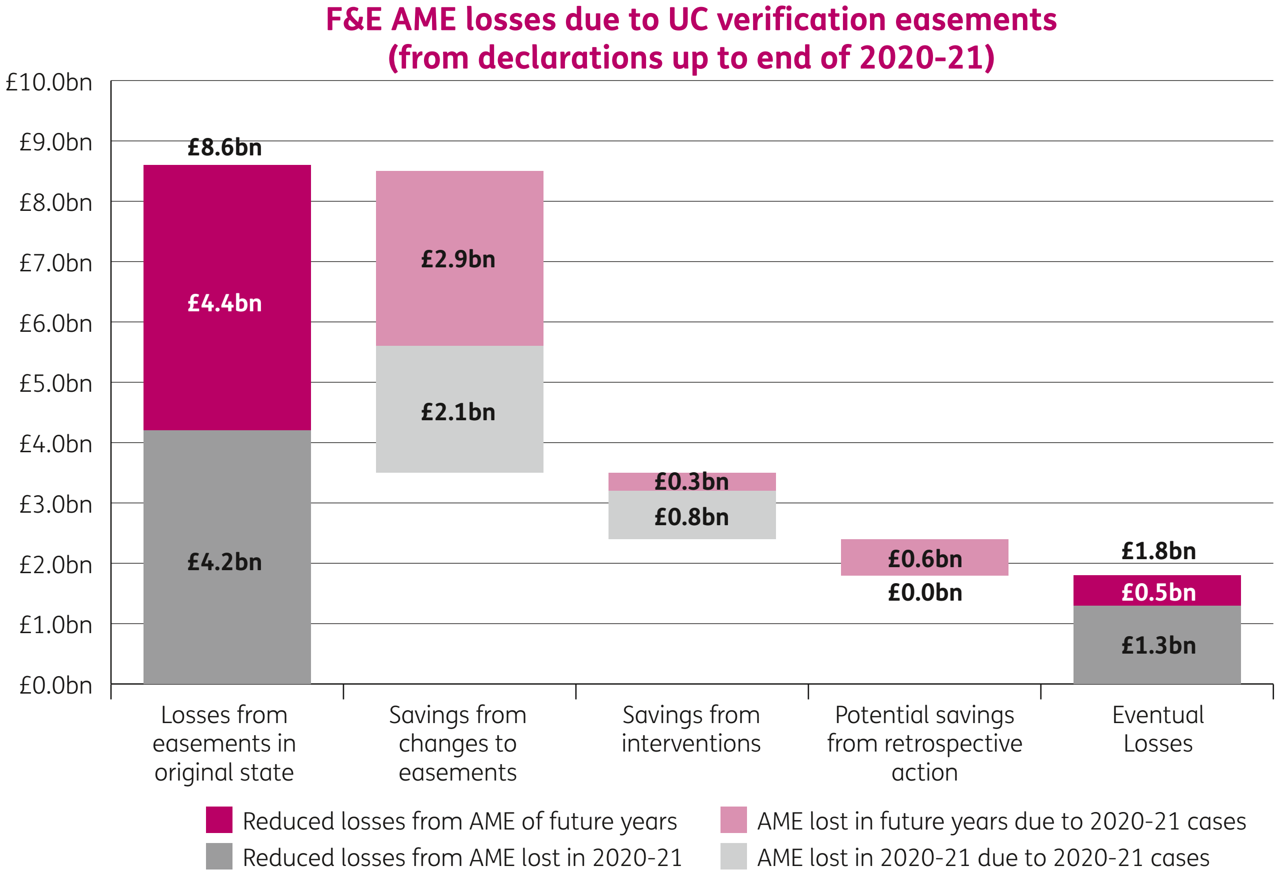


Chart 2: an estimate of the potential additional losses from Universal Credit new claims made in 2020-21 as a result of the easements adopted in Universal Credit, and the amounts prevented in 2020-21 and future years by the controls that were subsequently reinstated or introduced

Notes:

The figures quoted in the main text and all the figures in Chart 2 are based on modelling the estimated F&E impact of the easements put in place as a consequence of the pandemic. The model uses information on the volumes of new Universal Credit claims made each week and assumes a proportion of those claims were likely to be subject to fraud as a result of the COVID easements. It attaches an average value and duration to those frauds.

The proportion assumed to have fraud was based on insights from operational staff processing claims at the time and from the observed cases that failed the new controls when they were subsequently put in place.

The model factors in the dates on which each of the new controls were put in place and uses performance information regarding the Enhanced Checking Service interventions to estimate the financial consequences of that prevention and detection activity.

The model has been used to simulate the level of overpayments that would have occurred had those new controls and interventions not been put in place.

Lessons learned

In the event of any future significant increase to new claims to Universal Credit the Department would draw on its analysis of the way different COVID-19 related relaxations of standard processes impacted fraud and error. The learning we have gathered through this action will provide insight into the verification of the identity, housing and children and will help new handling strategies. Utilising this knowledge will help the Department strike a balance between verification and claim clearance, should volumes dramatically increase in the future.

Fraud and error in State Pension

Overpayments in State Pensions

Official error on State Pension is measured every year, but Fraud and claimant error were last measured in 2006. This means that the rate of official error in 2020-21 (0.0%) is based on reviews undertaken in the financial year ending 2021, while the rates of Fraud (0.0%) and claimant error (0.1%) have been rolled forward since 2005-06.

State Pension is a comparatively straightforward benefit to administer, with complex cases forming a relatively small proportion of the overall total. Relatively little evidence is required from the customer and there are comparatively few changes to act as a trigger for potential errors. A full review of State Pension is being undertaken in 2022, where Fraud, claimant error and official error will all be measured.

Underpayments in State Pensions

For State Pension, underpayments reached 0.3%. There was no single cause for the increase. The largest reason for underpayments was due to the death of a partner, as has been the case for the last few years. However, this was based on a very small number of cases and is not considered to be a trend.

Recent fraud and error estimates do not suggest that State Pension underpayments are on the rise (as stated, fraud and claimant error were last measured in 2006). We have not reported a statistically significant increase in the levels of official error underpayments since 2005-06 and our internal accuracy checks present a similar picture.

The current work to identify those people who have been underpaid State Pension was not a factor in our fraud and error results. Information on the corrective action we are taking on these cases can be found on page 166.

Other fraud and error initiatives

Cross cutting measures

We are tackling fraud and error on a broad and wide ranging basis and there is a great deal of cross cutting work in train. IRIS is developing a comprehensive set of tools and capabilities to improve the way we work, including risk modelling and data matching.

The Cyber Resilience Centre works as a member of IRIS and has been improving our understanding of web-enabled fraud to develop a systematic approach to fraud threats on social media platforms and the dark web. The team has in addition worked with Enhanced Checking Service to expand the sort of work they are doing, to include supporting (and safeguarding) Kickstart.

We continue to deploy the Department's quality framework across the business, setting levels for reduction of official error and using the Department's Quality Governance Board to ensure that controls are focused on risks. We are pleased to report that this year, despite large numbers of people being redeployed to help pay new claims, Universal Credit official error overpayments decreased from 1.3% to 0.9%.

Our Verify Earnings and Pensions alerts programme, which uses HM Revenue and Customs Real Time Information (Pay As You Earn) data to update a range of different benefits, is also part of this approach.

We are putting in additional funding to deliver a package of measures designed to prevent fraud and error, including the expansion of both the Enhanced Checking Service and IRIS. The funding will also further the development of Transaction Risking and see us expand our Serious and Organised Crime investigation work, which will allow us to disrupt and investigate more organised criminal activity, reducing fraud and loss.

The Department has recently established a new Fraud and Error Directorate, located within the Department's Policy Group, to support and embed joint working across all areas of policy.

We aim to recruit approximately 3,000 additional staff during 2021-22 in order to address increased workloads brought about by new ways of working and post COVID-19 case reviews.

The future picture

Fraud and error across welfare

The Department has always been clear that the transfer of the Tax Credits caseload would lead to an increase in the Department's fraud and error levels because these cases are inherently more prone to fraud and error, and also due to differences in how the benefits are administered. However, COVID-19 hastened the take up of Universal Credit and increased the proportion of claims that are potentially more susceptible to loss. For example, the proportion of the Universal Credit caseload who were self-employed has nearly trebled. This has brought forward our fraud and error challenge, and means that we have had to accelerate pre-COVID-19 loss reduction work.

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. However, it is still the Department's expectation, as previously reported, 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. However, the timeframe for this has been impacted by COVID-19 and the impact that this has had on Universal Credit rollout. Moving people to Universal Credit, as voted on by Parliament, remains a high priority for the Department and we are reviewing options to restart the process.

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, increasing numbers of whom have relied on DWP services during the COVID-19 pandemic. Security is one of our top priorities, to ensure continuity and resilience of our public services.

In 2020-21, we continued to mature our ability to detect and respond to threats to our infrastructure and services. We enhanced the identification and management of security risks. We agreed a new security strategy, and put in place improvements to governance and management information. In addition we implemented a new business engagement model. We instigated a new DWP-wide approach to security assurance; and we provided regular training and awareness resources to enable all our colleagues to take personal responsibility for security and data protection, especially at a time of rapidly changing threats and business delivery practices.

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 people 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.

All of these activities have been informed by frequently updated threat intelligence, and reinforced by a continuous improvement process which focusses on regular review of strategic security priorities and implementation of required capabilities and controls.

Data Protection Officer's Team

The Data Protection Officer's team (DPO) worked closely with the General Data Protection Regulation (GDPR) Taskforce and Data Protection and Governance board in 2020-21. In addition, the team provided support to key departmental COVID-19 related initiatives such as the Vulnerable Persons Shielding Programme as well as carrying out an extensive set of business as usual activities. Of particular note, 588 initiatives were screened as part of the Data Protection Impact Assessment (DPIA) process and 137 full DPIAs carried out.

Whilst formal responsibility for Data Protection awareness lies primarily with the Chief Data Officer's team (see above) the DPO team nevertheless ran or participated in some important education and awareness activities. This included sessions for all 5,000 colleagues in Child Maintenance Group and a set of online seminars on Data Protection by Design for Digital Group.

Advice and guidance remained at the core of the team's work. There were over 1,000 engagements to advise colleagues and members of the public. At the same time internal written guidance in all areas of Data Protection was revised and augmented as part of our ongoing activity of continuous improvement.

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. We are committed to supporting the Department's work to strengthen the Union.

Scotland

The Scotland Act 2016 devolved a number of significant social security powers to the Scottish Parliament allowing the Scottish Government to top-up existing benefits, pay discretionary payments and create entirely new benefits in areas of devolved responsibility.

To date, DWP has provided resources and help which enabled the Scottish Government to pay a number of their new benefits including 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.

Despite the additional and unexpected strain on our resources due to the COVID-19 pandemic, over the past 12 months we have given significant support to the Scottish Government and Social Security Scotland, to enable the introduction and delivery of a number of new Scottish benefits where these have interdependencies with the Department. This has included allowing the necessary access, through service level agreements, to DWP systems and data to support the delivery and payment of Job Start Payment, Child Winter Heating Assistance and the Scottish Child Payment (for children aged up to six).

We have also undertaken legislative amendments to ensure that the Scottish Government's Young Carer Grant, Winter Heating Assistance, Short Term Assistance and Disability Assistances are disregarded from income related benefits in line with the principle of "no detriment" as set out by the Smith Commission.

Executive competence for extra-needs disability support was transferred to the Scottish Government on 1 April 2020. At this time the Scottish Government Cabinet Secretary for Social Security and Older People, announced that the introduction of the new Scottish disability and carer benefits would be paused given the impact of the COVID-19 pandemic.

Until these benefits are introduced, and while Social Security Scotland continues to build its capacity and capability to deliver them, we have agreed that the Department will continue delivering the existing benefits on behalf of the Scottish Government under Agency Agreements, on the same basis as they are delivered in England and Wales. This is in line with the principles agreed at the Joint Ministerial Working Group on Welfare.

Agency Agreements are currently undergoing formal review as agreed, which in the main should cover amendment to the original dates which Scottish Government had announced for their replacement benefits but were then delayed, due to COVID-19.

In addition, the Agency Agreements are reviewed each year to consider if any changes are needed. The majority of the disability benefit agreements are in place until 2023 with the option to extend, a maximum of two times, each for a period of one year.

The Scottish Minister would need to make a formal request to extend the agreements for a further 12 months prior to the Term ending. The exception being the Severe Disability Allowance agreement which is until 2025 as this is a closed benefit and currently there are no plans to transfer existing cases to Scottish Government, and the agreement on Carer's Allowance which is effective until 31 December 2022. This is because executive competence for Carer's Allowance was transferred earlier than the disability benefits.

Government has announced it intends to introduce its replacement disability benefits on a staged basis starting with Child Disability Payment in summer 2021 and Adult Disability Payment in spring 2022. The Scottish Government has restated its ambition to transfer all existing DWP disability benefit recipient's resident in Scotland over to Social Security Scotland by 2025. We continue to work closely with the Scottish Government on all of these revised plans along with those to replace Winter Fuel Payments and Cold Weather Payments before the Social Fund closes to Scottish residents in March 2022.

Northern Ireland

We continue to work very closely with the Department for Communities (DfC) in Northern Ireland (NI) 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 now handed back the temporary powers DWP held to bring in certain Northern Ireland social security legislation.

During the pandemic, DWP and DfC worked at pace to deliver around 12 sets of emergency legislation to ensure NI citizens benefitted from the UK government response at the same time as those in Great Britain. DWP has also supported the NI Assembly in making emergency one off payments for vulnerable customers affected by the pandemic to help with heating costs.

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 and the Union Strategy through bespoke and online training as well as a dedicated advice and guidance resource.

Union Strategy

The Cabinet Office is leading on work to develop a union strengthening strategy focussed on promoting the work of the UK government in the devolved nations. As DWP has a considerable amount of interaction with the devolved administrations it will be a key contributor.

DWP is contributing to this work, with a particular focus on new employment initiatives and has outlined to the Prime Minister and Chancellor of the Duchy of Lancaster (CDL) proposals for priority projects, events and announcements that could serve to strengthen the Union.

As part of this work, Cabinet Office released the Devolution and You capability strategy in March 2020 designed to improve devolution capability across the One Civil Service. DWP have been contributing to this through a bespoke capability strategy, utilising departmental capability champions and relaunching the devolution intranet site.

Exiting the EU

The UK left the EU on 31 January 2020 and, under the terms of the Withdrawal Agreement (WA), entered a transition period during which existing EU legislation, including the social security coordination (SSC) regulations, continued to apply in the UK until 31 December 2020.

We were allocated £15.3 million to support preparations for EU transition in 2020-21. During this period, we completed policy, legislative and readiness activity to ensure that DWP and Health and Safety Executive (HSE) delivered Manifesto commitments related to the UK's exit from the EU and that our services would continue to operate effectively after the transition phase. In particular, DWP and HSE delivered a number of key readiness activities including:

- laying new legislation to reflect new legal and policy positions post transition
- changing operational processes
- writing new guidance and operational instructions, including collaborating across government to produce future social security coordination (SSC) guidance
- training frontline staff
- enhancing digital systems to enable DWP staff to access Home Office records from DWP systems to confirm a person's immigration status
- implementing changes to access to benefit rules governing how Persons of Northern Ireland bring their family members to the UK, and;
- supporting the cross-government mailing exercise to reassure over 350,000 UK benefit recipients living in the EU that their pensions and benefits will continue to be paid from 1 January 2021

Ongoing Activity

Under the terms of the WA the UK agreed that EU citizens already in the UK will have until 30 June 2021 (known as the grace period), to register with the EU Settlement Scheme (EUSS) in order to secure their rights to reside/work and claim benefits in the UK.

In order to mitigate the risk of EU citizens, (including existing benefit recipients) failing to register with the EUSS by the 30 June deadline, DWP is working collaboratively with the Home Office to encourage registration. DWP is also supporting development of the Home Office policy to introduce processes to handle late applications to the scheme.

Better Regulation

The Manifesto undertook that government *"will strive to achieve the right regulatory balance between supporting excellent business practice and protecting workers, consumers and the environment"*. The government does not believe that the current methods of assessing regulatory impacts allow for this. Therefore, the government will consult with business to ensure the impact of regulation is reflected more effectively, so as to continue to provide necessary protections without placing unnecessary burdens on business.

Under the Small Business, Enterprise and Employment Act 2015, the government is required to publish the Business Impact Target in respect of qualifying regulatory provisions for the new Parliament session which commenced on 19 December 2019.

Until the completion of the review the government has set a net target of zero savings to business and voluntary or community bodies from qualifying measures that come into force or cease to be in force during this Parliament. This holding target makes clear that government remains committed to achieving regulatory balance and does not intend to increase the regulatory burden on business.

The interim target covers the savings to be achieved from qualifying measures that come into force or cease to be in force in the first three years of this Parliament. The government's interim target is also set at zero.

The first reporting period of this Parliament from 13 December 2019 to 16 December 2020 delivered £5,740 million net costs to business from qualifying regulatory provisions that came into force or ceased to be in force during this period. For this period the Department had no qualifying regulatory provisions. The final report for the 2019-20 Parliament can be found in the Better Regulation Government's Annual Report, 2019-20. More information

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/952620/better_regulation_report_2019.pdf

Anti-bribery and corruption

The Department promotes a zero tolerance approach to fraud, bribery and corruption and has structures in place for the effective management of these threats. Departmental policies published on the intranet, training programmes and commercial agreements with suppliers and providers promote an anti-fraud, bribery and corruption culture.

Our employees have access to the Civil Service Learning counter-fraud bribery and corruption e-learning course. DWP's mandatory annual security and data protection e-learning has been updated to reflect revised processes introduced during the pandemic to help manage risk in both office and home working environments.

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.

Performance indicators

Fraud and error (gross monetary value and as a percentage of total expenditure)

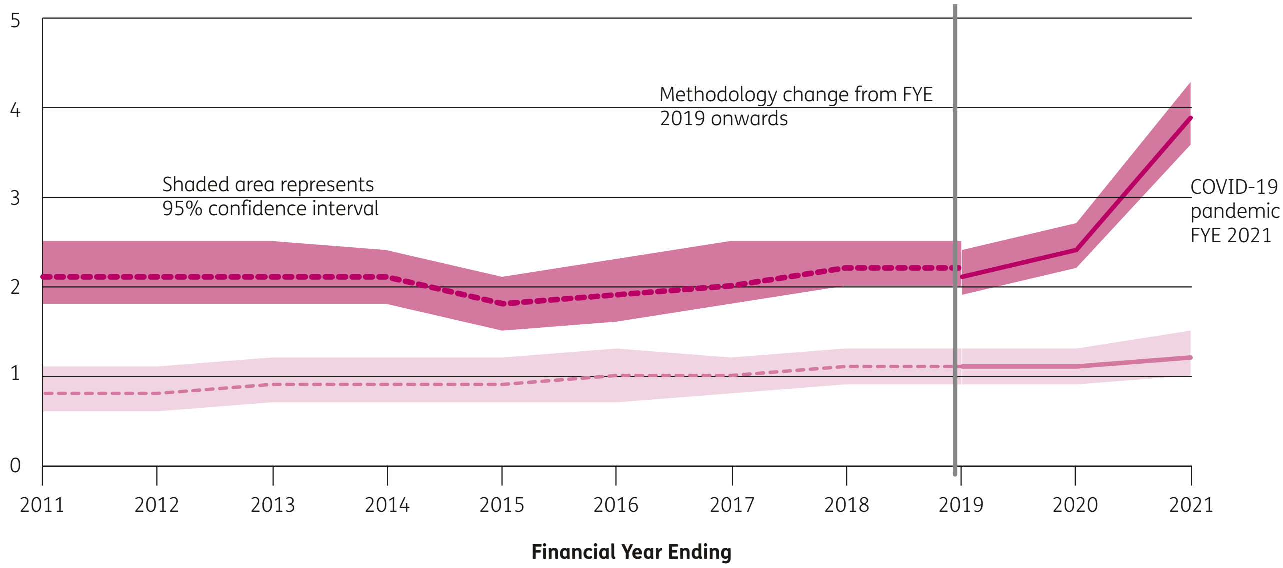
Benefit expenditure increased by £20.0 billion, from £191.7 billion in 2019-20 to £211.7 billion in 2020-21.[21] In 2020-21 3.9% of benefit expenditure was overpaid due to fraud and error.

This is an increase from 2.4% in 2019-20. The monetary value of fraud and error overpaid was £8.4 billion, an increase from £4.6 billion.

In 2020-21 1.2% of benefit expenditure was underpaid due to fraud and error. This is an increase from 1.1% in 2019-20. The monetary value of fraud and error underpaid was £2.5 billion, an increase from £2.0 billion.

21 Benefit expenditure stated within this indicator is based on the latest available forecast expenditure for 2020-21, 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 £212.2 billion, or the Statement of Outturn against Parliamentary Supply (SOPS) of £212.4 billion. The difference between these values is due to disaggregation in the SOPS between DEL and AME, resource and capital expenditure.

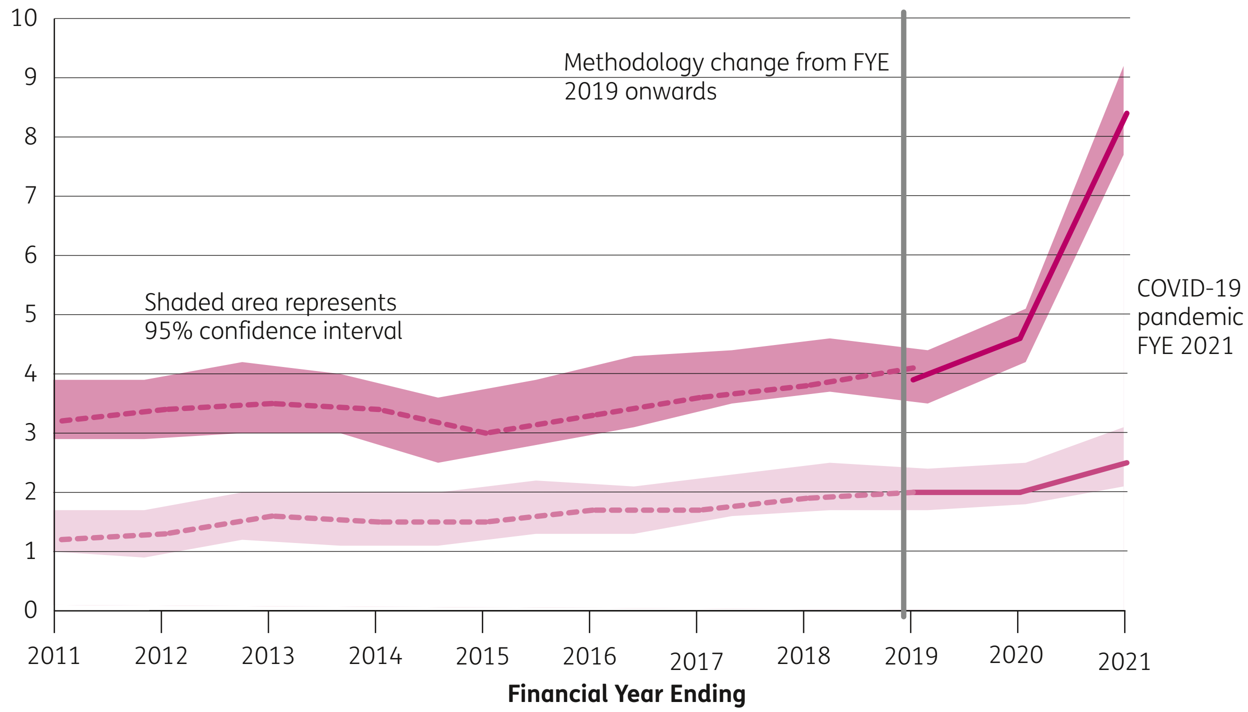
Overall overpayment and underpayments as a percentage of expenditure



For more detail on confidence intervals around our MVFE central estimates, please see Note 18 on page 305.

	Over (%)	Under (%)
2010-11	2.1%	0.8%
2011-12	2.1%	0.8%
2012-13	2.1%	0.9%
2013-14	2.1%	0.9%
2014-15	1.8%	0.9%
2015-16	1.9%	1.0%
2016-17	2.0%	1.0%
2017-18	2.2%	1.1%
2018-19	2.1%	1.1%
2019-20	2.4%	1.1%
2020-21	3.9%	1.2%

Overall monetary value of expenditure over and under paid (£ billion)



	Over (£ billion)	Under (£ billion)
2010-11	3.2	1.2
2011-12	3.4	1.3
2012-13	3.5	1.6
2013-14	3.4	1.5
2014-15	3.0	1.5
2015-16	3.3	1.7
2016-17	3.6	1.7
2017-18	3.8	1.9
2018-19	3.9	2.0
2019-20	4.6	2.0
2020-21	8.4	2.5

Customer satisfaction of DWP services

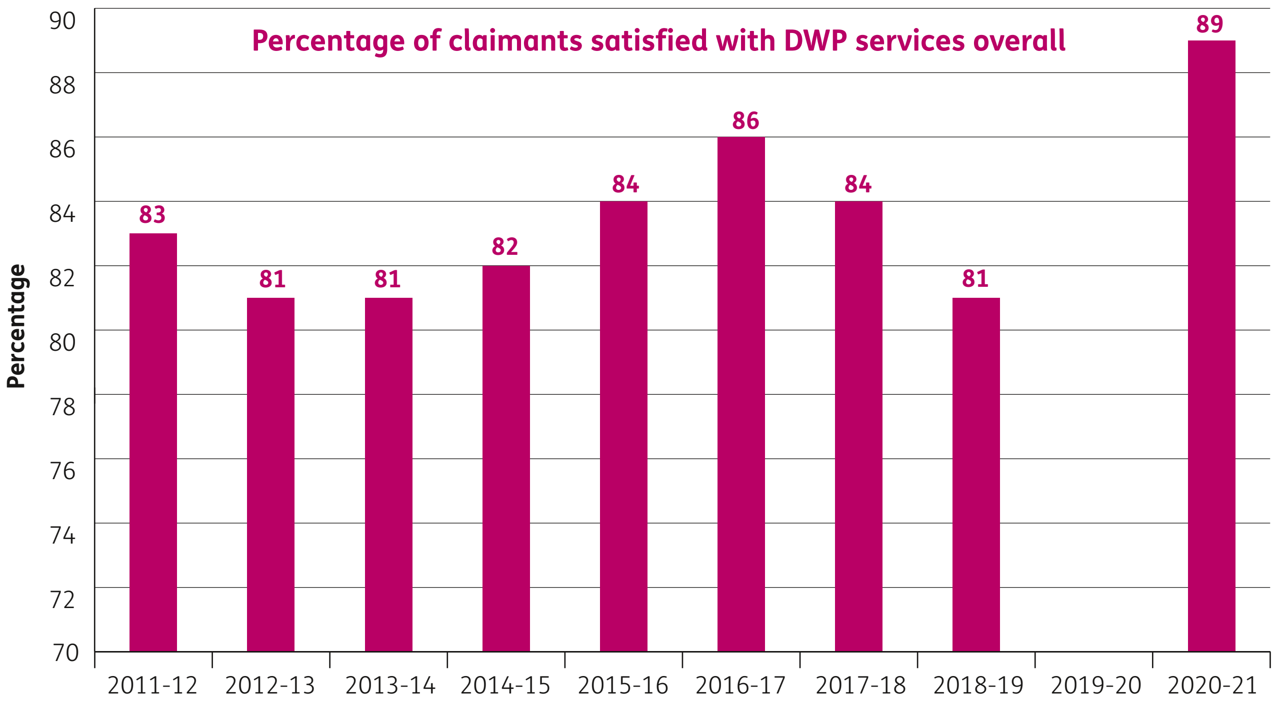
In 2020-21 89% of benefit customers said they were satisfied with DWP services. This figure is taken from the first three quarters of the Customer Experience Survey (CES), which measures customers' satisfaction and experiences with DWP services.

In 2020-21 the Customer Experience Survey was completed annually with fieldwork conducted on a quarterly basis. This indicator covers benefit customers who were in contact with DWP between April – December 2020 and includes the following benefits: Universal Credit, Personal Independence Payment, Employment Support Allowance, Disability Living Allowance for Children, Attendance Allowance, Carer's Allowance, State Pension and Pension Credit.

It measures the percentage of customers who were either fairly or very satisfied with the overall service they received. It is important to note that the 2020-21 survey fieldwork took place following the COVID-19 pandemic when changes were made to DWP service delivery because of national lockdown restrictions.

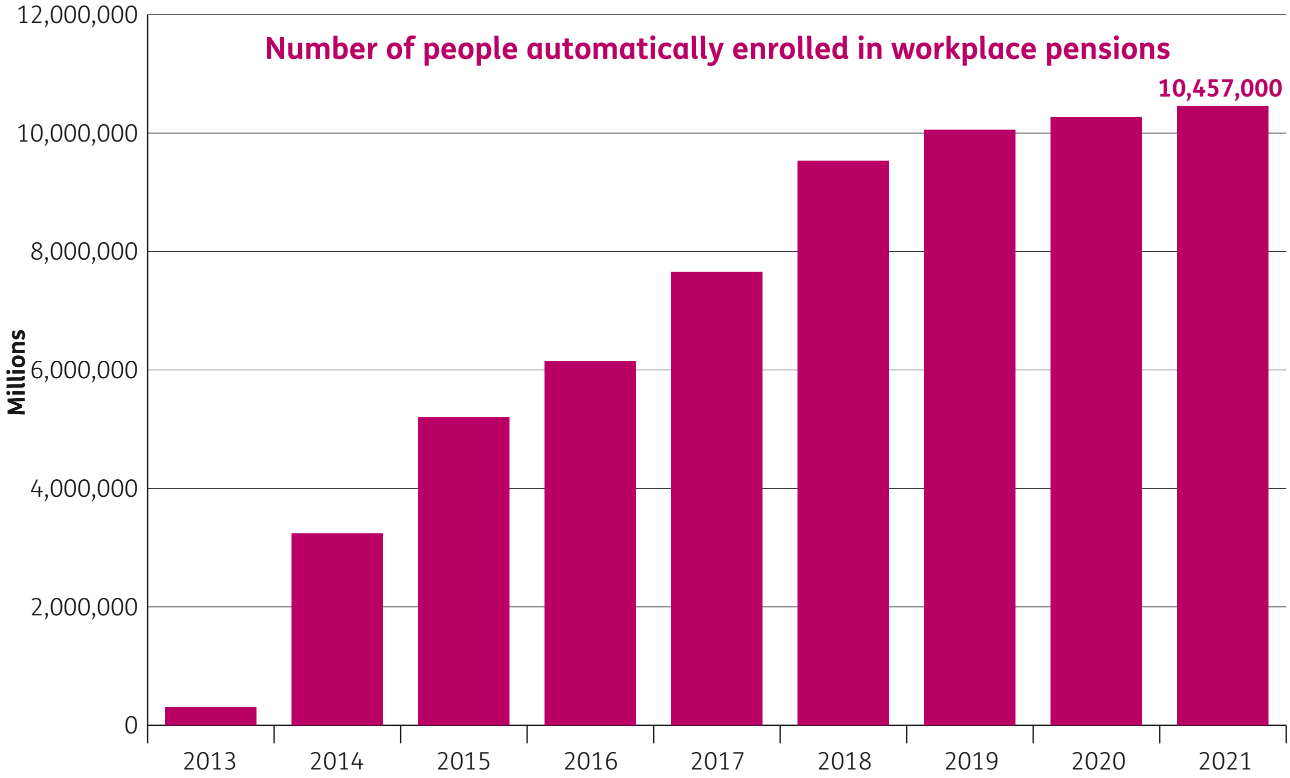
The chart below presents this figure, along with data from the Claimant Service and Experience Survey (CSES), which preceded CES. Significant methodological changes took place between the CSES and CES, meaning that results are not directly comparable across the two surveys.

COVID-19 prevented the completion of fieldwork for CES 2019-20, meaning there is no annual level data to report for that year.



Number of people automatically enrolled in workplace pensions

Automatic Enrolment has transformed the pensions landscape since its inception in 2012 and as of March 2021, has seen over 10.4 million employees automatically enrolled into a workplace pension by their employers, an increase from over 10.2 million at the same point in 2020.



Peter Schofield CB

Permanent Secretary

9 July 2021

Accountability report

Corporate governance report

Lead non-executive member's report

This, my first year as the DWP Lead non-executive director, has seen the Department faced with an extremely challenging environment due to the pandemic. I am delighted to report that the Department has largely risen to that challenge. Faced with 2.4 million new claims to Universal Credit (from 1 March 2020 to 26 May 2020), the Department has focussed on ensuring these people are quickly paid on time with minimum fuss, so not to add to the burdens being faced by the most vulnerable in society during the pandemic. This has been achieved while keeping our people safe and productive – with 94% now being able to work from home.

During this time the board, the non-ministerial board and all its committees (Departmental Audit and Risk Assurance, Nominations and Digital Advisory) have continued to meet virtually and assist in the running of the Department. The focus of these meetings have been to ensure that the Department has the correct level of resources, be that financial, people or physical, working on the right priorities to support people through the pandemic and assist them to recover from the pandemic with initiatives such as Kickstart.

The non-executive directors have been working closely with ministers and the Executive Team to assist in the response to the pandemic including:

- Eleanor Shawcross working on the Spending Review bid to secure the financial resources required. Eleanor, with her experience, was able to provide insightful advice to the Secretary of State
- David Holt, as the Departmental Audit and Risk Assurance Chair, convened extraordinary monthly meetings. The priority was helping to balance the risk of various easements to Universal Credit and the need to swiftly pay new claimants. There were the inevitable decisions around prioritisation of certain aspects of our service offer, which had an immediate impact on our risk profile. Internal Audit and Assurance moved to real time working, sitting alongside those making decisions around easements, and assessing the associated revised governance that had been put in place. David has also chaired the Health Transformation Programme Board
- Rachel Wolf leading a review on the "Lessons from the COVID-19 response". In particular, looking at how to maintain some of the innovations and changes that marked the initial very successful response, as well as exploring the trade-offs and choices the response required and the impact of those trade-offs
- Ashley Machin leading an IT review on the robustness of the Department's systems and how to transform the Department's digital capability going forward. Ashley also chaired the Digital Advisory Committee, which worked with the Department's digital team to validate the "as is" position and consider the proposed improvements from the review

- and myself, Nick Markham, on developing the Department's Departmental Plan, which sets out how the Department will help the country recover from the pandemic by opening new jobcentres, recruiting more work coaches and implementing the Plan for Jobs. In addition, I have overseen the Department's Board Effectiveness Evaluation, the annual review on the Department's governance arrangements, contributing to several changes being implemented. These included agreement to bring quarterly reporting on the Departmental Plan to the Departmental Board and a remodelling of the Non-executive Directors Delivery Board into a more strategic forum for non-executive directors and the Executive Team to discuss specific departmental challenges in greater depth.

I would like to thank Sara Weller, who stepped down as Lead non-executive director in this last year and also Rachel Wolf and Hayley Tatum who stepped down as non-executive directors. They have all made vital contributions to the running and governance of the Department. I would like to also welcome Valerie Hughes-D'Aeth and David Bennett who joined the board this year.

2020-21 has seen the Department's ministers, civil servants and non-executive directors work together to deliver a truly impressive response to the pandemic. I look forward to the team working together to help our country and its people recover from the pandemic in 2021-22.

Nick Markham

Lead non-executive

Our ministers

Ministers at 31 March 2021

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
- Employment and Support Allowance, Personal Independence Payment, Disability Living Allowance, and elements of Universal Credit that relate to disabled people including Severe Disability Premium
- EU exit oversight
- Work and Health strategy including sponsorship of the Joint DWP/ Department of Health and Social Care Work and Health Unit
- disability benefit reform
- devolution framework
- Carer's Allowance
- Motability and public body compensation schemes

public body responsibility: Industrial Injuries Advisory Council

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
- 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

public body responsibility: The Pensions Regulator, Pension Protection Fund, the Money and Pensions Service and The 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 (International Labour Organisation, G20, EPSCO)
- European Social Fund and UK Shared Prosperity Fund
- work services and Jobcentre Plus partnership working
- Jobcentre Plus campaigns
- Jobseeker's Allowance, 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

public body responsibility: Health and Safety Executive

Baroness Stedman-Scott OBE
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
- parental conflict
- National Insurance numbers
- legislation and statutory instruments strategy
- Social Fund (Cold Weather Payments, Sure Start Maternity Grants, Funeral Expenses Payment scheme and Budgeting Loans)
- Bereavement benefits
- digital
- commercial contracts
- Independent Case Examiner
- complaints strategy
- supported accommodation
- Support for Mortgage Interest
- Maternity Benefit
- departmental planning and performance management, including tracking progress against manifesto commitments; and other external reporting and governance requirements.
- departmental business, including oversight of transparency/data-sharing issues; correspondence, Freedom of Information requests and research and trialling.

public body responsibility: Social Security Advisory Committee, Office for Nuclear Regulation, BPDTS Limited

Director's report

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

The Permanent Secretary is responsible for the Department's leadership, management and staffing to ensure effective and efficient delivery of the Department's work to support government policies and objectives. The Permanent Secretary is also the Accounting Officer, responsible for the propriety and regularity of the Department's expenditure. Our funding sits in a number of categories and we are accountable to HM Treasury for meeting agreed funding limits in each category. Detail of outturn against these funding limits is shown in the Statement of Outturn against Parliamentary Supply on page 193.

Our executives

Executives at 31 March 2021. There were a small number of changes in executive responsibilities during the year, and information on what each executive is responsible for can be found on page 16.

Peter Schofield CB

Permanent Secretary and Principal Accounting Officer

Appointment

January 2018

Departmental Board
Delivery Board
Executive Team (chair)
Nominations Committee

Debbie Alder CB

Director General, People, Capability and Place Group

Appointment

January 2014

Departmental Board
Delivery Board
Executive Team
Nominations Committee

Neil Couling CB CBE

Director General, Change and Resilience Group

Appointment

October 2014

Delivery Board
Executive Team

Jonathan Mills

Director General, Labour Market Policy and Implementation

Appointment

August 2017

Delivery Board
Executive Team

Nick Joicey CB
Director General, Finance Group

Appointment

July 2018

Departmental Board
Delivery Board
Executive Team

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

Appointment

April 2019

Delivery Board
Executive Team

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

Appointment

Interim from January 2019, appointed March 2020

Delivery Board
Executive Team
Digital Advisory Committee

Amanda Reynolds
Director General, Service Excellence Group

Appointment

1 February 2021

Delivery Board
Executive Team

Katie Farrington
Director General, Disability, Health and Pensions

Appointment

15 March 2021

Delivery Board
Executive Team

Director General Legal Services

This post was vacant at 31 March 2021

Our non-executive board members

Non-executives at 31 March 2021

Nick Markham
Lead non-executive

Appointment

July 2020

Departmental Board
Delivery Board (Chair)
Nominations Committee

David Holt

Appointment

May 2019

Departmental Board
Delivery Board
Departmental Audit and Risk Assurance Committee (Chair)

Eleanor Shawcross

Appointment

June 2020

Departmental Board
Delivery Board

Ashley Machin

Reappointment

November 2020

Departmental Board
Delivery Board
Departmental Audit and Risk Assurance Committee
Digital Advisory Committee (Chair)

David Bennett

Appointment

February 2021

Departmental Board
Delivery Board

Valerie Hughes-D'Aeth

Appointment

February 2021

Departmental Board
Delivery Board
Nominations Committee (Chair)

Other non-executives at 31 March 2021

Tim Nolan	Departmental Audit and Risk Assurance Committee Appointment July 2019
Sally Cheshire CBE	Departmental Audit and Risk Assurance Committee Appointment August 2020
Ian Wilson	Departmental Audit and Risk Assurance Committee Appointment August 2020
Keith Burgess	Digital Advisory Committee Re-appointment November 2020
John Clarke	Digital Advisory Committee Re-appointment November 2020

Management of interests and business appointments

Register of interests

All of our employees are bound by the Civil Service Code – the framework on which the Department's standards of behaviour are built. The consequences of failing to comply are serious and attract penalties up to and including dismissal. The DWP Standards of Behaviour Policy applies to employees at all grades.

Employees are generally mandated that their interests and activities outside of work must not create conflict of interest or potential for perceived conflict of interest with their official role and they must not bring the Department into disrepute. Employees are specifically instructed never to request special treatment from any client of DWP that would benefit their outside interests. Employees are also specifically required to consult their line manager and seek permission if they are proposing to take up a second occupation or any position with a non-political organisation (political activity is controlled under separate rules) if it could create a conflict of interests, or appear to create a conflict of interests. Further, employees must seek their manager's written permission to take up any non-executive directorship during their employment with DWP.

In 2020-21 a survey of all Senior Civil Servants in the Department required disclosure of any interests which they hold. These were subsequently reviewed by the Permanent Secretary. This is in addition to the Department's standing requirement for all staff to discuss potential conflicts with their manager before taking up an external appointment.

None of our ministers held directorships that conflicted with their management responsibilities in 2020-21. A list of directors and Non-executive board members' interests is shown in the table below.

Name	Name of company or organisation	Position Held	Type of Interest (e.g. paid, fees, shareholding)	Other relevant information
Rt Hon Thérèse Coffey MP	East Coast Hospice	Patron	Unpaid	
	Suffolk Coast Rural Responders	Patron	Unpaid	
	Friends of St. Mary's College, Crosby	Patron	Unpaid	
	Suffolk Agricultural Association	Life Vice President	Unpaid	
	Royal Mail Group PLC		Shareholding	
Guy Opperman MP	Atom Bank (registered as Crossco)		Shareholding	
Justin Tomlinson MP	Swindon Town Deal Board	Member	Unpaid	
Will Quince MP	SANDS	Member	Unpaid	Resigned April 2019
Mims Davies MP	Building Heroes Charity	Trustee	Unpaid	Resigned November 2018
Baroness Stedman-Scott OBE DL	The For Baby's Sake Trust	Trustee	Unpaid	Resigned November 2019
	Attwood Academies	Trustee	Unpaid	Resigned March 2018
	Salvation Army For Baby's Sake		Unpaid	
Sara Weller CBE	Lloyds Banking Group plc	Non-Executive Director	Fees	
	HBOS plc	Non-Executive Director	No incremental remuneration for these roles, undertaken as part of the paid role for Lloyds Banking Group.	
	Bank Of Scotland plc	Non-Executive Director		
	Lloyds Bank Foundation for England and Wales	Trustee	Unpaid	
	BT plc	Non-Executive Director	Fees	Appointed on July 16th 2020
	United Utilities	Non-Executive Director	Fees	Resigned July 24th 2020
	Department for Communities & Local Government	Non-Executive Director	Paid	End of Term December 2015

Name	Name of company or organisation	Position Held	Type of Interest (e.g. paid, fees, shareholding)	Other relevant information
Sara Weller CBE	Planning Inspectorate	Chair	Fees	Executive NDPB sponsored by the Department for, Communities and Local Government End of Term September 2017
	Higher Education Funding Council for England	Board Member	Fees	Executive NDPB sponsored by the Department for Education.
	Cambridge University Council	External Member	Unpaid	End of Term December 2020
Nick Markham	London & Continental Railways Ltd	Chair	Paid	
	Cignpost Diagnostics Ltd	Co-Founder and Director	Fees and Shareholder	
	Cignpost Medical Services Ltd			Cignpost Diagnostics Ltd is a director of this company
	R2B H Ltd	Director	Fees and Shareholder	
	Inchora	Director	Fees and Shareholder	
	Farnborough Park Consulting	Director	Fees and Shareholder	
	Safe Haven London	Non-Executive Director	Unpaid	
	Safe Haven London [Shared Ownership]	Non-Executive Director	Unpaid	
	Forton Firewood and Sawmill Ltd	Non-Executive Director	Shareholding	
	Beetamax Professional Services Limited	Non-Executive Director	Shareholding	
	Chock Professional Services Ltd	Non-Executive Director	Shareholding	
	Super Subs (Shaftsbury) Ltd	Non-Executive Director	Shareholding	
	Simple Sowing Ltd	Non-Executive Director	Shareholding	
	Seed Developments Ltd	Non-Executive Director	Shareholding	
	Seed Invesco LIMI	Non-Executive Director	Shareholding	
	Top up TV Europe Ltd	Non-Executive Director	Shareholding	
	Top up TV Holdings Ltd	Non-Executive Director	Shareholding	

Name	Name of company or organisation	Position Held	Type of Interest (e.g. paid, fees, shareholding)	Other relevant information
Nick Markham	Top up TV 2 Ltd	Non-Executive Director	Shareholding	
	Inview Interactive Ltd	Non-Executive Director	Shareholding	
	Fusion Swansea DEVCO Ltd	Non-Executive Director	Shareholding	
	Super Subs (Blandford) Ltd	Non-Executive Director	Shareholding	
	VHS (Retail) Ltd	Non-Executive Director	Shareholding	
	AnyNest RP Ltd	Non-Executive Director	Unpaid	
	Project Little Boat Ltd	Non-Executive Director	Unpaid	
	Little Boat Ltd	Non-Executive Director	Unpaid	
	Hana Investments Ltd	Non-Executive Director	Unpaid	
	Pine Walk Residents Association (East Horsley) Ltd	Non-Executive Director	Unpaid	
	Inview Technology Ltd	Chair	Paid and Shareholder	Resigned November 2019
	Inview Africa DSO LLP			Inview Technology Ltd is a director of this company
	ZPW Investments Ltd			Inview Technology Ltd was a director of this company until it resigned March 2021
	Inview Solutions	Director	Paid and Shareholder	Company dissolved January 2021
	Inview Africa	Director	Paid and Shareholder	Resigned March 2020
	Inview Nigeria	Director	Paid and Shareholder	Resigned March 2020
	Ministry of Housing, Communities and Local Government	Non-Executive Director	Paid	End of Term December 2018

Name	Name of company or organisation	Position Held	Type of Interest (e.g. paid, fees, shareholding)	Other relevant information
David Holt	Ebbsfleet Development Corporation	Deputy Chair	Paid	Executive NDPB sponsored by the Ministry of Housing, Communities and Local Government
	Tavistock and Portman NHS Foundation Trust	Senior Independent Director	Paid	
	Whittington Health	Non-Executive Director	Paid	Resigned December 2019
	Hanover Housing Association	Non-Executive Board Member	Paid	Resigned November 2018
	Hanover Housing Developments Ltd	Non-Executive Board Member	Paid	Resigned November 2018
	Hanover Housing Ltd	Non-Executive Board Member	Paid	Resigned November 2018
	Planning Inspectorate	Non-Executive Director	Fees	Executive NDPB sponsored by the Ministry of Housing, Communities and Local Government End of Term December 2019
	Merton Developments Ltd	Director	Paid	Resigned December 2016
Ashley Machin	Masthaven Bank	Chair	Paid	
	Swinton Group Ltd	Non-Executive Director	Paid	Resigned December 2018
	Lloyds Banking Group		Shareholding	
Hayley Tatum	Asda Group Ltd	Chief People Officer and Director	Shareholding and Paid	
	Asda Financial Services Ltd	Director	No incremental remuneration for these roles, undertaken as part of the paid role for Asda Group	
	Asda Stores Ltd	Director		Resigned November 2016
	Wal-Mart Stores (UK) Ltd	Director		Resigned November 2016
	Corinth Investment Ltd	Director		Resigned November 2016
	Broadstreet Great Wilson Europe Ltd	Director		Resigned November 2016
	Tommy's Charity	Trustee	Unpaid	

Name	Name of company or organisation	Position Held	Type of Interest (e.g. paid, fees, shareholding)	Other relevant information
Eleanor Shawcross	COSMIC	Trustee	Unpaid	Previously known as the Winnicott Foundation
	Wimpole Street Residents Association	Director	Unpaid	
	The BookTrust	Trustee	Unpaid	
	Primary School Governing Board	Governor	Unpaid	
Rachel Wolf	Public First	Founding Partner	Shareholding and Employee	
Valerie Hughes-D'Aeth	VHD Consulting Ltd	Mentor & Consultant	Fees	Small amount of paid mentoring work. Potentially 40 days paid consultancy work over a 6 month period
	CIPD	Chair	Unpaid	effective start date 14 April 2021
	BBC	Chief HR Officer	Paid	Resigned November 2019
David Bennett	Ashmore plc	Chair	Fees	
	Virgin Money UK plc	Chair	Fees	
	Virgin Money PLC	Director	Fees	
	PayPal (Europe) S.à.r.l. et Cie, S.C.A.	Chair - Audit & Risk Committee	Fees	
	Clydesdale Bank PLC	Director	Fees	
	CYB Investments Ltd	Director	Fees	Resigned March 2017
	David Bennett Advisory Ltd	Director	Paid	Resigned April 2020
	HomeServe Membership Ltd	Director	Fees	Resigned December 2017
	Together Personal Finance Ltd	Director	Fees	Resigned January 2019
	Spot Finance Ltd	Director	Fees	Resigned January 2019
	Blemain Finance Ltd	Director	Fees	Resigned January 2019
	Together123 Ltd	Director	Fees	Resigned January 2019
	Rugby School	Governor	Unpaid	Resigned June 2020
	PayPal Australia	Advisor	Fees	
	M:QUBE	Advisor	Fees	

Name	Name of company or organisation	Position Held	Type of Interest (e.g. paid, fees, shareholding)	Other relevant information
Ian Wilson	BPDTS Ltd	Non-Executive Director	Paid	Resigned June 2021
	Government Actuary's Department	Non-Executive Director	Paid	
	Ministry of Defence: Defence Business Services	Non-Executive Director	Paid	Role ended June 2021
	DXC UK Trustee Ltd	Director	Paid	
	UKRI	Non-Executive Director	Paid	Audit, Risk, Assurance and Performance Committee
	Railway Pension Trust	Trustee	Unpaid	Role ended 11/3/2016
	Milton Keynes University Hospital Foundation Trust	Associate Non-Executive Director	Unpaid	Role ended 31/3/2020
	LFMKH Ltd	Director	Unpaid	Resigned June 2021
	Purple Leaf Solutions Ltd	Director	Paid	
	Church of England Pensions Board	Trustee	Unpaid	
	Friends of Milton Keynes Hospital Charity	Trustee	Unpaid	Resigned June 2021
	Royal Holloway, University of London	Council Member	Unpaid	Also Chair of Finance Committee
John Clarke	JFC Systems Thinking Ltd	Director	Owner equity	
	Ordnance Survey	Non-Executive Director	Paid	
	Brain-in-Hand	Non-Executive Director	Unpaid	
	Ernst and Young LLP		Paid and profit share	Resigned 2016
	Ernst and Young Europe LLP		Paid and profit share	Resigned 2016
Keith Burgess	Cabinet Office	Crown Representative	Paid	Resigned April 2021
Sally Cheshire CBE	Human Fertilisation & Embryology Authority	Chair	Paid	Term of office completed on 31 March 2021 Executive NDPB sponsored by Department of Health and Social Care
	Cafcass	Interim Chair	Paid	Executive NDPB sponsored by Ministry of Justice

Name	Name of company or organisation	Position Held	Type of Interest (e.g. paid, fees, shareholding)	Other relevant information
Sally Cheshire CBE	Care Quality Commission	Non-Executive Director	Paid	Executive NDPB sponsored by Department of Health and Social Care Chair of Audit Committee
	Health Education England – LETB North	Chair	Paid	Executive NDPB sponsored by Department of Health and Social Care Role ended 31/3/2020
	Adoption Counts	Board Member	Unpaid	Role ended 31/3/2019
Tim Nolan	LORW Ltd	Director	Shares	
	LORW Investments Ltd	Director	Shares	
	Spencer Close Developments Ltd	Director	Shares	
	Supply Chain Co-ordination Ltd	Non-Executive Director	Paid	Resigned November 2018
	NHS Business Services Authority	Non-Executive Director	Paid	Resigned November 2020
	Royal Marsden NHS Foundation Trust	Governor	Unpaid	
Peter Schofield CB	BPDTS	Non-Executive Director	Unpaid	Resigned January 2018
	The Civil Service Benevolent Fund	Chair	Unpaid	
Nick Joicey CB	Bristol University Board of Trustees	Lay Trustee	Unpaid	
	The Parochial Church Council of the Ecclesiastical Parish of Dulwich St Barnabas	Lay Member	Unpaid	
	Fera Science Ltd	Non-Executive Director	Unpaid	Representative of the Department for Environment Food and Rural Affairs. Resigned July 2018
	Cambridge Film Trust	Trustee	Unpaid	Resigned Feb 2018
Simon McKinnon CBE	Longmead Management Limited	Director	Owner	This is a limited company set up through which I have previously provided consultancy services. It has not traded since 2008.
Debbie Alder CB	BPDTS	Non-Executive Director	Unpaid	Remuneration Committee
	Movement of Work	Steering Group member	Unpaid	

Name	Name of company or organisation	Position Held	Type of Interest (e.g. paid, fees, shareholding)	Other relevant information
Jonathan Mills				Nil Return
Susanna McGibbon				Nil Return
Neil Couling CB CBE				Nil Return
John-Paul Marks	Treloar's Trust	Trustee	Unpaid	Charity
	St Giles Trust	Trustee	Unpaid	Charity
Emma Haddad	XBP Management Ltd	Director	Shareholder of the freehold	There is no relevance to DWP
Amanda Reynolds	AOB Consultancy Ltd	Managing Director	Shareholding	Company was dormant between 2009 until June 2020 when it traded until end of January 2021. Since joining DWP 1st February 2021 the company has no longer traded.
Katie Farrington	Refuge	Trustee	Unpaid	There are plans to handle any conflicts of interest (e.g. on housing benefit policy).
Jessica Prestidge				Nil Return
Edward Winfield	Accenture PLC		Shareholding	
	Royal Mail Group PLC		Shareholding	
Rhiannon Padley				Nil Return
Jean-Andre Prager				Nil Return

Ministers   Non-Executives   Executives   Special Advisors

Business Appointments

Permission is required if any employee wishes to leave the Department to accept a job offer made by a person, company or firm with whom the employee formed a relationship during the course of their official duties and this applies for up to 2 years after an employee has left our employment. Applications under these rules are considered by someone in a position to understand the potential issues arising from the applicant's proposed outside appointment and judge the possible public perceptions should the appointment be taken up as proposed. This would normally be someone in the applicant's line management chain.

Countersigned applications are scrutinised by our People, Capability and Place Group for assessment and action and to ensure consistent application, ahead of approval either unconditionally or with conditions, or rejection.

The Department's measures in each instance are proportionate to the grade and previous role(s) of the applicant.

In compliance with Business Appointment rules, the Department is transparent in the advice given to individual applications from senior staff, including special advisers. Advice given to senior civil servants at SCS1 and SCS2 regarding specific business appointments is published on GOV.UK.

The Advisory Committee on Business Appointments (ACOBA) considers applications from the most senior levels:

- ministers
- permanent secretaries (and their equivalents)
- directors-general (and their equivalents)

Advice given by ACOBA regarding specific business appointments is published on GOV.UK.

Data Incidents

During 2020-21, we notified 21 Personal Data related incidents to the Information Commissioner's Office. The table below sets out the detail:

Category	Number of Breaches reported to the ICO	
	2019-20	2020-21
Alteration of personal data	0	2
Failure to use blind carbon copy (Bcc) to hide email addresses	1	0
Loss/theft of paperwork or data left in insecure location	1	0
Verbal/written disclosure	9	4
Processing of wrong citizen's personal data	12	9
Unauthorised access (staff member)	1	0
Other	0	6
Total	**24**	**21**

Changes to our senior decision making forums in 2020-21

The following changes took place between 1 April 2020 and 31 March 2021:

Role	Name	Change
Ministerial changes		
There were no changes at ministerial level between 1 April 2020 and 31 March 2021		
Non-executive level changes		
Non-executive board member	Sara Weller CBE	term ended 24 April 2020
Non-executive board member	Eleanor Shawcross	appointed 10 June 2020
Non-executive board member	Rachel Wolf	appointed 10 June 2020 resigned 3 December 2020
Lead non-executive board member	Nick Markham	appointed 7 July 2020
Non-executive member	Sally Cheshire CBE	appointed 10 August 2020
Non-executive member	Ian Wilson	appointed 10 August 2020
Non-executive board member	Ashley Machin	term ended 12 November 2020 reappointed 13 November 2020
Non-executive member	John Clarke	term ended 12 November 2020 reappointed 13 November 2020
Non-executive member	Keith Burgess	term ended 12 November 2020 reappointed 13 November 2020
Non-executive board member	Hayley Tatum	term ended 30 November 2020
Non-executive board member	Valerie Hughes-D'Aeth	appointed 9 February 2021
Non-executive board member	David Bennett	appointed 23 February 2021
Executive level changes		
Interim Director General, Service Excellence	Emma Haddad	stepped down from the role 31 January 2021
Director General, Service Excellence	Amanda Reynolds	appointed 1 February 2021
Director General, Policy became Director General, Labour Market Implementation and Policy	Jonathan Mills	15 March 2021
Director General, Disability, Health and Pensions	Katie Farrington	appointed 15 March 2021
Director General, Legal Services	Susanna McGibbon	left this position on 5 March 2021

DWP Public Appointments 2020-21

Public body	NEW APPOINTMENT (up to 5 years)	REAPPOINTMENT (up to 5 years)	EXTENSION (up to 12 months)
Health and Safety Executive	**Chair** Sarah Newton **NED** Elaine Bailey		
Money and Pensions Service	**NED** Alex Heath	**NED** Ann Harris	
Industrial Injuries Advisory Council		**Member** Ian Lawson	
Social Security Advisory Committee	**Chair** Dr Stephen Brien **Member** Kayley Hignell		**Member** Dr Jim McCormick
The Pensions Ombudsman	**Chair** Caroline Rookes		
The Pensions Regulator	**NED** Christopher Morson Katie Kapernaros	**NED** Sarah Smart	**NED** Kirstin Baker Robert Herga David Martin

The Departmental family

As of 31 March 2021, the departmental family consists of the core department and 11 public bodies, one scheme and one unclassified public entity. The core department consists of our service delivery and corporate functions.

A public body is an organisation that delivers a public service but is not a ministerial government department. Our public bodies consist of non-departmental public bodies, advisory bodies and public corporations. They operate independently but are accountable to the Department. Collectively our public bodies employ around 4,900 people (FTE) with a net expenditure of around £554.2 million in year.[22]

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[23] • BPDTS Limited • Money and Pensions Service
Tribunal or advisory non-departmental public bodies	• Pensions Ombudsman[24] • 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 page 167.

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

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed me, Peter Schofield, as Principal Accounting Officer 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 as set out by Statutory Instrument 2020 No. 1530.

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

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 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 2020-21 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 organisations, 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, risk management and internal audit on how the system of control described in the AOSS has operated during the period covered by this statement. It concludes with his assessment of the effectiveness of the system of control and the significant challenges facing the Department.

The system of control

The Department is governed by:

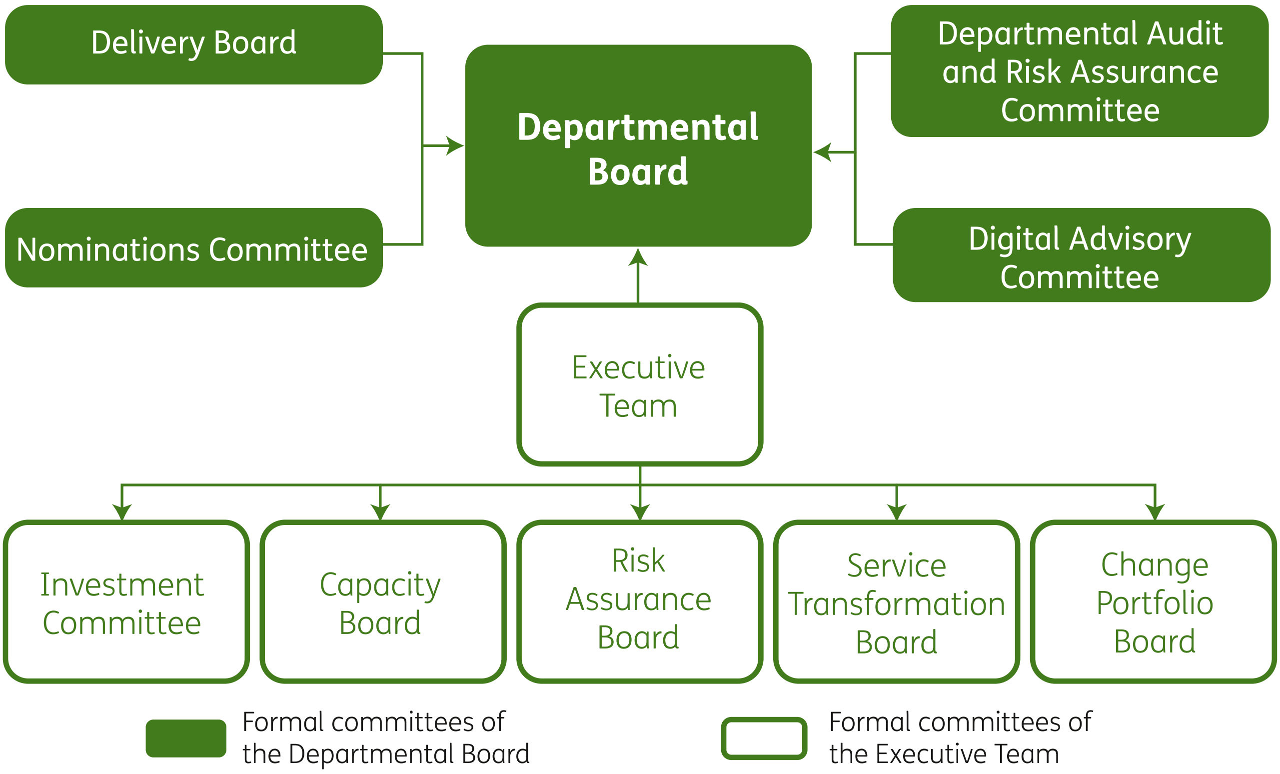
- the Secretary of State's overall responsibility for the Department and its public bodies
- my responsibility, both to the Secretary of State and directly to Parliament, as the Accounting Officer for the Department's expenditure and management, and
- the Departmental Board's collective responsibility 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.

There were no ministerial directions sought in relation to expenditure for 2020-21.

Senior governance boards structure

The chart below sets out the structure of our senior boards as at 31 March 2021 and the lines of communication so that issues are escalated to the right audience. This structure and board/sub-committee terms of reference and membership is kept under regular review. As part of our response to COVID-19, during the year we temporarily introduced new boards and suspended others as explained on page 155.


Delivery Board
Departmental Board
Departmental Audit and Risk Assurance Committee
Nominations Committee
Digital Advisory Committee
Executive Team
Investment Committee
Capacity Board
Risk Assurance Board
Service Transformation Board
Change Portfolio Board
Formal committees of the Departmental Board
Formal committees of the Executive Team

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 2020-21.

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 our strategic plan. The board receives a series of regular updates from across Departmental business (either as standing items or below the line updates), including, for example, updates on the discussions occurring at all senior boards (those sitting under the Departmental Board and the Executive Team), reports on the people and resources position, and updates on the Department's risk profile and appetite.

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 Lead non-executive board member has led the undertaking of the board effectiveness evaluation during 2020-21. The evaluation incorporates a review of the progress made against the previous report and recommendations, as well as gathering individual views and reflections from all board and executive colleagues as to how they feel the board has functioned during 2020-21 and how it might be improved. The findings from the 2020-21 review were generally positive. Board and executive respondents highlighted that the board acted as an effective forum for provoking challenge and contributions and had a balanced composition, including the mix and cadre of the non-executive board members.

All respondents rated the overall performance of the board as at least satisfactory with 89% of respondents rating it as good.

Members sponsor agenda items and ensure the paperwork meets agreed standards. This ensures paperwork and supporting data 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 preparation for the 2020 Spending Review, and our business strategy. Along with the chair, directors general 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. During 2020-21, the board focussed on emerging options around recovery and transformation, management of decision making and risk – specifically in the context of the pandemic. In addition, it provides a forum for reviewing progress on delivery of major projects and strategic ways of working, and harnesses the external experience of the non-executive directors
- the **Departmental Audit and Risk Assurance Committee** provides an independent review of the appropriateness, adequacy, integrity and value for money of our governance, risk management and control processes. During 2020-21, the committee initially focussed on the Department's immediate response to the pandemic and revised governance and operating procedures put in place. Later, discussions and challenge centred around continuous improvement priorities for the year and the changing risk landscape. Members also discussed the Department's capability and capacity to move at pace and activity regarding tackling fraud and error in

the benefit system. The committee receives a regular report from the Government Internal Audit Agency (GIAA) on their activities and a report from the National Audit Office on the delivery of their audit plan and other relevant reports. Good progress had been made in implementing key recommendations made by GIAA and in quantifying the impact of the more significant easements put in place during the pandemic to ensure money could be paid quickly to those most in need

- the **Nominations Committee** provides advice on identifying and developing leadership and colleagues with high potential, our incentive scheme and succession planning. During 2020-21 the committee focused on director talent and further organisational design across the Executive Team and the wider Department. It also provided steers into the work around diversity and inclusion, training and development of our work coach cohort, and an overview of the health and safety work across the Department to ensure that our people remain safe while working in jobcentres, service centres, hubs or at home
- the **Digital Advisory Committee** continues to provide feedback on the Department's multi-year digital plan and advice and feedback from other industries to explore the potential of design, data and technology. It also guides our Digital Executive Team on its approach to accelerate transformation delivery and is working to help the Department structure a response to challenges on how to transform the Department's digital estate in order to improve citizen outcomes. The committee worked with colleagues across the Department's digital areas of business to develop a process that will align the Department around a clear vision for the future, with prioritised outcomes, so that a series of potential digital solutions and choices for delivering this vision can be presented.

Board and committee attendance 2020-21, by member, of meetings eligible to attend

Name of board/ committee member	Departmental Board (met four times)	Delivery Board (met twice)	Departmental Audit and Risk Assurance Committee (met eight times)	Nominations Committee (met six times)	Digital Advisory Committee (met three times)
Rt Hon Thérèse Coffey MP	4 of 4				
Guy Opperman MP	2 of 4				
Justin Tomlinson MP	4 of 4				
Will Quince MP	3 of 4				
Mims Davies MP	3 of 4				
Baroness Stedman-Scott OBE DL	4 of 4				
Sara Weller CBE	1 of 1	1 of 1			
Nick Markham	3 of 3	1 of 1		4 of 4	
David Holt	4 of 4	2 of 2	8 of 8	2 of 2	
Ashley Machin	4 of 4	2 of 2	8 of 8		3 of 3
Hayley Tatum	1 of 2	2 of 2		5 of 5	
Eleanor Shawcross	3 of 4	1 of 1			
Rachel Wolf	3 of 3	1 of 1			
Valerie Hughes-D'Aeth	1 of 1			1 of 1	
David Bennett	1 of 1				
Sally Cheshire CBE			4 of 4		
Ian Wilson			3 of 4		
Tim Nolan			8 of 8		
Keith Burgess					3 of 3
John Clarke					3 of 3
Peter Schofield CB	4 of 4	2 of 2	1 of 1	6 of 6	
Nick Joicey CB	4 of 4	2 of 2	8 of 8		
Simon McKinnon CBE		2 of 2			3 of 3
Debbie Alder CB	4 of 4	2 of 2		6 of 6	
Jonathan Mills		2 of 2			
Susanna McGibbon					
Neil Couling CB CBE		1 of 2			
John-Paul Marks		1 of 2			
Katie Farrington					
Emma Haddad		2 of 2			
Amanda Reynolds					

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 the Department by:

- defining, promoting and clearly communicating the Department's shared values
- advising ministers on the overarching vision, departmental 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 2020-21, the Executive Team guided the Department through the COVID-19 pandemic, responding quickly to the evolving crisis. The Executive Team developed and implemented the Department's initial response by pivoting operations and focus towards the timely payment of essential financial support, as well as the safety of customers and our people.

Through the second half of the year the Executive Team have driven forward the Department's contribution to the government's plans for recovery and ambition to Build Back Better, specifically supporting people back into work through the establishment of the Plans for Jobs programme as set out in the performance report on page 37. The team's key other areas of focus during the year were continued preparations for EU exit and work in preparation for the 2020 Spending Review which set our funding for 2021-22 and our priority outcomes.

Executive Team response to COVID-19

As a regular part of the Executive Team meetings, the team discuss external risks to departmental business. As such, the Department and its senior leadership team were well placed to respond quickly to the COVID-19 pandemic and its impact on departmental business. 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 the Department's response.

Changes were made to the Department's organisation and governance to strengthen the day to day response during the COVID-19 emergency. The Executive Team started to meet three times a week during this period (reducing the frequency of meetings back down to twice a week from September 2020) to provide strategic oversight on how the short, medium and longer-term planning comes together and to provide overall leadership of the Department, including continuing preparations for EU transition. The Executive Team remained the Department's strategic design authority, considering the strategic implications of major policy developments and significant corporate policies, and acted as the forum to resolve issues identified and brought to it by the two new Executive Team sub-committees that were established on 1 April 2020 to lead work through the pandemic. These two sub-committees being the Implementation and Planning Delivery Executive (IPDE) and the Reform and Transformation Group (RTG). These two new forums reported directly into the Executive Team during this period.

The role of IPDE was to coordinate the Department's response to the surge in demand, assessing the ongoing challenges the pandemic presented to the Department and to take forward the development and implementation of a sustainable response and plan for the duration of the pandemic. The focus of RTG was to look further ahead at how the Department should emerge from the pandemic, with a focus on helping the Department learn from its response and consider how it might transform services as recovery got underway, embedding innovation and more quickly accelerate toward the state defined in the Department's future target operating model. In addition, a separate strand of activity was established under RTG in the guise of the Economic Recovery Group to focus primarily on activity to support the recovery of the labour market. This reported into the RTG to ensure strategic fit and supported work ongoing in IPDE to develop a recovery plan for implementation.

As well as introducing these two sub-committees the following additional changes to the Department's governance were agreed for the period April to June 2020:

- the Departmental Board, the Departmental Audit and Risk Assurance Committee (DARAC) and the Nominations Committee continued to operate as required by the Corporate Governance Framework. DARAC also held four additional COVID-19 specific meetings
- the Delivery Board and the Digital Advisory Committee continued but reduced the number of times they met to two and three respectively
- Investment Committee and the Risk Assurance Board continued to operate (focusing on financial planning, management and control and assessing risk from the decisions taken by the Department during this period respectively)
- all other boards were paused to enable focus and effort to be redirected to the Department's pandemic response

Through August 2020 the Implementation and Planning Delivery Executive and the Reform Transformation Group were gradually replaced by the formation of the Portfolio Management Executive (PME). PME was established to put the Department's COVID-19 recovery plans on a more formal footing and set a clear trajectory for these. Since this point PME has overseen, drawn together and assured the work from the eight priority strands of activity for 2020-21 which make up the Department's response to the COVID-19 pandemic and likely economic downturn.

PME has acted as an umbrella for a number of empowered director-led work streams. The PME has overseen development projects such as the key work to recruit and deploy an additional 13,500 work coaches to meet increased demand and support recovery, to outline the next phase of the plan through the Labour Market offer, development of interim target operating models and delivery of a transformation plan.

The three main objectives in the plan that the PME was delivering against were aligned with the strategic priorities agreed with our ministers and the Executive Team. They were:

i. ensuring that customers are paid on time, and our workplaces are protected – keeping our people and citizens safe and securing the basic safety net

ii. supporting economic recovery - minimising the effect on employment of the pandemic and economic downturn

iii. delivering our services effectively, including minimising fraud and error

The IPDE and RTG ceased to operate at the end of August 2020 when the PME was fully established and its terms of reference agreed.

The Executive Team agreed that PME would close, as planned, at the end of March 2021. The PME had successfully completed its work during the response phase of the pandemic and areas of work being overseen by PME have now been embedded into appropriate existing areas of departmental business. Outstanding deliverables from the agreed PME scope are now being managed through established governance groups within the major change portfolio. Key activity has been incorporated into the departmental plan with plans to report progress to the Executive Team and Delivery Board. They have also been incorporated into the DWP Outcome Delivery Plan (ODP) with the expectation of regular reporting.

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

- **Investment Committee** has delegated authority from the Executive Team, providing a senior second line of assurance on the Department's key projects and programmes and oversight of the Department's in-year financial position and multi-year plans. It is chaired by the Director General, Finance and supported by senior representatives from all our business areas. In reviewing and scrutinising business cases, the Investment Committee considers proposals against the framework provided by the HM Treasury Green Book (available on GOV.UK) which considers a programme's strategic fit, public value, affordability and value for money, commercial dimension and its deliverability including the practical arrangements for its implementation such as its project management and governance. Change programmes approved by the Investment Committee join the Major Change Portfolio. This year, as part of its work, the Committee has considered and scrutinised those projects and programmes that have formed part of the Department's response to the pandemic, including the Plan for Jobs and Winter Support Grant
- the **Capacity Board** is chaired by the Director General, People, Capability and Place and provides governance around people resourcing decisions, outsourcing and engagement on the affordability and management of departmental supply and demand, helping to improve workforce forecasting. It is also our governance for Capability and our Workplace Transformation programme. Throughout 2020-21 the board managed the redeployment of significant numbers of people to ensure the Department could process the significant number of additional claims resulting from the pandemic. In addition, the board provided detailed oversight of the Department's resourcing, training and estates strategy to ensure it delivered against its stretching target to bring in an additional 13,500 work coaches and 3,500 service centre staff during 2020-21. The board also agreed and monitored the delivery of additional outsourced resource of up to 2,500 people as well as supporting the Department in meeting its apprenticeships target
- the **Change Portfolio Board** is chaired by the Director General, Change and Resilience and is the forum through which we manage our Major Change Portfolio. Through this board the Department develops their understanding of cross-cutting risks and dependencies across the portfolio and take active steps to address these. This board is vital in helping the Department understand the priority order of major change activity. The board has looked at the Major Change Portfolio's overall health, 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 on our approach to the ongoing prioritisation of the Major Change Portfolio's activities and its pipeline and considered the recommendations from the recent independent Atkins Review into the Department's change portfolio management arrangements and how we implement these to continue to improve
- the **Service Transformation Board** is chaired by the Director General, Service Excellence and has strategic focus and

accountability for the planning and delivery of Service Transformation across the Department as agreed by the Executive Team. The board has tracked progress against the 2020-21 portfolio commitments ensuring tangible transformational change is delivered. The Service Transformation one year implementation plan for 2021-22 has been developed and will be critical to the success of Service Transformation's four year ambition to modernise our services. The plan aims to build on transformation across the Department's services for customers, our people and the tax payer, focusing on features with the greatest impacts for our customers

- the **Risk Assurance Board** is chaired by the Chief Risk Officer and has responsibility for leading detailed examination of risk and providing assurance to the Executive Team that the Department's risks which may adversely affect the delivery of the Department's strategic objectives are being effectively and proportionately managed. The board also provides regular assurance to the Departmental Audit and Risk Assurance Committee on the effectiveness of risk management across the Department. The board has a primary role in developing and reviewing the Department's principal risks, examining the Department's aggregate risk position, monitoring the effectiveness of risk management plans and supporting the identification of new and emerging risks including scrutinising key risk areas

Change Assessment Gateway

The Change Assessment Gateway process helps to evaluate prospective projects and programmes across the Department.

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 five programmes on the GMPP: Universal Credit, Health Transformation, Restart, Fraud, Error and Debt, and the Pensions Dashboard 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 are 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, Labour Market Policy and Implementation 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.

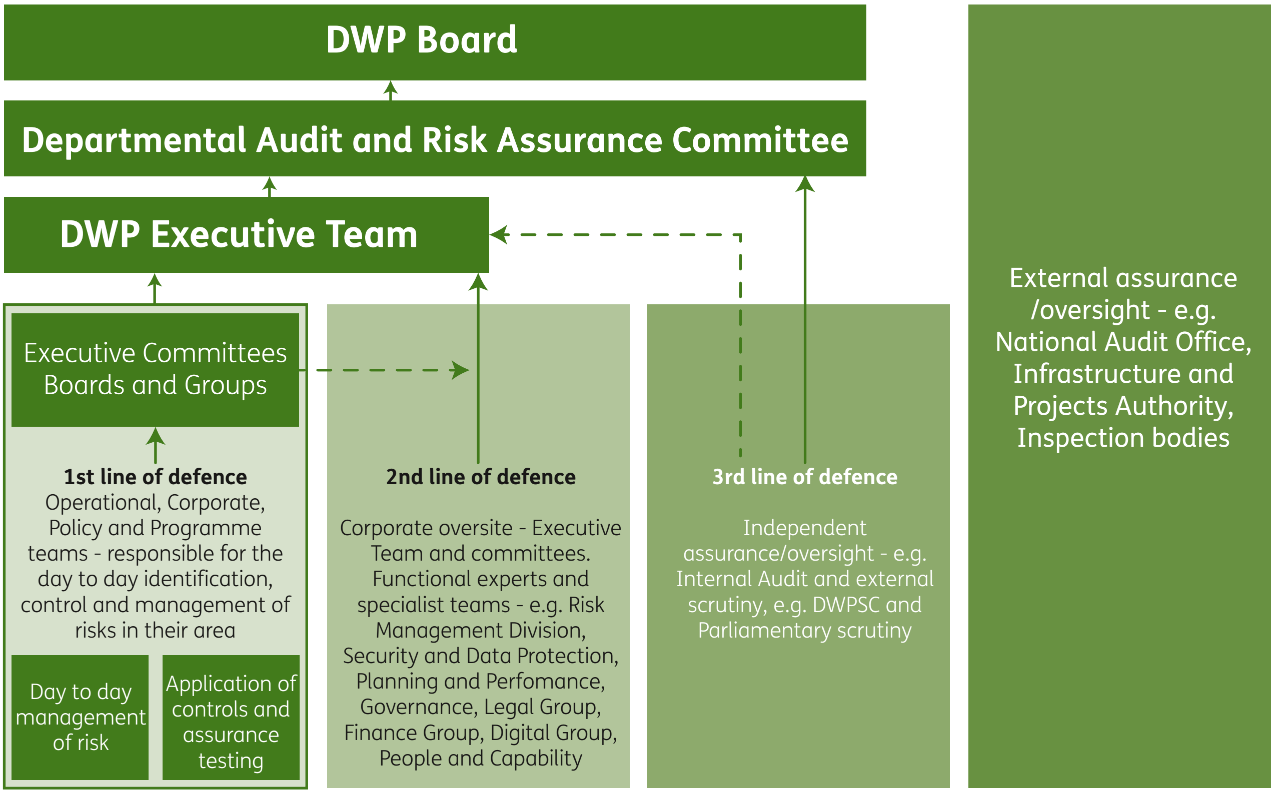
We recognise liabilities in relation to benefit expenditure for reasons such as judicial review, legal cases and appeals as provisions. Further details are shown on page 287.

Risk management

The COVID-19 pandemic had, and continues to have, a significant impact on the Department with a fast-evolving and unpredictable risk landscape. We continue to review and re-evaluate our risk exposure based on constant intelligence and preparation for the unexpected.

Our system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. We have continued to use the three lines of defence model to provide continuous and reliable assurance on organisational stewardship and the management of significant risks to delivery of improved, cost effective services.

3 Lines of defence model



The Chief Risk Officer is responsible for ensuring sponsorship of risk management at executive level and across all senior forums in the Department driving reviews and visibility of principal risks in senior leadership conversations, ensuring risks have robust mitigation plans to manage to target levels.

Continuous improvement in risk management has been a key priority across the Department in 2020-21, with an increase in the frequency of assurance reporting to the Executive Team, Delivery Board, Risk Assurance Board and other senior forums. The pace and volume of COVID-19 related decisions is well understood. We centralised oversight of decision making during the early part of the pandemic and we are strengthening our focus on the internal controls in place to ensure that we can manage additional risks that may emerge in the future.

Our principal risks, linked to the Department's objectives have been continually reviewed as part of risk management conversations with the Executive Team and others. While the majority of these strategic risks have remained, they have evolved and been refocused over the year to reflect the unique challenges presented by the COVID-19 pandemic and departmental priorities. We have made good progress in actively managing our principal risks and our response to COVID-19 has led to a better understanding of risk appetite, enabling us to remain agile in line with changing decision criteria and external factors. During 2021-22, we will continue to improve our understanding of risk appetite and tolerance to improve decision-making at the point investment and prioritisation choices are made, as well as in management's periodic reviews of risks and performance.

The Risk Assurance Board continues to carefully monitor near term risks.

Our Arm's Length Bodies Partnership Division manages assurance assessments for these organisations using a tailored risk-based approach which is proportionate and flexible enough to react to external factors. With our ongoing commitment to continuous improvement, we have again reviewed the annual assurance process, building in improvements which have improved the robustness of assessments.

We aim to continually improve risk management maturity and risk culture year-on-year and during 2021-22 we will continue to work closely with the support of internal and external auditors to strengthen and embed our assurance framework.

We will continue to ensure that risks are reflected in the DWP Outcome Delivery Plan and we are undertaking a full review of our principal risks, and horizon scanning activity, at the start of 2021-22.

Security and information management

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

The CSO also attends the Executive Team on a quarterly basis, to provide progress updates on our agreed set of security priorities. We have established action plans for a total of eighteen strands of activities with a particular focus on six key areas, which have been endorsed by our Executive Team, to improve our departmental capability and maturity further.

The six priority areas are:

- **Risk Appetite, Ownership and Accountability:** We have developed an accountability framework linked to a departmental risk appetite that clearly sets out specific roles, responsibilities and accountabilities for security risks and decision making. These are currently being discussed through the relevant engagement mechanisms
- **Visibility and Control:** We are delivering a multi-year project to establish full visibility and control across the departmental technology estate in order to identify, detect and respond to threats, provide cyber analytics and mitigate risks that would otherwise materialise
- **Joiners, Movers and Leavers Project:** We have completed the initial work and implementation is underway. Our objective is to improve and better join up all relevant policies, procedures and other controls for understanding, monitoring and assuring the status and access rights of our people on our physical and technical estate. We are putting in place better automated processes and enabling metrics to measure compliance
- **Technology Patching:** We are developing a more coherent approach to system and application maintenance which we are implementing on a phased basis, to ensure that up to date support and software are in place. This will help us protect departmental data, processes and public services from external threats
- **Estates Transformation:** A project is underway to improve the Department's ageing estate access controls and monitoring and incident response mechanisms. We are delivering this by improving the physical security technical systems, and associated processes and assurance across our estate
- **Security Management Information (MI) and Reporting:** We continue to improve our processes, technical mechanisms and quality of security-related MI, to identify issues, trends and insights and create more meaningful intelligence to inform decision-making at the relevant governance boards

The Strategic Security Board ensures these priorities are addressed and provide strategic direction. The Security Delivery Board, also chaired by the CSO, focusses on operational issues and requirements.

The Security and Data Protection functional teams work in partnership with a network of security engagement leads and their teams, across all the Department's business areas, and who are represented on the Security Boards and have regular knowledge-sharing sessions to keep abreast of threats, requirements and good practice in delivery. The CSO also maintains an ongoing security education and awareness programme for all our people and contractors, to keep them up to speed with threats, policies, procedures and behavioural obligations.

During the year the Department's programme of addressing residual non-compliance activity with General Data Protection Regulation was slowed by the wider impact on the Department of COVID-19 and in particular the need to reassign many staff to priority customer facing duties. All key activity has now been resumed with additional resource in some areas.

The Department maintained good overall performance in answering Subject Access Requests and processing Data Protection Impact Assessments. The Department's Data Protection Officer met with the Information Commissioner's Office on a quarterly basis during the year to keep them informed of the situation within the Department and the impact of COVID-19.

The Department accidentally published a large quantity of National Insurance Numbers (7,584), in the February, March and June 2018 quarterly transparency publications. The Department was unaware of this until a freedom of information request was received in November 2020. The Department's Data Protection Officer team investigated and immediately reported the breach to the Information Commissioner's Office who formally investigated and in May 2021 informed the Department it was taking no action, mindful of the steps the Department had taken to mitigate the incident and avoid repetition. An internal audit report was commissioned by the Department to support remediation action and the recommendations are being implemented.

Detail of the number of incidents reported to the Information Commissioner's Office is on page 145.

The Department's organisational security maturity has continued to increase as measured through compliance with minimum government security standards and through assessment of improved governance, policies, processes and technology.

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, together with the new sector specific playbooks developed centrally. We have also developed guidance and training that aligns to the Government's Social Value agenda – seeking to leverage our commercial spend to maximise social benefits in areas such as diversity and inclusion, environmental protection and encouragement for small and medium enterprises.

We continue to work closely with Cabinet Office, HM Treasury and the Government Digital Service to maintain our adherence to Cabinet Office controls procedures. We are now implementing – jointly with Cabinet Office - 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.

A year on from the initial impact of COVID-19, the Department continues to support all our suppliers in the most appropriate manner to ensure service provision and supplier sustainment throughout the ongoing period of disruption. Policy procurement notice (PPN) adherence now includes guidance provided by PPN 03/20, use of procurement cards to enable acceleration of payments to suppliers, and PPN 04/20 which builds on information provided by PPN 02/20.

The recent upgrade work linked to our eProcurement system will enable improved and cohesive management of our supply chain through building post award commercial capability, consistent collection and provision of risk and performance data, standardisation of the supplier relationship management (SRM) process, and sharing of supplier and contract information across the wider In-Life Management community.

Shared Services Connected Ltd

Shared Services Connected Ltd (SSCL) was created as a joint venture in 2013, to provide shared finance, human resources 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. From November 2020 the hosting of SOP moved from 'on premise' with Fujitsu to 'cloud' hosting using Oracle Cloud Infrastructure (OCI) with Fujitsu, Cintra and Oracle as the key subcontractors providing 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 Letter of Assurance covering SSCL shared service provision to the Department incorporates content from various sources in relation to the 2020-21 Annual Audit Plan:

- the independent ISAE 3402 report prepared by Pricewaterhouse Coopers LLP (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 SSCL's auditors, PwC, and
- the Cabinet Office Framework level review work provided by the Government Internal Audit Agency (GIAA) as a series of end-to-end audit reviews

GSS has summarised the findings from these various sources of assurance in the 2020-21 LoA.

- The PwC opinion on the programme of reviews it completed provided a classification of major improvement required;
- the PwC opinion relating to ISAE3402 provided a Qualified report, which in turn has resulted in a notifiable default being issued by GSS; and
- details of the audits completed by GIAA, with a Moderate level of assurance

Of note, in the full year ISAE 3402 report PwC has provided a qualified opinion, this is based on them identifying 35 exceptions (16 during mid-year testing and a further 19 at year-end). However, this covers all 244 SSCL internal controls included on the control framework for all departmental clients. Of the 244 controls, 122 are relevant to DWP with 12 exceptions noted in respect of these (six during mid-year testing and a further six at year-end). This compares to five exceptions in 2019-20.

SSCL accepted all of the interim report findings, agreeing and completing management actions to address these, with no exceptions found in respect of the six exceptions relevant to DWP found at mid-year when the controls were re-tested by PwC at year-end. Of the six exceptions found at year-end SSCL has agreed management actions by the end of June and these will be re-tested as part of the 2021-22 interim ISAE 3402 report.

As a consequence of the outbreak of COVID-19 and both the UK government mandated lockdown which took effect on 23 March 2020 and the Indian government restrictions and lockdowns taking effect from 25 March 2020, both SSCL's Indian offices (Pune and Noida) were closed. Processes delivered from these sites identified as critical, were transferred to UK based teams with 'Priority Work' being transferred immediately. In the UK with SSCL employees recognised as Key Workers, SSCL's UK Centres of Excellence remained open, with SSCL staff working from home wherever possible throughout the audit period.

Against the backdrop of SSCL delivering services predominantly from home and the hosting of SOP moving from 'on premise' to the 'cloud' in the second half of the year, there are a handful of DWP specific incidents that have not been identified in the ISAE 3402 review:

- recovery of overpaid Employer National Insurance contributions in relation to staff salary overpayments was identified as an issue during the year. Whilst the employee element was being recovered the employer element had not been recovered going back over a number of years. Steps are being taken to address this
- the move to the Oracle Cloud Infrastructure platform from November 2020 was completed as planned, however immediate issues with system capacity on the reporting tool (Discoverer) meant a rapid re-implementation of the module less than a month after transition. The additional cost has not fallen on the public purse
- the move to the Oracle Cloud Infrastructure also created a "lock" in the accounts payable part of the SOP system in early November when a software "bug" prevented the timely payment of suppliers. Due to the time taken to resolve DWP Business contingency plans were invoked mobilising DWP staff alongside the supplier to assure payments could be made and the overall effect was minimal with ultimately a small number of transactions from early in the incident being paid 2 days later than anticipated but within allowed time

On balance and taking account, in particular, of the GSS opinion in the Shared Services Letter of Assurance, whilst SSCL controls can be considered as requiring some improvement, with PwC considering controls in a number of areas as not working effectively, no DWP specific concerns are apparent that are likely to materially impact the statements included in the Annual Report and Accounts.

Analytical Models Management

We continue to use a quality assurance framework that is embedded in our processes 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 ongoing refinement of a new Universal Credit dynamic micro-simulation model (INFORM2) which, together with swiftly developed modelling of COVID-19, was successfully introduced as of our principal dynamic working age benefit model in a move to new forecasting methodology approved by the OBR ahead of Autumn 2020 updated welfare forecasts. 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.

In April 2020 a number of forecasting and modelling teams were brought together into three forecasting "hubs" developing closer working between modellers and forecasters. Along with greater oversight of models and forecasts by the Head of Profession for Microsimulation and Forecasting.

Assurance about the operation of the system of control

Assurance from executives

The Accounting Officer issues a formal letter to each director general setting out their delegated accountabilities and authority. The Executive Team has responsibility for delivery of their shared 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 has provided the Accounting Officer with their Letter of Assurance on the effectiveness of the controls that support their business activities and delivery of the Department's policies. To support this process, we continue to embed 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. A number of recommendations were made to strengthen the control environment as part of the interim assessment. The Chief Risk Officer has assessed the end year overall appropriateness and reliability of systems of internal control as High (indicating non-urgent management attention may be required to ensure measures are effective). This is consistent with the Group Chief Internal Auditor's third line of defence assessment of moderate assurance (indicating some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control).

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. Their Letters of Assurance 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:

COVID-19 easements

With a significant reduction in resources due to COVID-19 and the redeployment of colleagues into Universal Credit, many of our services implemented a minimum viable service. In conjunction, we implemented over 200 easements to operating procedures – relaxations to normal processes. This approach helped to ensure that key departmental priorities were protected, customers continued to be paid and our services remained accessible. We introduced approximately 40 easements that created controlled risks. For example, to enable vulnerable customers to follow the "stay at home" public health messaging and still receive essential support from the Department, we made reductions in the frequency and volume of evidence/ entitlement checks.

To make sure the financial risks were proportionate and decisions were consistent with the four key Accounting Officer (AO) tests, where appropriate formal advice was provided to the AO to inform decisions and secure HM Treasury approval. We undertook a high level review to provide assurance of our easements which concluded that a small number of the easements had limited documentary evidence of HM Treasury approval to commence or approval to continue beyond its initially approved three-month period.

We established an Easement Group to manage the governance of these temporary changes and reviews of easements continue to be regularly held. As the various roadmaps out of lockdown progressed, the focus of easements work has changed. During lockdown and at the height of the pandemic we were scoping out which easements may be options for reintroduction. At the end of March 2021 there were around 100 easements still in place. Our focus now is how and when easements that are in place should be reversed or moved to become a new business as usual.

Fraud and error

The Department's accounts have again been qualified by the Comptroller and Auditor General on the basis of regularity due to the level of reported fraud and error in the benefit system.

Fraud and error levels are based on what has already occurred and so highlights the need for prevention by getting things right at the outset, rectifying errors as soon as possible and ensuring that claims are accurately maintained. As reported elsewhere in this report, the overall level of overpayments in the year rose from 2.4% (£4.6 billion) of overall benefit expenditure in the year (£191.7 billion) to 3.9% (£8.4 billion/ £211.7 billion). The total rate of overpayments has risen due to an increase in the rate of overpayments on Universal Credit, and due to an increase in expenditure on Universal Credit which has more than doubled since the previous year. A key driver behind this increase in overpayments is the level of fraud overpayments which rose from 1.4% to 3.0% (see below for information on identity fraud).

Underpayments of benefit to claimants also increased in the reporting year from 1.1% (£2.0 billion) to 1.2% (£2.5 billion).

Full information on our fraud and error activity and performance in 2020-21 can be found on page 106 and full detail on the Comptroller and Auditor General's qualification on pages 218 to 249.

Identity fraud

One of the easements issued in response to COVID-19 was with regard to identity verification processes as claimants were unable to attend jobcentres. In May 2020 we identified a high level of potentially fraudulent benefit claims being made as a result of systemic identity theft. On identification of this type of fraud we took action to limit our immediate financial exposure and protect those claimants whose details were being used by the fraudsters. We set up a team to focus on suspended fraudulent claims and a stolen ID telephony line was initiated to support victims through the process. By the end of the year, we had prevented around £1.9 billion in fraudulent overpayments though we estimate £68 million had been paid out to fraudsters in respect of 40,000 cases.

A knock on consequence of this type of fraudulent activity was that around 5,500 legacy benefit claimants (such as Jobseeker's Allowance) had claims automatically closed on receipt of a claim to Universal Credit in their name. This meant that some of these claimants were left without benefit for a number of weeks (average of 2.6 weeks). We have now resolved this issue and we continue to work with appropriate parties such as local authorities (Housing Benefit) and HM Revenue and Customs (Tax Credits) where claimants had closure notices issued to the benefit payer on receipt of the hijacked Universal Credit claim.

State Pension underpayment

Between February and May 2020, several cases gradually came to light of people being underpaid State Pension particularly certain categories of married women, widows and people aged 80 years and over. For each group of individuals affected, our IT systems produce a prompt to consider if an individual's State Pension amount should be increased. The prompt required our Retirement Services people to take further manual action and, in some cases, this did not take place. Therefore, this is classed as 'official error'.

From July 2020, we undertook several complex caseload scans to determine the scale of the problem. We formally commenced a correction exercise in January 2021 to rectify these cases. Where underpayments are identified, we will contact the individual to inform them of the changes to their State Pension amount and of any arrears payment they will receive in accordance with the law. We expect to complete the correction exercise by the end of 2023.

The Accounting Officer commissioned the Government Internal Audit Agency to provide assurance that the Department has put in place effective arrangements to deliver a successful and robust correction exercise. The review has concluded with recommendations for improvement.

GIAA continue to work closely with senior management and will commence a review of historical changes to State Pension to help ensure that pensioners are in receipt of their correct entitlement.

Information on the current estimate of total costs can be found at page 291.

European Social Fund (ESF)

As a European Union (EU) funded programme ESF is subject to EU Audit regulations which require evidence of expenditure being submitted by the Department as the managing authority. COVID-19 has had an impact on the delivery of the Programme, specifically in being able to obtain evidence of expenditure from grant recipients. Based on initial work, The Government Internal Audit Agency, who undertake the audit on behalf of the EU, expect that this will ultimately result in a self-correction payment of £4 million on the basis of the actual error rate of 3.29% in payments made to grant recipients being above the 2% materiality threshold permitted by the EU. The self-correction payment is based on the difference between the threshold error rate and actual error rate. A contingent liability has been included on page 314 to reflect this.

We have implemented controls to ensure that we do not include payments to grant recipients where the evidence is not yet available in our payment applications to the Commission.

Regularity of payments

Retrospective requests for approval have been sought from HM Treasury in a small number of instances during the year. As required under Section 2 of the Employment and Training Act, HM Treasury approval has been sought to make a grant to Sheffield Cities Region. This included a request for retrospective approval which, due to a misunderstanding around when approvals were required, had resulted in a commitment (up to £3,000) being entered into without the required approvals being in place. We also gained HM Treasury approval on a request for a short term contract extension with regard to provision of one of our IT systems which had been turned down by the Government Digital Services as they deemed it retrospective.

The overall fraud and error estimates are shown in Note 18, incorrect payments, page 305.

Assurance covering grants

The Director General, Finance has overall responsibility for providing assurance that financial controls are sufficient to mitigate financial risks in all areas including grants. A senior process owner leads on all aspects of grants including ensuring compliance with the Global Design Principles and Grants (GDPG) Standards.

We award grants to a range of organisations across different sectors, to help achieve delivery of departmental objectives. Examples include: developing bespoke support for our claimants who have particular challenges in getting into work, the administration cost of delivering Housing Benefits, providing pensions advice, and providing support to disabled people through the Access to Work scheme.

We have a comprehensive grants framework which provides guidance on the end to end process for awarding grants. This framework has been enhanced by incorporating the Cabinet Office's GDPG Standards.

For the most significant grants, we use the Cabinet Office's Complex Grants Advice Panel and fraud risk assessment resources to shape grant design.

During 2020-21, we further enhanced our grants governance arrangements by establishing a Grants Approval Board with responsibility for ensuring that new schemes and grant extensions above £100,000 reflect best practice. We also developed a grants compliance framework, drawing on a sample of grants, we assessed compliance against the Department's grants framework. The compliance results indicated broad compliance but noted some areas for improvement for which action plans are in place.

Using the Cabinet Office's Grants Maturity Assessment tool, we have self-assessed the maturity of our grant processes and are developing plans to address areas identified for improvement. The robustness of the self-assessment is subject to ongoing review by the Government Internal Audit Agency.

Assurances covering our public bodies

For the majority of 2020-21 the Director General, Policy provided assurance on the governance and control arrangements for the bodies, which deliver outcomes on our behalf. Following an organisation restructure this became the responsibility of the Director General, Disability, Health and Pensions from 15 March 2021. Our Arm's Length Bodies Partnership Division is responsible for holding our public bodies to account and ensuring that they work to the high standards expected of them.

We have a range of oversight activity in place to provide assurance that each body is working effectively through robust governance arrangements. These include a range of standard financial control measures including a quarterly performance dashboard, which reports on delivery, finance, risk and change.

The annual assurance assessment of our public bodies complements our ongoing engagement and assurance activity, including our quarterly accountability reviews with the bodies, our attendance at the bodies' audit and risk committees and ongoing senior and day to day engagement with the bodies. This ensures that we have proportionate oversight and understanding of the risks and opportunities that our bodies present to the Department. We also bring together the public bodies community to share their experience and challenges through senior leadership, HR, commercial and finance forums. We plan to create a digital forum to support the bodies to share best practice and meeting the Government Digital Service standards.

Our risk management approach is written into the framework documents that govern our relationship with most of the bodies. Each of the public bodies is responsible for their own risk identification and risk management overseen by their audit and risk committee. Our Arm's Length Bodies Partnership Division reviews risks as part of the quarterly accountability review.

Our oversight arrangements support the high performance of each body, enhance the protection given to the Permanent Secretary as Principal Accounting Officer, assure the Board, the Executive Team and the Departmental Audit and Risk Assurance Committee that we have a good overview of our public bodies and meet HM Treasury and Cabinet Office expectations of assurance.

All non-departmental public bodies have been subject to a tailored review or equivalent at least once over the last five years. The reviews for the Social Security Advisory Committee and BPDTS Limited were completed and published during 2020-21. For BPDTS Limited the review recommended a new single digital function within the Department and that BPDTS Limited close. This will take place from summer 2021.

During this year we have consulted on the general levy which funds our pensions bodies. Regulations were laid in March 2020 to increase the levy on pension schemes over the next three years. Our pensions' bodies will continue to drive efficiencies in their operations to contribute to the recovery of the current deficit in the levy.

We have continued to remain closely engaged with the Ministry of Housing, Communities and Local Government and the Health and Safety Executive to support the significant change the body is managing to establish the building safety regulator role.

The COVID-19 pandemic has impacted on our delivery public bodies but each body was able to implement its own contingency arrangements to ensure minimal disruption to service delivery. The introduction of a variety of government schemes to support individuals and businesses helped manage the demand for some of our bodies' services. Appropriate support is available to the bodies for when these schemes end. Additional funding was made available to the Money and Pensions Service for debt provision this year with a contingency provided for 2021-22. The Health and Safety Executive received an additional £13.5 million to support COVID-19 safer workplaces during 2020-21 and has adapted to carry out remote inspections and spot checks.

Government reductions in its COVID-19 support schemes for business may impact on some of our pensions bodies such as the Pension Protection Fund (PPF), the lifeboat for defined benefit pension scheme members whose employer has failed. The risk remains that there may be additional claims on the PPF caused by possible insolvencies. This depends on the extent and duration of the economic downturn, which employers become insolvent and the funding levels of their defined benefit schemes. 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.

Following receipt of an unprecedented number of applications from pensions liberation schemes, the PPF sought guidance from the High Court as to which schemes could be eligible from the Fraud Compensation Fund (FCF). The Court ruled that the representative scheme satisfied the eligibility requirement for an employer insolvency. The Compensation (London Capital and Finance plc and Fraud Compensation Fund) Bill, introduced in the Commons on 12 May, contains a measure to enable the Secretary of State to loan the PPF the funding required to pay compensation within a reasonable period. The proposed Government loan will therefore ensure that the FCF complies with the High Court judgment.

Our centralised public appointments team, within the Arm's Length Bodies Partnership Division, conducts all our recruitment for our bodies' public appointments exercises (typically Chairs and non-executive directors). The 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. Our key public body appointments are listed on page 147.

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 programme of work was amended during the year to ensure that it remained aligned to the changing risk landscape.

The GCIA has provided "moderate" assurance on the strength of risk, control and governance arrangements in 2020-21, observing that "Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control".

Despite the significant challenges faced by DWP in responding to the surge in demand for services, the Department was able to maintain a broadly effective control environment. Internal Audit have seen a year-on-year improvement in the overall assurance ratings, with fewer reports concluding with a "limited" audit opinion compared with the previous two years (2019-20 and 2018-19).

Internal Audit completed reviews assessing the Department's ongoing response to COVID-19 which confirmed that effective governance and risk management processes were in place, with clearly defined ownership of decision making, collaborative stakeholder engagement, robust recording of easement decisions and escalation of sensitive changes to Ministers. COVID-19 Impact related reviews were completed across Service Delivery, Commercial Directorate, Digital Group and Debt Management.

In terms of protecting the public purse, the most significant challenge for the Department was to seek to minimise the risk of material levels of fraud and error entering the system due to the implementation of easements which reduced the levels of control in place before the pandemic. As a result of the lockdown, easements and minimum levels of service were introduced across many product lines to enable the Department to focus on processing huge volumes of new benefit claims. The Department brought together a systematic approach to fraud detection and prevention through the collaborative working within the Integrated Risk and Intelligence Service (IRIS). The Serious Organised Crime team within DWP also provided a rapid response to address high levels of fraud. Work is ongoing to seek to correct fraud and error that entered the Universal Credit system before the controls were strengthened.

Whilst the majority of reviews undertaken by Internal Audit concluded with a moderate or better audit rating, the following areas for further improvement were identified:

- implementing more effective controls for the Kickstart scheme set up at pace without the desirable level of automation and maturity with which similar employment schemes would be set up in a non-crisis environment
- strengthening data sharing protocols
- addressing challenges in adhering to the requirements of IR35. DWP has subsequently made a substantial investment in terms of time, effort and resources to improve the departmental position regarding compliance with IR35 requirements (see off-payroll engagements table on page 185 for further detail)
- addressing an aging physical security infrastructure. The Department has made progress to address the audit recommendations although time and funding will be required to enhance the control environment to protect customers, staff and assets
- improving the administration of third-party suppliers

- establishing a robust, efficient and adequately resourced team and processes to address state pension underpayments as part of the current LEAP exercise

Assurance from other sources

The National Audit Office (NAO) undertook a number of cross-government investigations and value for money (VFM) studies involving DWP activity during the year. Some of these related to COVID-19 and how government departments reacted to the onset of the pandemic. They also undertook DWP specific studies on Employment Support, Universal Credit (UC), UC Advances as well as looking in depth at the Department's approach to fraud and error. The Department has accepted all recommendations and the NAO continues to review the Department's progress against recommendations made in their earlier VFM reports. NAO's reports are presented to Parliament, specifically the Public Accounts Committee who can invite the Department to answer questions on the NAO report findings as well as from committee members (MPs) and make recommendations for the Department to consider implementing. 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 2020-21 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

The Secretary of State and the Permanent Secretary commissioned an independent review – led by WS Atkins – in late 2020 to explore whether DWP structures and governance mechanisms were best practice for delivering major projects and programmes. The review found that the basic project and programme delivery structures, controls and capabilities were sound. Building on that solid basis, it recommended the Department refreshed its approach, affording the opportunity to help manage and view the totality of change across the Department. This will ensure alignment and consistency with best practice and make sure the Department is in the best possible place to prioritise and manage current and future change. All recommendations were accepted and implementation plans have been developed.

Whistleblowing

We continue to encourage 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). There is a range of ways they can do this, confidentially and where necessary, anonymously.

The number of concerns raised as whistleblowing in 2020-21 increased to 37 cases compared to the previous year's 29 cases. As previously, most of these were raised via the DWP's 'Whistleblowing Hotline', which is a dedicated line that enables any employee to report a public interest concern for independent investigation. Eleven cases were investigated by GIAA Counter Fraud and Investigation Team, of which eight were found to have no case to answer, there was one letter sent to management and two where there was found to be a case to answer.

We continue to work with Government Internal Audit Agency (GIAA) to raise awareness of whistleblowing through a series of communications. Every report was taken seriously and, where possible, appropriately investigated and the data on issues raised was analysed to inform future policy development.

As an additional route for employees to seek advice in relation to their personal experiences, we continue to use a "Speak up Safely" telephone line. This continues to be a successful additional means of support to individuals and during 2020-21 we took 165 calls.

Permanent Secretary's assessment of the system of control and the significant challenges for 2021-22

From the developments recorded above, in year discussions with my directors general, Chief Risk Officer, Group Chief Internal Auditor and assurances I have received, I share the Group Chief Internal Auditor's view that the controls continue to provide moderate assurance.

Over this and the next few years, we will be focussed on helping the country build back better after the pandemic. The task ahead for the Department is considerable and not without uncertainty and challenge.

The Department has a strong Risk Management Strategy that supports the identification, assessment and mitigation of risks that threaten the delivery of our services. The pandemic has forced the Department to respond at pace and many of the Department's risks remain fluid. As we enter 2021-22 our principal risk themes reflect the ongoing challenges the pandemic has placed on our people and our services:

Delivering a full, sustainable service, having the capacity and resilience to deliver plans including transformation and change activity, and ensuring the safety of our people and customers.

Our ambition is for the Department to be a flexible, inclusive and continuously learning organisation, able to identify the right solutions for our customers and their communities. We will ensure:

- we have the capacity to support the economic recovery
- we make the most of, and continuously develop the skills in, our people, supporting our intention to be an organisation that learns from its interactions with communities and citizens
- we strive to be an exemplar employer – in reflecting the society we serve, in keeping our people and citizens safe, and in supporting schemes for those without work

Fraud, error and debt

Delivering a reliable, high-quality welfare and pensions system which customers have confidence in is a priority for the Department. Alongside improving our services, we are committed to bearing down on overall fraud, error and debt levels, and the monetary value of fraud and error. Making sure that payments are right will reduce the level of overpayments, and debt to recover, and underpayments to claimants. Information can be found on pages 106-115. Additionally, we have agreed to report progress against a series of National Audit Office and Public Accounts Committee recommendations. We have an ambitious strategy for responding to the recommendations which looks to move the balance from downstream detection to upstream prevention, including initiatives such as improving and automating our verification processes, increasing the use of data analytics and providing a single view of fraud, error and debt risk for the whole Department. We will also learn from the causes of State Pension underpayment to ensure our systems and processes support our people to make accurate award decisions.

Information on our activity and performance in 2020-21 can be found on page 305.

Economic uncertainty, the impact on the labour market and our ability to respond to increasing levels of claims to benefit.

Supporting people into work and maximising employment is critical to the Government's ambition to build back better following the pandemic. To do this we will deliver our Plan for Jobs – standing up JETS (Job Entry Targeted Support), Kickstart, launching the Restart Programme for the long-term unemployed and expanding the Sector Based Work Academy Programme (SWAP). We are continuing to make good progress on our Plan for Jobs and have met our recruitment pledge of delivering an additional 13,500 work coaches to boost Britain's job army.

This will ensure we can deliver the full range of Universal Credit services helping even more customers find new jobs. We are also supporting people to move to new and growing sectors through supporting people to access skills interventions and through SWAP. We are recommencing Move to Universal Credit. Supported by delivery partners, we will initiate a voluntary phase in 2021, helping many to access the targeted support Universal Credit provides - enabling claimants to find new jobs and build their financial resilience.

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 2020-21 relate to performance between 1 April 2019 and 31 March 2020.

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 2020-21. A copy of the register is shown on page 136.

None of our ministers held directorships that conflicted with their management responsibilities in 2020-21. 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)

	2020-21					2019-20				
Ministers	**Salary £**	**Full year equivalent £**	**Severance payments £**	**Pension benefits to nearest £1,000[25]**	**Total to nearest £1,000[26]**	**Salary £**	**Full year equivalent £**	**Severance payments £**	**Pension benefits to nearest £1,000[25]**	**Total to nearest £1,000[26]**
Rt Hon Thérèse Coffey MP from 8 September 2019	67,505	67,505	-	8,000	75,000	38,065	67,505	-	5,000	43,000
Justin Tomlinson MP from 4 April 2019	31,680	31,680	-	8,000	39,000	31,602	31,680	-	8,000	40,000
Guy Opperman MP from 14 June 2017	22,375	22,375	-	5,000	28,000	22,375	22,375	-	6,000	28,000
Will Quince MP from 26 July 2019	22,375	22,375	-	5,000	28,000	22,189	22,375	-	5,000	27,000
Mims Davies MP from 26 July 2019	22,375	22,375	-	5,000	28,000	14,917	22,375	-	4,000	19,000
Baroness Stedman-Scott OBE DL from 30 July 2019	107,335	107,335	-	17,000	125,000	72,134	107,335	-	12,000	84,000
Rt Hon Amber Rudd MP from 16 November 2018 to 7 September 2019	-	-	-	--	-	29,440	67,505	16,876	3,000	49,000
Alok Sharma MP from 10 January 2018 to 24 July 2019	-	-	-	-	-	10,560	31,680	-	3,000	13,000
Baroness Buscombe from 15 June 2017 to 29 July 2019	-	-	-	-	-	35,201	107,335	-	-	35,000

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.

The salary disclosed for Baroness Stedman-Scott includes Lord Office-holders Allowance of £36,366 for 2020-21 (£24,440 for 2019-20).

Government departments bear only the cost of the additional ministerial salary. Salaries for services as MPs (£81,932 from 1 April 2020)[27] and other allowances are borne centrally.

No minister received any benefit in kind.

25 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.
26 Totals may not sum due to rounding on pension and totals columns.
27 www.theipsa.org.uk

Executive directors' pay

(This information is subject to audit)

Executive directors	2020-21 Salary £000	Bonus payments £000	Pension benefits £000[28]	Benefit in kind £	Total £000	2019-20 Salary £000	Bonus payments £000	Benefit in kind £	Pension benefits £000[28]	Total £000
Peter Schofield CB from 18 July 2016	185-190	15-20	99	-	305-310	180-185	-	-	1	185-190
Debbie Alder CB from 1 January 2014	145-150	0-5	57	-	205-210	145-150 (FYE 140-145)	10-15	-	58	220-225
Neil Couling CBE from 1 October 2014	155-160	-	90	-	245-250	155-160 (FYE 150-155)	10-15	-	80	250-255
Jonathan Mills from 29 August 2017	135-140	0-5	60	-	200-205	140-145 (FYE 135-140)	-	-	102	240-245
John-Paul Marks from 12 March 2018	140-145	5-10	79	-	230-235	135-140	0-5	-	117	255-260
Nick Joicey CB from 30 July 2018	150-155	10-15	69	-	230-235	145-150	-	-	98	245-250
Simon McKinnon CBE from 1 January 2019	155-160	-	60	-	215-220	155-160	-	-	60	215-220
Emma Haddad from 15 April 2019 to 31 January 2021	105-110 (FYE 130-135)	-	70	-	175-180	115-120 (FYE 120-125)	-	-	142	260-265
Amanda Reynolds from 1 February 2021	20-25 (FYE 145-150)	-	10	-	30-35	-	-	-	-	-
Katie Farrington from 15 March 2021	5-10 (FYE 120-125)	-	6	-	10-15	-	-	-	-	-
Susan Park from 12 March 2018 to 11 May 2019	-	-	-	-	-	15-20 (FYE 145-150)	-	-	-	15-20

Not included in the table above is an overpayment of £11,988 made to Emma Haddad during 2020-21. This is currently in the process of recovery and will be repaid in full by January 2022. DWP paid Emma Haddad's salary during February and March on behalf of the Home Office following her transfer. DWP will not look to recover this payment from the Home Office.

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 exceed the annual allowance or are taken in excess of the lifetime allowance.

No executive director received any benefit in kind in 2020-21.

Susanna McGibbon (appointed 10 December 2018 until 5 March 2021) held the role of Director General, Legal Services and was 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 2020-21.

28 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 2020-21 was £205,000 to £210,000 (2019-20: £180,000 to £185,000). This was 7.49 (2019-20: 6.72) times the median remuneration of the workforce, which was £27,668 (2019-20: £27,142).

	Pay band of highest paid executive director	Median total pay	Ratio
2020-21	£205,000 - £210,000	£27,668	7.49:1
2019-20	£180,000 - £185,000	£27,142	6.72:1

In 2020-21 and 2019-20, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £19,500 - £20,000 to £205,000 - £210,000 (2019-20: £18,000 - £18,500 to £180,000 - £185,000).

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 increase in ratio from 2019-20 to 2020-21 is due to an increase in pay of our highest paid director.

Non-executive directors' fees

(This information is subject to audit)

Non-executive directors	Board	Fees 2020-21 to the nearest £000	Benefit in kind 2020-21 to the nearest £00	Fees 2019-20 to the nearest £000	Benefit in kind 2019-20 to the nearest £00
Sara Weller CBE from 20 April 2017 to 24 April 2020	Departmental Board, Nominations Committee and Delivery Board	-	200	20,000	2,300
David Holt from 3 May 2019 to 2 May 2022	Departmental Board, DARAC chair, Health Transformation board chair and Delivery Board	20,000	-	18,000	-
Tim Nolan from 1 July 2019 to 30 June 2022	DARAC	15,000	-	11,000	-
Ashley Machin from 13 November 2020 to 12 November 2023	Departmental Board, DARAC, Digital Advisory Committee chair and Delivery Board	20,000	-	20,000	-
Hayley Tatum from 13 November 2017 to 30 November 2020	Departmental Board, Nominations Committee and Delivery Board	10,000	-	15,000	300
John Clarke from 13 November 2020 to 12 May 2021	Digital Advisory Committee	15,000	-	15,000	200
Keith Burgess from 13 November 2020 to 12 May 2021	Digital Advisory Committee	15,000	-	15,000	-
Sally Cheshire CBE from 10 August 2020 to 09 August 2023	DARAC	10,000	-	-	-
Nick Markham from 07 July 2020 to 06 July 2023	Lead non-executive, Departmental Board, Delivery Board and NOMS	15,000	-	-	-
Eleanor Shawcross from 10 June 2020 to 09 June 2023	Departmental Board and Delivery Board	12,000	-	-	-
Ian Wilson from 10 August 2020 to 09 August 2023	DARAC	10,000	-	-	-
Rachel Wolf from 10 June 2020 to 03 December 2020	Departmental Board and Delivery Board	7,000	-	-	-
Valerie Hughes-D'Aeth from 09 February 2021 to 08 February 2024	Departmental Board, Delivery Board and NOMS chair	3,000	-	-	-
David Bennett from 23 February 2021 to 22 February 2024	Departmental Board, Delivery Board and Serious Case Panel chair	2,000	-	-	-
Lt. Gen. (retd) Andrew Graham CB CBE from 1 April 2013 to 30 June 2019	Departmental Board, DARAC and Delivery Board	-	-	5,000	-
Sir Robert Walmsley from 29 July 2013 to 29 February 2020	Universal Credit Programme Board	-	-	14,000	-
Martin Hagen from 1 April 2014 to 31 March 2020	DARAC	-	-	15,000	-
Jim Arnott from 15 December 2015 to 14 June 2019	Digital Advisory Committee	-	-	3,000	300
Total		**154,000**		**151,000**	**3,000**

Totals may not sum due to rounding of individual figures.

Ministers' and executive directors' pensions

(This information is subject to audit)

Ministers	Total accrued pension at age 65 as at 31 March 2021 £000	Real increase in pension at age 65 £000	Cash equivalent transfer value at 31 March 2021 £000	Cash equivalent transfer value at 31 March 2020 £000	Real increase in cash equivalent transfer value £000
Rt Hon Thérèse Coffey MP	0-5	0-2.5	41	33	4
Justin Tomlinson MP	0-5	0-2.5	22	15	3
Guy Opperman MP	0-5	0-2.5	33	26	3
Will Quince MP	0-5	0-2.5	7	3	1
Mims Davies MP	0-5	0-2.5	15	10	2
Baroness Stedman-Scott OBE DL	0-5	0-2.5	40	16	16

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 2021 £000	Real increase in pension and related lump-sum at pension age £000	Cash equivalent transfer value at 31 March 2021 £000	Cash equivalent transfer value at 31 March 2020 £000	Real increase in cash equivalent transfer value £000
Peter Schofield CB	70-75 plus a lump-sum of 165-170	5-7.5 plus a lump-sum of 2.5-5	1,307	1,196	61
Debbie Alder CB	30-35	2.5-5	484	420	35
Neil Couling CBE	70-75 plus a lump-sum of 185-190	2.5-5 plus a lump-sum of 2.5-5	1,562	1,440	67
Simon McKinnon CBE	40-45	2.5-5	735	648	48
Nick Joicey CB	50-55 plus a lump-sum of 90-95	2.5-5 plus a lump-sum of 0-2.5	902	826	39
Jonathan Mills	40-45 plus a lump-sum of 80-85	2.5-5 plus a lump-sum of 0-2.5	639	584	28
John-Paul Marks	40-45	2.5-5	511	450	37
Emma Haddad	35-40	2.5-5	492	432	39
Amanda Reynolds	0-5	0-2.5	7	0	5
Katie Farrington	25-30 plus a lump-sum of 45-50	0-2.5 plus a lump-sum of 0-2.5	452	435	4

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.

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 revalued 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. Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report - see below). 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 their 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

Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below)

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[29]

(This information is subject to audit)

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

					2020-21	2019-20
					Number	Number
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Number of staff	71,795	8,225	20	3	80,043	75,699
Staff engaged on capital projects	196	14	-	-	210	101
Total	**71,991**	**8,239**	**20**	**3**	**80,253**	**75,800**
Of which:						
Core department	67,539	7,820	6	3	75,368	71,313
Arm's length bodies	4,452	419	14	-	4,885	4,487
Total	**71,991**	**8,239**	**20**	**3**	**80,250**	**75,800**

Senior Civil Servants

Our executive directors are all Senior Civil Servants. In total there were 240 individual Senior Civil Servants, totalling 234.59 whole-time equivalents, as at 31 March 2021. This is an increase on last year.

Senior Civil Servant headcount by pay band		March 2016	March 2017	March 2018	March 2019	March 2020	March 2021
Permanent Secretary	£150,000- £200,000	1	1	1	1	1	1
SCS3	£111,500-£208,100	8	6	6	5	5	7
SCS2	£92,000-£162,500	49	42	38	43	46	46
SCS1	£70,000-£117,800	163	158	157	168	165	186
Total		**221**	**207**	**202**	**217**	**217**	**240**

29 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).

Staff expenditure

(This information is subject to audit)

	Permanently employed staff £000	Others £000	Ministers £000	2020-21 Total £000	2019-20 Total £000
Wages and salaries	2,346,232	326,285	274	2,672,791	2,284,301
Employers' National Insurance	225,885	3,770	30	229,685	206,934
Superannuation and pension costs	595,437	-	-	595,437	551,577
Total	**3,167,554**	**330,055**	**304**	**3,497,913**	**3,042,812**
Less recoveries in respect of outward secondments	(1,573)	-	-	(1,573)	(1,803)
Total net costs	**3,165,981**	**330,055**	**304**	**3,496,340**	**3,041,009**

Ministers' wages and salaries in 2019-20 included a severance payment of £16,876 made to the Rt Hon Amber Rudd.

The total figures for 2019-20 include Special Adviser severance payments totalling £29,750. Our Special Advisers transferred to the Cabinet Office during 2019-20, therefore no Special Adviser costs are shown for 2020-21. The 2019-20 total only includes the amounts we paid them prior to their transfer.

	Charged to staff budgets £000	Charged to Capital budgets £000	Total £000
Core department	3,170,674	5,282	3,175,956
ALBs	327,239	1,607	328,846
Total	**3,497,913**	**6,889**	**3,504,802**

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 2020-21, we paid employer contributions of £588 million to the PCSPS and the CSOPS (2019-20: £546 million). These were at one of four rates in the range 26.6% to 30.3% (2019-20: 26.6% to 30.3%) 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 2020-21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions of £65.5 million (2019-20: £54.4 million) were payable to the Civil Superannuation Vote at 31 March 2021 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 £5.6 million (2019-20: £4.8 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 2020-21, 57 people (2019-20: 30 people) retired early on ill-health grounds. The total additional accrued pension liabilities in the year were £319,194 (2019-20: £40,618).

Reporting of civil service and other compensation schemes - exit packages

(This information is subject to audit)

Table 1: 2020-21

	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	34	1	**35**	34	4	**38**
£10,001-£25,000	50	2	**52**	51	3	**54**
£25,001-£50,000	36	-	**36**	36	1	**37**
£50,001-£100,000	17	-	**17**	17	1	**18**
£100,001-£150,000	2	-	**2**	2	-	**2**
£150,001 - £200,000	-	-	**-**	-	-	**-**
Total number of exit packages	**139**	**3**	**142**	**140**	**9**	**149**
Total cost £000	**3,595**	**25**	**3,620**	**3,611**	**492**	**4,103**

Table 2: 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**

We have paid redundancy and other departure costs in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The table above shows the total cost of exit packages agreed and accounted for in 2020-21 (2019-20 comparative figures are also given). £4.1 million exit costs were paid in 2020-21, the year of departure (£8.2 million in 2019-20). We account for exit costs in full when the early retirement programme becomes binding but actual dates of departure may fall in the following reporting period. Where we have agreed early retirements we, not the Civil Service Pension Scheme, meet the additional costs. Ill-health retirement costs are met by the pension scheme and are not included in the table.

From 22 December 2010, new civil service compensation terms were introduced for Early Release schemes. All voluntary exit costs payable by us are now made in the form of lump-sum payments. Payments made in respect of schemes prior to this date were made as both lump-sum payments and annual compensation payments. The liability in respect of these annual payments is included in other provisions in note 16.

Reporting the tax arrangements of public sector appointees

All government departments and their arm's length bodies (ALBs) which employ appointees off-payroll have to report to HM Treasury about the financial arrangement to make sure it is transparent and that the appointee in question is paying the right amount of tax and National Insurance.

We have reviewed the way we employ appointees to ensure our processes are robust. We have the right to request assurances, and do so, from the appointees. We can terminate the individual's contract if these assurances are not provided. The tables below outline the off-payroll arrangements for 2020-21.

Off-payroll

Table 1: All existing off-payroll engagements, as at 31 March 2021, that were paid at least £245 per day

	Core department	ALBs	Departmental group
No. of existing engagements as of 31 March 2021	**855**	**145**	**1000**
Of which:			
No. that existed < 1 year	432	111	543
No. that have existed for between 1 and 2 years	142	19	161
No. that have existed for between 2 and 3 years	135	5	140
No. that have existed for between 3 and 4 years	82	2	84
No. that have existed for 4 or more years	64	8	72

Table 2: All off-payroll engagements engaged at any point between 1 April 2020 and 31 March 2021, earning at least £245 per day

	Core department	ALBs	Departmental group
No. of engagements in force between 1 April 2020 and 31 March 2021	**1025**	**327**	**1352**
Of which:			
No. of appointments to which the off-payroll legislation does not apply	875	148	1023
No. assessed as caught by IR35 (In scope)	87	160	247
No. assessed as not caught by IR35 (Out of scope)	63	19	82
No. of engagements reassessed for consistency/ assurance purposes during the year	97	75	172
No. of engagements that saw a change to IR35 status following consistency review	35	0	35

- IR35 legislation from 6 April 2017 required public sector bodies, where they engage off-payroll workers, to ensure they correctly assess their “employment status” i.e. correct tax treatment
- To do this, DWP utilised HMRC’s CEST (Check Employment Status Tool)
- In March 2020 DWP received a Letter of Offer from HMRC that formally concluded their review of IR35 implementation in DWP
- The result was agreement on historic errors and acceptance by DWP of a liability for missing tax/NI plus interest for the financial years 2017-18 (£21.1 million), 2018-19 (£36.7million) and 2019-20 (£29.7 million). A liability for 2020-21 (£0.4 million) was also subsequently agreed
- The total amounted to £87.9 million
- Additionally, BPDTS Limited reached a full and final settlement in respect of IR35 liabilities with HMRC for £6.9 million relating to the financial years 2017-18, 2018-19 and 2019-20. This amount will be recorded as a loss in the 2021-22 Annual Report and Accounts

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021

	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.	-	1	1
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.	59	18	77

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)	2020-21	2019-20
Core department	19.5	19.4
Arm's length bodies	9.5	9.1
Departmental group	**29.0**	**28.5**

Temporary (off-payroll) staff (£m)	2020-21	2019-20
Core department	226.3	100.1
Arm's length bodies	31.6	18.0
Departmental group	**257.9**	**118.1**

Departmental group whole time equivalent off-payroll staffing as at 31 March	March 2021	March 2020
Core department	2629.0	479.0
Arm's length bodies	205.3	209.0
Departmental group	**2834.3**	**688.0**

The departmental group whole time equivalent off-payroll staff numbers relate to the position at the end of the year. The increase in off-payroll staffing is primarily due to the Department's response to COVID-19.

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 at 31 March 2021 was 5.17, down from 8.11 at 31 March 2020. Whilst AWDL figures specifically exclude COVID-19 absences, the number of instances of Non-COVID-19 related sickness absence in 2020-21 (45,893) was approximately half the average of the previous two years. When the number of COVID-19 related sickness absences (16,634) is added, the total number of sickness absences for the year was approximately 31% lower than the average of the two previous years.

It is, however, hard to gauge what impact, if any, the number of employees on Special Paid Leave will have played on overall sickness levels this year but mindful that AWDL and absence are not, by themselves, sufficiently robust indicators of employee health, we have continued our focus this year on a proactive and preventative approach to employee health and wellbeing.

Staff Engagement Score

Over 54,000 of our employees (66%) completed the 2020 people survey. We achieved a record high engagement score of 63%. 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.

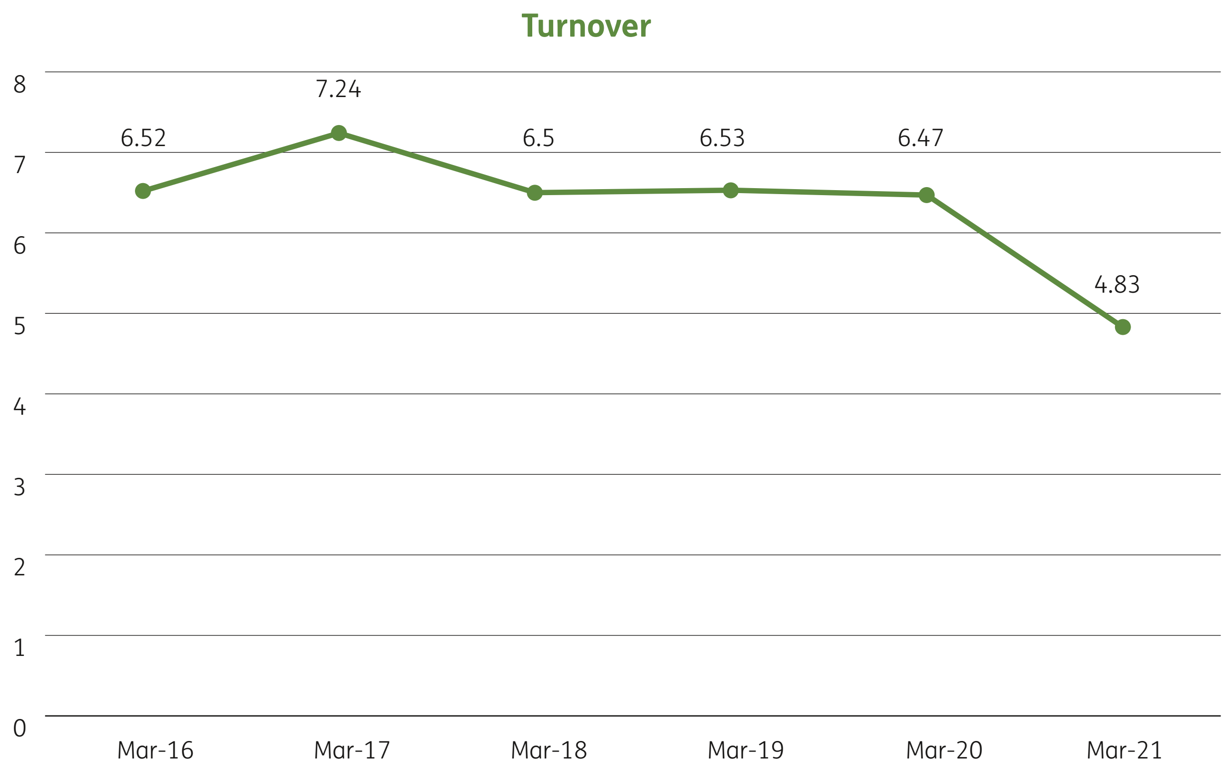
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
46%	44%	48%	54%	55%	56%	61%	60%	59%	59%	63%

Although the score for 'Inclusion and Fair Treatment' remains the same as 2019, 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 across DWP; and the continued support and management of the mental health first aider community (1,600+ colleagues). We introduced Ambassadors for Fair Treatment (AFTs) in 2019. 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. The roll-out of the AFT training was paused in March 2020 due to the COVID-19 pandemic but is now being delivered virtually and our aspiration is to have 1,200 AFTs trained by March 2022. We have also put in place a BHD Strategy and Action Plan which outlines our intent to tackle BHD and address inappropriate behaviour.

We have introduced a regular 'Wellbeing Pulse Survey'. All of our staff have the opportunity to share with us how they have been feeling. This gives the Department an up to date picture of the wellbeing of its staff, measures levels of pride in the Department. The results are analysed and help inform senior leader decision making and can be used to identify particular demographics who may be needing additional support. Using the findings in the Pulse Survey, we have been able to introduce specific wellbeing sessions, supporting those individuals who are LGBT+, from an ethnic minority background, have hidden disabilities or are under 30.

Staff Turnover scores

Turnover rates across DWP continue to reduce month on month. The pre-COVID-19 DWP turnover rate was 6.47% compared with 4.83% in March 2021 (a reduction of 1.64).



Trade union facility time

DWP Facility Time	
Number of trade union representatives	1,227
Number of representatives with trade union facility time 0%	0
Number of representatives with trade union facility time (between 1% and 50% of contracted hours)	1,227
Number of representatives with trade union facility time (between 51% and 99% of contracted hours)	0
Number of representatives with trade union facility time (100%)	0
Total time spent (hours)	61,060
Cost of facility time	£0.553 million
Total pay bill	£2.895 billion
Facility time as a percentage of the Department's annual pay bill	0.02%

Disclosure of hours spent by employees who are union officials during the period on paid trade union activities as a percentage of total paid facility time hours is not included as data to support this wasn't collected in 2020-21 due to COVID-19.

The number of trade union representatives (1,227) is the total headcount of representatives in DWP from the PCS, FDA and Prospect trade unions. This equates to 1,130 FTE.

In addition, some representatives hold multiple roles, so included in the total figure of 1,227 are 405 Health and Safety Representatives and 82 Union Learning Representatives (ULR).

It should be noted that as a result of the COVID-19 pandemic the Department recognised that appointed health and safety representatives needed to take time away from their official role, and it was unreasonable that this time should be included in their pre-approved allocation of facility time. Health and safety work due to COVID-19 was therefore classed as official time and is not set against facility time.

HSE Facility Time	
Number of trade union representatives	78
Number of representatives with trade union facility time 0%	0
Number of representatives with trade union facility time (between 1% and 50% of contracted hours)	76.2
Number of representatives with trade union facility time (between 51% and 99% of contracted hours)	0
Number of representatives with trade union facility time (100%)	0
Cost of facility time	£329,911
Total pay bill	£146.4 million
Facility time as a percentage of the Department's annual pay bill	0.23%

Staff seconded and loaned

As DWP was a critical department during the COVID-19 outbreak, and experienced a significant increase in demand for its services, it made only a small number of secondments and loans of members of staff to other Government departments during 2020-21.

Diversity

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 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 (SCS) for ethnic minorities (13.2%), disabled people (11.3%) and women (50.0%). We are making good progress towards our SCS on-flow targets for disability reaching 10.8% (June 2019 – latest data) and in 2020 achieved gender parity of new entrants into SCS.

Progress on ethnic minority on-flow is slower, currently at 4.9% (June 2019 – latest data). To address this, we have implemented accelerated solutions through a DWP Race Plan, and implemented enhanced governance arrangements to ensure momentum is sustained. Some of the actions implemented include:

- Permanent Secretary Statement on Racism issued and greater visibility of departmental race priorities, actions undertaken and planned and development opportunities
- implementation of Listening Circles, reverse mentoring and employee network expansion to better understand lived experiences and barriers to progression
- introduction of SCS led Sponsorship and Shadow Board opportunities to support development and embed diversity of thought into senior leadership decision forums

2020 was the Civil Service Year of Inclusion in which we celebrated our achievements to date, and committed to continuing to make the civil service a great place to work. DWP has made good progress towards our ambition to be an inclusive employer of choice:

- since 2017 DWP has used the award-winning I Can Be Me in DWP campaign, focussing on authenticity, as a vehicle to build an inclusive culture through collective understanding and conversation. In 2020 we renewed our I Can Be Me products and guidance and introduced an inclusive ways of working guide to support colleagues during COVID-19
- refreshed guidance to support SCS colleagues develop and implement their mandatory Inclusion and Wellbeing objective
- inclusion is embedded as one of the three core aims of the 2023 People Strategy
- Summer School for All 2020 and National Inclusion Week 2020 successfully brought messages about inclusion to tens of thousands of colleagues
- built inclusion across a range of HR interventions
- consistent positive score of 79% for Inclusion and Fair Treatment (2020 People Survey)
- developed an Inclusion Action Plan for 2021-22 that will evolve as the wider DWP and Civil Service Inclusion context and strategies develop

Additionally, our focus has been on improving the provision of workplace adjustments during the COVID-19 pandemic and we implemented a COVID-19 workplace adjustments process to enable colleagues to work from home. We responded to regular Pulse Survey insight and significantly increased our wellbeing offer and we have also increased mental health awareness and support through our community of Mental Health First Aiders. We have adapted our recruitment methods to enable video interviews for mass recruitment exercises with positive outcomes for ethnic minority and disabled applicants.

Some of our key achievements as an employer in 2020-21 include:

- developed Action Plans for 2021-22 to outline our intent and drive forward on priority activity (i.e. bullying, harassment and discrimination, disability, social mobility)
- continued to support and provide development for the 1600 Mental Health First Aiders, Ambassador for Fair Treatment and Wellbeing Advocate communities
- ranked 14th in the Social Mobility Index which is a climb of 15 positions from the previous year's ranking of 29th
- achieving the Times Top 50 Employers for Women status for the third year running
- successful renewal of DWP's Disability Confident Level 3 status, demonstrating our commitment to attracting, recruiting and developing disabled individuals
- members of the cross-government Carers Network, we have continuously reviewed and revised policies and practices to ensure carers' needs have been considered and addressed, taking into account the additional barriers they have faced during the pandemic
- worked with partners, such as Civil Service Local, Carers UK and The Charity for Civil Servants to deliver a comprehensive advice and support offer to our carers beyond existing departmental provision

We continue to encourage individuals to voluntarily share their personal diversity information and promote the benefits of gathering this through communications and new starter induction. However, not every member of staff is willing to share their details and the tables below only include colleagues who have done so. We have made good progress in the percentage of staff who have shared details of their sexual orientation and religious beliefs information and at 31 March 2021 the position stands at 68.6% and 67.4%. (Information on marriage and civil partnership is also captured via a central recording system, but no information on gender assignment is currently captured). In late 2019 we included Social Mobility reporting in our HR system and at 31 March 2021, we have achieved 64% reporting.

Staff diversity by gender (core department)		**March 2018**	**March 2019**	**March 2020**	**March 2021**
Workforce	Women %	67.0	66.8	66.8	65.5
Senior Civil Servants	Women %	40.0	44.4	48.6	50.0
Ministers	Women %	50.0	40.0	50.0	50.0
Non-executive members	Women %	30.0	30.0	25.0	33.3
Executive team	Women %	40.0	33.3	33.3	33.3

The proportion of women within the DWP SCS at 48.6% is above the civil service average for the SCS grade of 46.7% at 31 March 2020. March 2021 comparatives for the whole civil service not yet available.

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, this has been particularly relevant through the COVID-19 pandemic, encouraging an equal representation of women in the Department.

Staff diversity by declared disability (core department)		March 2018	March 2019	March 2020	March 2021
Workforce	Disabled %	7.5	11.3	16.2	18.2
Senior Civil Servants	Disabled %	6.0	8.6	9.1	11.1

Disability representation has increased from 15.3% in December 2019 to 18.2% as of 31 March 2021, above the UK economically active population representation of 14.2%. At the SCS grade we are significantly above the March 2020 civil service average of 5.6%, and above the Civil Service all grade average of 12.8% (as at 31 March 2020).

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 2018	March 2019	March 2020	March 2021
Workforce	Ethnic minority %	12.7	13.2	13.5	16.6
Senior Civil Servants	Ethnic minority %	5.2	4.4	5.0	7.4

As at 31 March 2021 the proportion of employees who had shared information about their ethnicity was 88.7%. Ethnic minority representation has risen from 13.5% at 31 March 2020 to 16.6% as of 31 March 2021 with increases across all grades, particularly at the C/EO grade which the majority of the Department's recruitment activity has been focussed this year.

Whilst at 16.6% our overall ethnic minority staff representation is higher than the March 2020 civil service average of 13.2%, and the 12.6% economically active rate, at grades D/HEO to SCS we are below these levels and these are an area of focus within the DWP Race Plan.

Percentage of DWP workforce by age range	March 2021
16-24	4.4%
25-34	14.2%
35-44	19.9%
45-54	30.4%
55-64	28.2%
65+	2.9%
Total % of headcount	**100.0%**

In the 31 March 2021 workforce data, it told us that 35.4% of employees had caring responsibilities, 24.1% reported they care for children and 2.1% of respondents told us they are 'sandwich carers' and care for both children and family, friends or neighbours.

Last year we started to capture data on an ongoing basis to show the numbers of those with caring responsibilities within the Department and encourage more to declare their caring status. At 31 December 2020 the data told us that 96% of employees had provided information about whether or not they had caring responsibilities. Data at 31 March 2021 told us 96.5% of employees had provided the information.

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 Employers for Carers. The Department has achieved Level 2 in Carer Confident accreditation.

DWP, along with one other department, had the best results in the Civil Service in relation to the percentage of carers holding a carer's passport and the percentage of carers who know where to access information and support.

We continue to support our LGBT+ colleagues to ensure that they are included and fairly represented. In line with Civil Service guidance we have reviewed, updated and relaunched our Transgender guidance and associated time off and special leave policies.

Through our LGBT+ staff network we have delivered a number of successful Sexual Orientation and Transgender/Gender Identity activities, events and communications celebrating, raising awareness and the visibility of our transgender employees and customers.

We take our responsibilities under the Public Sector Equality Duty (PSED) very seriously. We have updated the DWP Equality and You guidance and delivered a number of masterclasses to raise awareness of the Equality Act and PSED responsibilities. 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 (GPG) 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 take action 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 GPG exists which is largely attributed to the structure of our workforce, we employ significantly more women than men, (67% women and 33% men – as at 31 March 2021). Specifically, lower female representation in higher grades and in higher paid specialist professions such as digital. This is something that we are conscious of and taking steps to address.

In 2020 our mean GPG raised fractionally to 5.4% from 5.2% in 2019. This was anticipated as we move towards spot rates for the grades covering the majority of our employees. In the longer term we expect spot rates and shortened pay ranges to reduce the GPG. The median remained 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 action plan outlined key actions for 2019-20. So far we have:

- monitored the pipeline into SCS with six monthly review of recruitment campaigns to understand where under-represented groups fall out of the process, with a view to providing additional support, or troubleshooting any diversity issues found in our application process
- piloted the Springboard development programme aimed at women who work in the operational arm of DWP and are ready to move into the next grade. The pilot evaluation is very positive and steps are being taken to look at rolling the programme out wider into DWP
- continued membership to Business in the Community's (BITC) which we have made extensive use of to gain knowledge of best-practice and are currently working with BITC to identify best practice in attracting women into DWP senior roles
- worked with BITC on a bespoke development initiative for talented women at grades EO–SEO, to ensure a healthy talent pipeline

COVID-19 has presented challenges for DWP employees, all of whom are designated key workers, and we recognise that this may have had a particular impact upon many women (who make up 67% of our workforce), with increased pressures around work/life balance due to school closures and caring responsibilities. We continue to provide a strong support offer to all employees through our family-friendly approach, including a range of flexible and remote working options, our special leave policies and our wellbeing offer. These have enabled those self-isolating, and employees with childcare or other caring responsibilities, typically female, to remain in work throughout the pandemic in the vast majority of cases. We are confident that our supportive actions mean that our 2021 gender pay gap data will show no adverse impacts as a result of COVID-19.

More detailed information is available in the DWP Gender Pay Gap report 2020 on www.gov.uk

Statement of Outturn against Parliamentary Supply (SOPS)

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 Outturn against 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 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 regularity opinion.

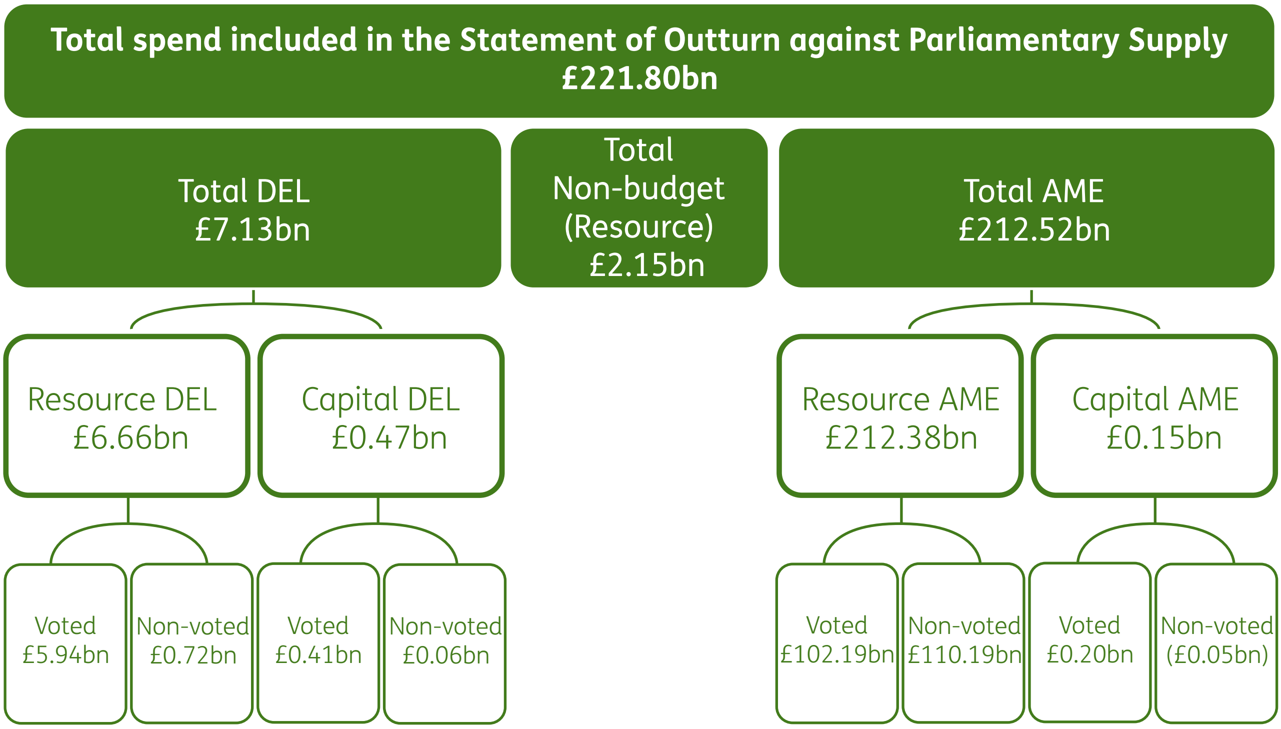
The format of the SOPS mirrors the Supply Estimates, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn.

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:

- Outturn by Estimate line, providing a more detailed breakdown (note 1);
- a reconciliation of outturn to net operating expenditure in the SoCNE, to tie the SOPS to the financial statements (note 2);
- a reconciliation of outturn to net cash requirement (note 3); and
- an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on GOV.UK.



- Voted expenditure of £110.87 billion is funded by Parliament from the Consolidated Fund
- Voted expenditure funded from the Consolidated Fund includes £2.15 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 £108.77 billion is funded by the National Insurance Fund
- Values may not sum due to roundings

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. Our finances, in the Performance Report, provides a summarised discussion of outturn against Estimate and functions as an introduction to the SOPS disclosures.

Statement of Outturn against Parliamentary Supply

Summary of Resource and Capital Outturn 2020-21

		2020-21								2019-20
		Outturn			Estimate			Outturn vs Estimate Saving/(excess)		Prior Year Outturn
	Note	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Voted £000	Total £000	Total £000
Departmental Expenditure Limit										
- Resource	1.1	5,938,566	722,513	6,661,079	6,195,293	737,100	6,932,393	256,727	271,314	5,882,922
- Capital	1.2	406,116	62,010	468,126	576,583	67,509	644,092	170,467	175,966	81,118
Total DEL		**6,344,682**	**784,523**	**7,129,205**	**6,771,876**	**804,609**	**7,576,485**	**427,194**	**447,280**	**5,964,040**
Annually Managed Expenditure										
- Resource	1.1	102,186,792	110,190,932	212,377,724	107,194,442	114,069,532	221,263,974	5,007,650	8,886,250	190,782,270
- Capital	1.2	196,856	(51,286)	145,570	674,100	20,000	694,100	477,244	548,530	309,242
Total AME		**102,383,648**	**110,139,646**	**212,523,294**	**107,868,542**	**114,089,532**	**221,958,074**	**5,484,894**	**9,434,780**	**191,091,512**
Total Budget										
- Resource		108,125,358	110,913,445	219,038,803	113,389,735	114,806,632	228,196,367	5,264,377	9,157,564	196,665,192
- Capital		602,972	10,724	613,696	1,250,683	87,509	1,338,192	647,711	724,496	390,360
Total Budget Expenditure		**108,728,330**	**110,924,169**	**219,652,499**	**114,640,418**	**114,894,141**	**229,534,559**	**5,912,088**	**9,882,060**	**197,055,552**
Non-Budget										
- Resource	1.1	2,145,384	-	2,145,384	2,530,040	-	2,530,040	384,656	384,656	2,032,321
Total Budget and Non-Budget		**110,873,714**	**110,924,169**	**221,797,883**	**117,170,458**	**114,894,141**	**232,064,599**	**6,296,744**	**10,266,716**	**199,087,873**

Figures in the columns shaded 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 2020-21

	2020-21			2019-20
SOPS Note	Outturn	Estimate	Outturn vs Estimate: saving/(excess)	Outturn
	£000	£000	£000	£000
3	**111,249,531**	**117,394,656**	**6,145,125**	**91,036,237**

Administration Costs 2020-21

	2020-21			2019-20
SOPS Note	Outturn	Estimate	Outturn vs Estimate: saving/(excess)	Outturn
	£000	£000	£000	£000
1.1	**910,555**	**962,731**	**52,176**	**796,978**

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

Notes to the Statement of Outturn against Parliamentary Supply

SOPS 1. Outturn Detail, by Estimate Line

1.1 Analysis of Resource Outturn by Estimate Line

	2020-21											2019-20
	Resource Outturn							Estimate			Outturn vs Estimate saving/ (excess)	Outturn
	Administration			Programme								
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000	Total £000	Total £000	Virements £000	Total including virements £000	Total £000	Total £000
Spending in Departmental Expenditure Limit:												
Voted:												
A Operational Delivery	8,782	(2,798)	5,984	2,402,602	(80,614)	2,321,988	2,327,972	2,645,514	(142,099)	2,503,415	175,443	2,163,772
B Health and Safety Executive (Net)	61,462	-	61,462	103,944	-	103,944	165,406	167,611	6,369	173,980	8,574	127,543
C European Social Fund	-	-	-	191,767	(185,956)	5,811	5,811	344	5,467	5,811	-	8,141
D Executive Arm's Length Bodies (Net)	16,948	-	16,948	228,158	-	228,158	245,106	258,431	248	258,679	13,573	207,902
E Employment Programmes	-	-	-	311,422	(18,014)	293,408	293,408	255,902	37,506	293,408	-	246,224
F Support for Local Authorities	-	-	-	236,606	-	236,606	236,606	220,399	16,207	236,606	-	216,640
G Other Programmes	-	-	-	42,381	(135,852)	(93,471)	(93,471)	(92,187)	-	(92,187)	1,284	(77,575)
H Other Benefits	-	-	-	343,956	-	343,956	343,956	349,633	-	349,633	5,677	136,765
I Departmental operating costs	846,929	(20,768)	826,161	1,668,289	(80,678)	1,587,611	2,413,772	2,389,646	76,302	2,465,948	52,176	2,392,222
Total Voted DEL	**934,121**	**(23,566)**	**910,555**	**5,529,125**	**(501,114)**	**5,028,011**	**5,938,566**	**6,195,293**	**-**	**6,195,293**	**256,727**	**5,421,634**
Non-Voted:												
J National Insurance Fund	-	-	-	689,946	(3,385)	686,561	686,561	686,560	-	686,560	(1)	431,769
K Expenditure incurred by the Social Fund	-	-	-	35,952	-	35,952	35,952	50,540	-	50,540	14,588	29,519
Total Non-Voted DEL	**-**	**-**	**-**	**725,898**	**(3,385)**	**722,513**	**722,513**	**737,100**	**-**	**737,100**	**14,587**	**461,288**
Total spending in DEL	**934,121**	**(23,566)**	**910,555**	**6,255,023**	**(504,499)**	**5,750,524**	**6,661,079**	**6,932,393**	**-**	**6,932,393**	**271,314**	**5,882,922**

	2020-21											2019-20
	Resource Outturn							Estimate			Outturn vs Estimate saving/ (excess)	Outturn
	Administration			Programme								
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000	Total £000	Total £000	Virements £000	Total including virements £000	Total £000	Total £000
Spending in Annually Managed Expenditure												
Voted:												
L Severe Disablement Allowance - Inside Welfare Cap	-	-	-	71,959	-	71,959	71,959	73,842	-	73,842	1,883	89,013
M Industrial Injuries Benefits Scheme - Inside Welfare Cap	-	-	-	723,483	-	723,483	723,483	724,595	-	724,595	1,112	830,782
N Universal Credit - Inside Welfare Cap	-	-	-	21,642,340	-	21,642,340	21,642,340	23,129,176	(439,194)	22,689,982	1,047,642	15,252,849
O Employment and Support Allowance - Inside Welfare Cap	-	-	-	8,816,698	-	8,816,698	8,816,698	9,140,631	-	9,140,631	323,933	9,338,999
P Income Support - Inside Welfare Cap	-	-	-	1,073,760	-	1,073,760	1,073,760	1,097,889	-	1,097,889	24,129	1,375,570
Q Pension Credit - Inside Welfare Cap	-	-	-	5,070,937	-	5,070,937	5,070,937	5,183,907	-	5,183,907	112,970	5,060,886
R Financial Assistance Scheme - Inside Welfare Cap	-	-	-	281,286	-	281,286	281,286	45,622	235,664	281,286	-	(14,798)
S Attendance Allowance - Inside Welfare Cap	-	-	-	5,344,519	-	5,344,519	5,344,519	5,450,385	-	5,450,385	105,866	5,908,483
T Personal Independence Payment - Inside Welfare Cap	-	-	-	13,691,730	-	13,691,730	13,691,730	13,836,780	-	13,836,780	145,050	12,512,870
U Disability Living Allowance - Inside Welfare Cap	-	-	-	5,808,491	-	5,808,491	5,808,491	5,961,111	-	5,961,111	152,620	7,233,141
V Carer's Allowance - Inside Welfare Cap	-	-	-	3,038,584	-	3,038,584	3,038,584	3,097,912	-	3,097,912	59,328	2,940,799
W Housing Benefit - Inside Welfare Cap	-	-	-	16,612,996	-	16,612,996	16,612,996	17,040,385	-	17,040,385	427,389	17,242,860
X Statutory Maternity Pay - Inside Welfare Cap	-	-	-	2,594,275	-	2,594,275	2,594,275	2,695,250	-	2,695,250	100,975	2,168,992
Y Non-contributory Christmas Bonus - Inside Welfare Cap	-	-	-	35,769	-	35,769	35,769	35,994	-	35,994	225	34,794

	2020-21											2019-20
	Resource Outturn							Estimate			Outturn vs Estimate saving/ (excess)	Outturn
	Administration			Programme								
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000	Total £000	Total £000	Virements £000	Total including virements £000	Total £000	Total £000
Z Other Expenditure - Inside Welfare Cap	-	-	-	6,142	-	6,142	6,142	(189,293)	195,435	6,142	-	6,395
AA Jobseekers Allowance - Outside Welfare Cap	-	-	-	435,206	-	435,206	435,206	698,028	-	698,028	262,822	602,981
AB Universal Credit - Outside Welfare Cap	-	-	-	16,439,778	-	16,439,778	16,439,778	18,491,170	-	18,491,170	2,051,392	3,124,077
AC TV Licences for the over 75s - Outside Welfare Cap	-	-	-	2,923	-	2,923	2,923	2,923	-	2,923	-	253,047
AD Housing Benefit - Outside Welfare Cap	-	-	-	414,212	-	414,212	414,212	549,096	-	549,096	134,884	570,013
AE Other Benefits - Outside Welfare Cap	-	-	-	135,070	-	135,070	135,070	126,975	8,095	135,070	-	122,265
AF Other Expenditure - Outside Welfare Cap	-	-	-	(52,165)	-	(52,165)	(52,165)	2,000	-	2,000	54,165	(15,317)
AG Other Expenditure EALBs (Net) - Outside Welfare Cap	-	-	-	(1,201)	-	(1,201)	(1,201)	64	-	64	1,265	(540)
Total Voted AME	**-**	**-**	**-**	**102,186,792**	**-**	**102,186,792**	**102,186,792**	**107,194,442**	**-**	**107,194,442**	**5,007,650**	**84,638,161**
Non-Voted:												
AH Incapacity Benefit - Inside Welfare Cap	-	-	-	4,628	-	4,628	4,628	728	-	728	(3,900)	4,824
AI Employment and Support Allowance - Inside Welfare Cap	-	-	-	4,567,472	-	4,567,472	4,567,472	4,736,958	-	4,736,958	169,486	4,511,990
AJ Expenditure incurred by the Social Fund - Inside Welfare Cap	-	-	-	2,102,630	-	2,102,630	2,102,630	2,583,441	-	2,583,441	480,811	2,032,931
AK Maternity Allowance – Inside Welfare Cap	-	-	-	383,745	-	383,745	383,745	392,727	-	392,727	8,982	419,325
AL Bereavement benefits - Inside Welfare Cap	-	-	-	497,794	-	497,794	497,794	623,476	-	623,476	125,682	506,284
AM Other Contributory Benefits - Inside Welfare Cap	-	-	-	122,747	-	122,747	122,747	125,892	-	125,892	3,145	(130,777)

	2020-21											2019-20
	Resource Outturn							Estimate			Outturn vs Estimate saving/ (excess)	Outturn
	Administration			Programme								
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000	Total £000	Total £000	Virements £000	Total including virements £000	Total £000	Total £000
AN Jobseekers Allowance - Outside Welfare Cap	-	-	-	610,867	-	610,867	610,867	634,001	-	634,001	23,134	110,761
AO State Pension - Outside Welfare Cap	-	-	-	101,901,049	-	101,901,049	101,901,049	104,972,309	-	104,972,309	3,071,260	98,688,771
Total AME Non-Voted	**-**	**-**	**-**	**110,190,932**	**-**	**110,190,932**	**110,190,932**	**114,069,532**	**-**	**114,069,532**	**3,878,600**	**106,144,109**
Total spending in AME	**-**	**-**	**-**	**212,377,724**	**-**	**212,377,724**	**212,377,724**	**221,263,974**	**-**	**221,263,974**	**8,886,250**	**190,782,270**
Non-Budget Resource:												
Voted:												
AP Cash paid in to the Social Fund	-	-	-	2,145,384	-	2,145,384	2,145,384	2,530,040	-	2,530,040	384,656	2,032,321
Total spending in Non-Budget	**-**	**-**	**-**	**2,145,384**	**-**	**2,145,384**	**2,145,384**	**2,530,040**	**-**	**2,530,040**	**384,656**	**2,032,321**
Total Resource	**934,121**	**(23,566)**	**910,555**	**220,778,131**	**(504,499)**	**220,273,632**	**221,184,187**	**230,726,407**	**-**	**230,726,407**	**9,542,220**	**198,697,513**

1.2 Analysis of Capital Outturn by Estimate Line

	2020-21							2019-20
	Capital Outturn			Estimate			Outturn vs Estimate saving/ (excess)	Outturn
	Gross £000	Income £000	Net £000	Total £000	Virements £000	Total including virements £000	Total £000	Total £000
Spending in Departmental Expenditure Limit								
Voted:								
A Operational Delivery	(138)	-	(138)	234	-	234	372	3,151
B Health and Safety Executive (Net)	10,707	-	10,707	19,152	-	19,152	8,445	7,653
D Executive Arms Length Bodies (Net)	8,855	-	8,855	999	7,856	8,855	-	2,537
G Other Programmes	107,835	-	107,835	110,747	-	110,747	2,912	71,900
I Departmental operating costs	303,551	(24,694)	278,857	445,451	(7,856)	437,595	158,738	(38,103)
Total Voted DEL	**430,810**	**(24,694)**	**406,116**	**576,583**	**-**	**576,583**	**170,467**	**47,138**
Non-Voted:								
K Expenditure incurred by the Social Fund	62,486	(476)	62,010	67,509	-	67,509	5,499	33,980
Total Non-Voted DEL	**62,486**	**(476)**	**62,010**	**67,509**	**-**	**67,509**	**5,499**	**33,980**
Total spending in DEL	**493,296**	**(25,170)**	**468,126**	**644,092**	**-**	**644,092**	**175,966**	**81,118**
Spending in Annually Managed Expenditure								
Voted:								
N Universal Credit - Inside Welfare Cap	95,600	-	95,600	280,669	-	280,669	185,069	295,205
AB Universal Credit - Outside Welfare Cap	72,119	-	72,119	219,331	-	219,331	147,212	60,464
AF Other Expenditure - Outside Welfare Cap	32,093	(2,956)	29,137	174,100	-	174,100	144,963	34,666
Total Voted AME	**199,812**	**(2,956)**	**196,856**	**674,100**	**-**	**674,100**	**477,244**	**390,335**
Non-Voted:								
AJ Expenditure incurred by the Social Fund - Inside Welfare Cap	-	(51,286)	(51,286)	20,000	-	20,000	71,286	(81,093)
Total AME Non-Voted	**-**	**(51,286)**	**(51,286)**	**20,000**	**-**	**20,000**	**71,286**	**(81,093)**
Total spending in AME	**199,812**	**(54,242)**	**145,570**	**694,100**	**-**	**694,100**	**548,530**	**309,242**
Total Capital	**693,108**	**(79,412)**	**613,696**	**1,338,192**	**-**	**1,338,192**	**724,496**	**390,360**

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 are 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.

SOPS 2. Reconciliation of Outturn to Net Operating Expenditure

Total Resource Outturn in Statement of Outturn against Parliamentary Supply		Note	2020-21 Outturn Total £000	2019-20 Outturn Total £000
	Budget	1.1	219,038,803	196,665,192
	Non-Budget	1.1	2,145,384	2,032,321
	Total Resource Outturn		**221,184,187**	**198,697,513**
Add:	Capital Grants		(297,553)	(522,242)
	Capital Research and Development		4,843	1,642
	Service Concession Adjustments		1,610	(579)
Total			**(291,100)**	**(521,179)**
Less:	Income payable to the Consolidated Fund	4	(44,200)	(18,441)
	Cash paid to the Social Fund – Voted Non-Budget		(2,145,384)	(2,032,321)
Total			**(2,189,584)**	**(2,050,762)**
Net operating expenditure in Consolidated Statement of Comprehensive Net Expenditure			**218,703,503**	**196,125,572**

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 (whether received or issued) 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

	Note	2020-21 Outturn £000	2020-21 Estimate £000	Outturn v Estimate: saving/(excess) £000
Total Resource Outturn	**SOPS 1.1**	**221,184,187**	**230,726,407**	**9,542,220**
Total Capital Outturn	**SOPS 1.2**	**613,696**	**1,338,192**	**724,496**
Adjustments for ALBs:				
Remove voted resource and capital		(428,873)	(446,257)	(17,384)
Add cash grant in aid		403,529	467,070	63,541
Adjustments to remove non-cash items:				
Non-cash items		(645,773)	(770,921)	(125,148)
Adjustments to reflect movements in working balances:				
Changes in working capital other than cash		652,727	759,071	106,344
Use of provisions		394,207	215,235	(178,972)
Non-Voted Budget		(110,924,169)	(114,894,141)	(3,969,972)
Net Cash Requirement		**111,249,531**	**117,394,656**	**6,145,125**

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. Analysis of income 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 2020-21		Outturn 2019-20
	Income £000	*Receipts* £000	Income £000	*Receipts* £000
Income outside of the ambit of the Estimate	44,200	*44,485*	18,441	*19,222*
Total amount payable to the Consolidated Fund	**44,200**	***44,485***	**18,441**	***19,222***

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.

Consolidated Fund income shown above does not include any amounts we collect from the Financial Assistance Scheme (FAS) while acting as agent of the Consolidated Fund rather than as principal. Details of income collected as agent for the Consolidated Fund were in previous years disclosed in a FAS Trust Statement, but as the revenue is no longer material to DWP the need to produce a Trust Statement no longer exists.

FAS does however, still hold a number of illiquid assets, mainly annuity policies, transferred from FAS qualifying pension schemes, and continues to collect the income arising from those assets and pay the resulting cash over to the Consolidated Fund. In the year to 31 March 2021, FAS collected income totalling £8.3 million, consisting of annuity and other income of £8.9 million and the reversal of scheme transfer income of (£0.6) million. (2019-20: £11.5 million, consisting of annuity and other income of £10.2 million and scheme transfer income of £1.3 million.) £22.8 million was paid over to the Consolidated Fund during the year (2019-20: £nil). As at 31 March 2021, FAS illiquid assets were valued at £143.4 million (2019-20: £150.5* million) and FAS held cash awaiting transfer to the Consolidated Fund of £0.5 million (2019-20: £14.9 million).

*The 2019-20 reported value reflects the value of annuity assets at 31 March 2019, the 2020-21 valuation reflects the value of annuity assets at 31 March 2021. The value of annuity assets as at 31 March 2020 on the same in year basis was £155.9 million.

Variances

Our Estimate for 2020-21 contained a far larger degree of uncertainty that has been the case in previous years. This was due to COVID-19 and its impact on both individuals and the economy. Our Estimate therefore included more margin to mitigate these uncertainties and this is a recurring theme in several of our Estimate lines.

Voted Expenditure – DEL

A – Operational Delivery – Resource

Outturn was £317.5 million lower than Estimate. To deliver our Plan for Jobs, full funding was provided at Supplementary Estimates for our additional recruitment costs. However, costs have been lower than anticipated due to difficulties in recruitment caused by COVID-19 and further lockdowns, leading to an underspend.

E – Employment Programmes - Resource

Outturn was £37.5 million higher than Estimate. The variance is due to the forecast for Employment Programmes being split across Employment Programmes and Operational Delivery, whereas outturn has largely been recorded against Employment Programmes.

I – Departmental operating costs – Capital

Outturn was £166.6 million lower than Estimate. At the Supplementary Estimate, a Resource to Capital transfer was agreed for us to fund our Rapid Estates Expansion Programme. The impact of lockdowns in 2020-21 led to delays in delivering the programme resulting in an underspend.

Non-Voted Expenditure – DEL

K – Expenditure incurred by the Social Fund - Resource

Outturn was £14.6 million lower than expected. This is due to the additional uncertainties present this year in drawing up an accurate forecast for the impairment costs relating to Funeral Expense Payments.

AME

The Office of Budget Responsibility forecasts of benefit expenditure, on which our Estimates are based, are central estimates. Each year we apply a margin to reflect the inherent uncertainty that these forecasts are equally likely to go up or down. The impacts on benefit expenditure due to COVID-19 were uncertain and we have seen our outturn at the lower end of that forecasted for most Estimate lines.

Voted Expenditure – AME

N - Universal Credit - Inside Welfare Cap – Resource and Capital

Resource outturn was £1,486.8 million lower than Estimate. The increase in Universal Credit was not as high as forecast due to the impact of other Government policy measures reducing claims for Universal Credit.

Capital Outturn was £185.1 million lower than Estimate. Lower than expected Universal Credit claims, accompanied by differing needs of new customers claiming Universal Credit, also resulted in fewer than expected Universal Credit Advances being paid.

R - Financial Assistance Scheme - Inside Welfare Cap - Resource

Outturn was £229.5 million less than Estimate. This relates to the Financial Assistance Scheme (FAS) provision (see note 16a).

Provisions are, by their nature, uncertain and therefore a margin is included in the Estimate. The outturn reflects the most recent cash flow forecasts provided for FAS. These were not available at the time the Estimate was prepared.

Z – Other Expenditure - Inside Welfare Cap - Resource

Outturn was £195.4 million higher than expected as we now include accounting adjustments relating to the transfer and subsequent management of Tax Credit debt in Universal Credit – Inside Welfare Cap (Estimate row N).

AA - Jobseekers Allowance - Outside Welfare Cap - Resource

Outturn was £262.8 million lower than Estimate. Estimates for benefit expenditure can be volatile and there was a lower impact from COVID-19 on the Jobseekers Allowance caseload than was forecast.

AB - Universal Credit - Outside Welfare Cap – Resource and Capital

Resource outturn was £2,051.4 million lower than Estimate. The increase in Universal Credit was not as high as anticipated due to other Government policy measures reducing the need for claims for Universal Credit.

Capital outturn was £147.2 million less than Estimate. Lower than expected Universal Credit claims, accompanied by differing needs of new customers claiming Universal Credit, also resulted in fewer than expected Universal Credit Advances being paid.

AD - Housing Benefit - Outside Welfare Cap - Resource

Outturn was £134.9 million lower than Estimate. Reduction in expenditure due to a reduction in caseloads driven by the impact of COVID-19 being different than was forecast.

AF - Other Expenditure - Outside Welfare Cap - Resource and Capital

Resource outturn was £54.2 million less than Estimate as a result of our utilisation of other provisions taking place earlier than expected.

Capital outturn was £145.0 million less than Estimate. The take up of Support for Mortgage Interest loans was lower than was forecast in the Estimate, in line with lower than forecast take up of benefits due to other Government policy measures.

Non-Voted Expenditure – AME

AJ - Expenditure incurred by the Social Fund - Inside Welfare Cap - Resource and Capital

Resource outturn was £480.8 million less than Estimate. This is due to Cold Weather Payments being lower than Estimate. The weather is inherently difficult to predict and therefore Estimates always includes a sizeable margin.

Capital outturn was £71.3 million less than Estimate as a result of uncertainties due to COVID-19 with recoveries of loans exceeding those forecast for the Estimate.

AL- Bereavement benefits - Inside Welfare Cap - Resource

Outturn was £125.7 million less than Estimate. Bereavement benefits are driven by entitlement and therefore can fluctuate from the Estimate.

AO - State Pension - Outside Welfare Cap - Resource

Outturn was £3,071.3 million lower than Estimate. This is due to higher mortality rates in State Pension age groups than were forecast along with the impact of changes to provisions which are by their nature uncertain.

AP – Cash paid in to the Social Fund - Resource

Outturn was £384.7 million lower than expected as the Social Fund did not incur as much expenditure as forecast as set out in Estimate line AJ. As a result, less cash was required to be paid in to the Social Fund.

Core Tables

(This information is not subject to audit)

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

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

	2016-17 Outturn £million	2017-18 Outturn £million	2018-19 Outturn £million	2019-20 Outturn £million	2020-21 Outturn £million	2021-22 Plans £million
Resource DEL[2]						
Section A: Operational Delivery	1,862	1,969	2,074	2,163	2,328	2,873
Section B: Health and Safety Executive (Net)	133	124	124	128	165	180
Section C: European Social Fund	(2)	6	-	8	6	1
Section D: Executive Arms Length Bodies (Net)	179	190	190	208	245	265
Section E: Employment Programmes	572	384	285	246	293	290
Section F: Support for local authorities	290	261	238	217	237	256
Section G: Other Programmes	(36)	(66)	(72)	(78)	(93)	(79)
Section H: Other Benefits	163	171	148	137	344	140
Section I: Departmental operating costs	2,606	2,665	2,464	2,392	2,414	5,006
Section J: National Insurance Fund	443	458	491	432	687	449
Section K: Expenditure incurred by the Social Fund	28	26	25	30	36	30
Total Resource DEL	**6,237**	**6,187**	**5,967**	**5,883**	**6,661**	**9,411**
Of which:						
Staff costs	2,800	2,843	2,976	3,044	3,499	3,566
Purchase of goods and services	2,111	1,906	2,092	1,952	2,237	3,414
Income from sales of goods and services	(206)	(190)	(245)	(274)	(294)	(177)
Current grants to local government (Net)	457	474	508	431	640	477
Current grants to persons and non-profit bodies (Net)	267	277	874	575	464	1,817
Current grants abroad (Net)	4	(19)	(602)	(280)	(186)	-
Subsidies to public corporations	46	42	47	49	48	74
Rentals	640	677	170	169	56	46
Net public service pensions	-	-	-	-	27	-
Depreciation[3]	156	187	206	188	185	189
Take up of provisions	-	-	-	3	8	5
Change in pension scheme liabilities	9	80	23	32	-	1
Other resource	(47)	(89)	(82)	(5)	(25)	(1)
Resource AME[4]						
Section L: Severe Disablement Allowance - Inside Welfare Cap	234	120	97	89	72	64
Section M: Industrial Injuries Benefits Scheme - Inside Welfare Cap	861	840	838	831	723	690
Section N: Universal Credit - Inside Welfare Cap	634	1,930	5,935	15,253	21,642	23,708
Section O: Employment and Support Allowance - Inside Welfare Cap	10,143	10,642	10,535	9,339	8,817	8,692
Section P: Income Support - Inside Welfare Cap	2,232	2,139	1,839	1,376	1,074	808
Section Q: Pension Credit - Inside Welfare Cap	5,666	5,368	5,140	5,061	5,071	4,999
Section R: Financial Assistance Scheme - Inside Welfare Cap	261	495	(1,636)	(15)	281	112
Section S: Attendance Allowance - Inside Welfare Cap	5,483	5,529	5,676	5,908	5,345	5,367
Section T: Personal Independence Payment - Inside Welfare Cap	5,168	8,646	10,635	12,513	13,692	14,787

Table 1: Public spending for the Department for Work and Pensions	2016-17 Outturn £million	2017-18 Outturn £million	2018-19 Outturn £million	2019-20 Outturn £million	2020-21 Outturn £million	2021-22 Plans £million
Section U: Disability Living Allowance - Inside Welfare Cap	11,514	9,380	8,126	7,233	5,808	5,524
Section V: Carer's Allowance - Inside Welfare Cap	2,667	2,830	2,884	2,941	3,039	3,194
Section W: Housing Benefit - Inside Welfare Cap	21,308	20,249	19,112	17,243	16,613	16,102
Section X: Statutory Maternity Pay - Inside Welfare Cap	2,152	2,421	2,587	2,169	2,594	2,643
Section Y: Non-contributory Christmas Bonus - Inside Welfare Cap	33	33	32	35	36	37
Section Z: Other Expenditure - Inside Welfare Cap	-	-	6	6	6	-
Section AA: Jobseekers Allowance - Outside Welfare Cap	1,611	1,443	1,145	603	435	319
Section AB: Universal Credit - Outside Welfare Cap	951	1,392	2,195	3,124	16,440	17,565
Section AC: TV Licences for the over 75s - Outside Welfare Cap	628	655	468	253	3	-
Section AD: Housing Benefit - Outside Welfare Cap	1,571	1,439	1,066	570	414	341
Section AE: Other Benefits - Outside Welfare Cap	103	108	116	122	135	306
Section AF: Other Expenditure - Outside Welfare Cap	40	(84)	(3)	(15)	(52)	-
Section AG: Other Expenditure EALBs (net) - Outside Welfare Cap	5	6	-	(1)	(1)	-
Section AH: Incapacity Benefit - Inside Welfare Cap	15	9	(1)	5	5	-
Section AI: Employment and Support Allowance - Inside Welfare Cap	4,687	4,711	4,563	4,512	4,567	4,768
Section AJ: Expenditure incurred by the Social Fund - Inside Welfare Cap	2,087	2,157	2,054	2,033	2,103	2,080
Section AK: Maternity Allowance - Inside Welfare Cap	436	427	428	419	384	386
Section AL: Bereavement benefits - Inside Welfare Cap	557	503	463	506	498	393
Section AM: Other Contributory Benefits - Inside Welfare Cap	126	(54)	(209)	(131)	123	127
Section AN: Jobseekers Allowance - Outside Welfare Cap	264	224	155	111	611	282
Section AO: State Pension - Outside Welfare Cap	91,481	93,696	96,630	98,689	101,901	105,021
Total Resource AME	**172,921**	**177,252**	**180,877**	**190,782**	**212,378**	**218,315**
Of which:						
Purchase of goods and services	13	16	6	1	-	-
Current grants to local government (Net)	22,880	21,687	20,178	17,813	17,027	16,443
Current grants to persons and non-profit bodies (Net)	148,917	153,525	161,590	173,021	194,051	201,987
Depreciation[3]	(15)	(200)	(118)	(24)	(108)	-
Take up of provisions	287	1,512	(923)	48	1,555	112
Release of provision	(203)	(229)	(703)	(610)	(394)	(227)
Change in pension scheme liabilities	7	(78)	(16)	(31)	(26)	-
Other resource	1,036	1,021	862	565	272	-
Total Resource Budget	**179,158**	**183,440**	**186,844**	**196,665**	**219,039**	**227,726**
Of which:						
Depreciation[3]	141	(14)	88	164	78	189
Capital DEL[5]						
Section A: Operational Delivery	1	-	1	3	-	-
Section B: Health and Safety Executive (Net)	11	9	7	8	11	23
Section D: Executive Arm's Length Bodies (Net)	5	1	1	2	9	9
Section E: Employment Programmes	(1)	-	-	-	-	-
Section G: Other Programmes	80	84	93	72	108	111
Section I: Departmental operating costs	158	302	188	(38)	279	271
Section K: Expenditure incurred by the Social Fund	38	37	44	34	62	47
Consolidated Fund Extra Receipts	-	-	-	-	-	-
Total Capital DEL	**292**	**433**	**334**	**81**	**468**	**461**

Table 1: Public spending for the Department for Work and Pensions	2016-17 Outturn £million	2017-18 Outturn £million	2018-19 Outturn £million	2019-20 Outturn £million	2020-21 Outturn £million	2021-22 Plans £million
Of which:						
Staff costs	2	2	2	1	2	-
Purchase of goods and services	-	-	1	-	3	-
Capital grants to private sector companies (Net)	-	-	1	(1)	-	-
Capital support for public corporations	80	84	93	72	108	114
Purchase of assets	179	339	197	111	319	301
Income from sales of assets	(6)	(30)	(4)	(137)	(25)	-
Net lending to the private sector and abroad	36	37	44	34	62	47
Other capital	2	1	-	-	-	-
Capital AME						
Section N: Universal Credit - Inside Welfare Cap	-	40	136	295	96	182
Section AB: Universal Credit - Outside Welfare Cap	-	25	50	60	72	134
Section AF: Other Expenditure - Outside Welfare Cap	-	-	29	35	29	140
Section AJ: Expenditure incurred by the Social Fund - Inside Welfare Cap	(87)	(102)	(81)	(81)	(51)	-
Total Capital AME	**(87)**	**(37)**	**135**	**309**	**146**	**456**
Of which:						
Net lending to the private sector and abroad	(48)	8	299	831	146	456
Other capital	(39)	(44)	(164)	(522)	-	-
Total Capital Budget	**205**	**396**	**469**	**390**	**614**	**917**
Total departmental spending	**179,221**	**183,850**	**187,226**	**196,891**	**219,575**	**228,454**
Of which:						
Total DEL	6,372	6,433	6,094	5,776	6,944	9,683
Total AME	172,849	177,416	181,131	191,115	212,631	218,771

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. Depreciation includes impairments
4. AME limits are set as part of the Spring Statement and Autumn Budget process
5. Expenditure on tangible and intangible fixed assets net of sales
6. Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly total departmental expenditure limit (DEL) is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL
7. Table 1 is produced automatically from the HM Treasury System (Online System for Central Accounting and Reporting (OSCAR)) which is used by all central government departments to record their spending and plans. At 31 March 2021, OSCAR reflects the position agreed at 11 June 2021. 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

	2016-17 Outturn £million	2017-18 Outturn £million	2018-19 Outturn £million	2019-20 Outturn £million	2020-21 Outturn £million	2021-22 Plans £million
Resource DEL						
Operational Delivery	21	6	7	6	6	6
Health and Safety Executive (Net)	83	77	53	50	61	55
Executive Arm's Length Bodies (Net)	10	9	14	15	17	17
Departmental operating costs	766	706	705	726	826	832
Total administration budget	**880**	**799**	**780**	**797**	**911**	**910**
Of which:						
Staff costs	441	414	422	460	524	427
Purchase of goods and services	379	351	367	360	436	469
Income from sales of goods and services	(59)	(75)	(90)	(112)	(114)	(15)
Current grants to local government (Net)	-	-	1	-	-	1
Rentals	83	67	46	48	15	(4)
Depreciation[3]	19	32	28	30	34	40
Other resource	15	10	5	11	15	(8)

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 2021, OSCAR reflects the position agreed at 11 June 2021. 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[30].

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 150.

In 2020-21, we did not breach any of our control totals, details are provided in the Statement of Parliamentary Supply on page 193.

Our accounts have been qualified 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 171.

30 Available at www.gov.uk

Parliamentary accountability disclosures

Losses and Special Payments[31]

(This information is subject to audit)

	2020-21				2019-20			
	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	372,575	373,929	626,032	628,046	354,374	355,692	870,439	871,323
Special Payments	6,290	6,291	41,376	41,377	66,217	66,261	8,356	8,358

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

	2020-21 £000
Non-recoverable Benefit Overpayments	
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.	**221,628**
Customer Fraud	
We write off overpayments resulting from customer fraud once we've exhausted our debt recovery processes.	**5,206**
Social Fund	
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. There has been a significant increase in payments (2020-21: £62.5 million, 2019-20: £34.2 million) and consequently associated losses due to the COVID-19 coronavirus pandemic. This year we wrote off 25,545 individual funeral expense payments (2019-20: 19,302) with a total value of £45.7 million (2019-2020: £30.4 million). Budgeting and crisis loans which can't be recovered are written off subject to strict criteria. This year we wrote off 23,318 of these loans with a total value of £3 million. We also wrote off 2,371 irrecoverable overpayments amounting to £0.34 million, of which £0.33 million relate to Winter Fuel Payments.	**49,033**

31 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

(ii) Cash Losses

	2020-21 £000
Flexible Support Fund Losses	
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.	**657**

(iii) losses of pay, allowances and superannuation benefits paid to civil servants, members of the armed forces and ALB employees: including overpayments due to miscalculation, misinterpretation, or missing information; unauthorised issues; and other causes

	2020-21 £000
Staff Costs	
Bad debts written off in respect of staff costs in relation to 387 transactions - for example overpayments of salary not recovered.	**453**

(iv) Realised Exchange Rate Fluctuation

	2020-21 £000
European Social Fund (ESF) Exchange Rate Loss	
We carry a risk (and opportunity) on ESF transactions due to exchange rate fluctuations between payment application submission to the European Commission and payment to DWP, and between receiving pre-financing and repaying it to the European Commission. In 2020-21, a net gain on foreign exchange of £0.223m materialised, consisting of £2.833m in gains offset by £2.610m in losses.	**(223)**

(v) Special Payments

	2020-21 £000
Staff/Contractor Payments	
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.	**1,199**
Actual Loss	
Ex Gratia payments to claimants in receipt of contributory benefits funded by the National Insurance Fund for actual financial loss that may have occurred as a result of Departmental failure or delay.	**1,107**
Compensation Payments	
These are ex gratia compensation payments to claimants in receipt of contributory benefits funded by the National Insurance Fund for compensation resulting from Departmental failure or delay.	**606**
Legal Settlements	
These are payments for ex gratia out of court legal settlements.	**744**
Extra Statutory Funeral Payments	
Extra Statutory Funeral Expenses Payments made to EEA Nationals.	**325**
Advance Payments	
Advance payments of child maintenance paid by Child Maintenance Group (CMG) - paid in cases where CMG accepted that it contributed to the accrual of arrears. The losses total in the table above also reflects the release of an unused accrued amount of £871,000 relating to the 1993 and 2003 Schemes, which have now closed.	**583**
Loss of Statutory Entitlement	
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.	**435**

(vi) Fruitless Payments

	2020-21 £000
Legal Payments on Account These are interim payments paid on account to the customer's legal representative when a case has gone to court and DWP is ordered to pay the litigant's legal costs.	**518**
European Social Fund (ESF) Self Correction Payment The Government Internal Audit Agency audit the European Social Fund accounts on behalf of the European Commission. The Department is expected to manage its audit error rates from projects below a 2.0% threshold. The audit of the 2019/20 accounts identified errors totalling 3.2%, therefore DWP are liable to pay a financial correction to the Commission for the difference between 3.2% and 2.0%.	**3,710**
IR35 – Payment to HMRC IR35 legislation from 6 April 2017 required public sector bodies, where they engage off-payroll workers, to ensure they correctly assess their 'employment status' i.e. correct tax treatment. To do this, DWP utilised HMRC's CEST (Check Employment Status Tool). In March 2020 DWP received a Letter of Offer from HMRC that formally concluded their review of IR35 implementation in DWP. The result was agreement on historic errors and acceptance by DWP of a liability for tax/NI plus interest for the financial years 2017-18 (£21.1m), 2018-19 (£36.7m) and 2019-20 (£29.7m). A liability for 2020-21 (£0.4m) was also subsequently agreed. The total amounted to £87.9m.	**87,900**

(vii) Constructive Losses

	2020-21 £000
IT Hardware Included in the total of £2.639m, £2.173m relates to the purchase of a set of Solaris servers as part of the Department's initial Data Centre build in 2017 which subsequently had to be replaced sooner than originally planned due to end of life and oversizing issues. Whilst the replacement arrangement represents overall better value for money for the Department, the early retirement of the original servers has a resulted in a loss on their disposal in the 2020-21 accounts.	**2,639**
Software Licences Included in the total of £0.968 million, £0.737 million relates to the purchase of a set of Quest software licences which subsequently had to be replaced sooner than originally planned due to increases in the number of staff driven by DWP's COVID-19 pandemic response. Whilst the replacement licence agreement represents overall better value for money for the Department, the early retirement of the original licences has a resulted in a loss on their disposal in the 2020-21 accounts.	**968**
Loss on Disposal - Finance Leases Included in the total of £0.551 million, £0.412 million relates to a loss on disposal generated by the decommissioning of a number of network assets as DWP moves from a BT managed Public Service Network Contract (PSN-C) to its own internal service.	**551**
Loss arising from contractual obligations The Department has a contract for transcription services with ENGIE. The transcription service is used for interviews under caution as evidence to support fraud prosecution. Following COVID-19 lockdown restrictions in April 2020 and the cessation of interviews the contract was resized from November 2020 requiring a provision for a minimum contract charge to cover supplier costs. The minimum contract charges were agreed at £0.112 million per month. Further restrictions from Autumn 2020 up to and including mid - April 2021 significantly curtailed interview activity and as a result between November 2020 and March 2021 £0.537 million was paid as a minimum contract payment where little or no service was required or provided by the Department. This expenditure is considered 'nugatory spend' and as such a 'loss' in the 20/21 financial year.	**537**

(viii) Claims waived or abandoned

	2020-21 £000
Health and Safety Executive	
These losses represent receivables written off where companies have gone into liquidation or administration.	**1,337**

(ix) Other Accountability Issues

	2020-21 £000
Counter Fraud and Investigation – DWP Other Accountability Fraud Data 2021 1 April 2020 to 31 March 2021 The Government Internal Audit Agency's Counter Fraud and Investigation team provides counter fraud services to DWP. This includes the investigation of internal fraud and/or other serious breaches of the Department's Standards of Behaviour by DWP employees, contractors and providers. 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: • 22 investigations were completed, resulting in proven losses of £95k Non-contributory and contributory benefit losses: • 32 investigations were completed, resulting in proven losses of £198k	

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 signalled the start 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 many millions of people now saving in these schemes. To be able to operate as a Master Trust (MT), of which NEST is one, schemes are required to meet five authorisation criteria prescribed in the 2017 Act.

One of the criteria 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.

Due to the nature of its financial arrangements with government NEST, which has been an authorised MT scheme since 2019, is unable to build up the financial reserves needed to meet the financial sustainability criteria. Specifically, this is to hold sufficient funds to meet running costs for 24 months and any one-off costs associated with scheme closure using figures produced by NEST for The Pensions Regulator. 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. Since then and prior to entering the supervisory process the amount of the liability is reviewed annually.

The Department has estimated that the risk of full crystallisation as remote (at £16.45 million (5%)). The contingent liability is underwritten through a 'Letter of Comfort' in order that NEST can comply with the Master Trust supervisory regime which came into effect in October 2020.

State Pension age changes

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 15 September 2020, the Court of Appeal 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 of Appeal dismissed the claim on all grounds and on 26th March 2021 permission to appeal to the Supreme court was denied. We are waiting to hear if the appellants are going to appeal to the European Court of Human Rights.

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, this investigation remains confidential.

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 for the 2020-21 reporting period.

The ongoing disruption caused by the pandemic has created significant economic uncertainty, and this uncertainty is expected to continue throughout 2021. The Department has considered this against accounting standards and financial implications and determined that for the 2020-21 reporting period the impacts upon the Department has not identified any areas where a contingent liability or provision is required in these statements.

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.

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

9 July 2021

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 2021 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 2020. 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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 2021 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- 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 paragraphs, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2021 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 £212.2 billion in 2020-21.

Within note 18 to the accounts the Department estimates:

- overpayments excluding State Pension of £8.3 billion (7.5% of related expenditure); and
- underpayments excluding State Pension of £2.2 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 £0.09 billion (0.1% of related expenditure); and
- underpayments of £0.3 billion (0.3% 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 224 to 249, provides further detail of my qualified audit opinion on regularity.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Department for Work and Pensions in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Department for Work and Pensions' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department for Work and Pensions' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department for Work and Pensions is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

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 certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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; 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

In the light of the knowledge and understanding of the Department for Work and Pensions and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability report. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Report Manual are not made; 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.

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and

- assessing the Department for Work and Pension's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department for Work and Pensions will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Government Internal Audit Agency (GIAA) and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department for Work and Pensions' policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department and Departmental Group's controls relating to relevant benefit and pension legislation and establishing legislation for the bodies within the Departmental Group, Government Resources and Accounts Act 2000, Managing Public Money and the Supply and Appropriation (Main Estimates) Act 2020.
- discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and benefit expenditure;
- obtaining an understanding of the Department's framework of authority as well as other legal and regulatory frameworks that the Department and Departmental Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Department and Departmental Group. The key laws and regulations I considered in this context included relevant benefit and pension legislation and establishing legislation for the bodies within the Departmental Group, Government Resources and Accounts Act 2000, Managing Public Money and the Supply and Appropriation (Main Estimates) Act 2020 and relevant employment and tax legislation;

- specific risk assessments performed in respect of significant risks relating to non-compliance with laws and regulations and fraud, including: risk-based sampling of manual journals to identify those presenting higher risk of fraud, informed by planning risk assessment and review of the Statement of Parliamentary Supply outturn against budget; reviewing the Department's approach to material estimates presented within the accounts including the Department's estimate of fraud and error in benefit expenditure, the Financial Assistance Scheme provision and the new State Pension underpayments provision; understanding changes to benefit and state pension laws and regulations; and reviewing the Department's compliance with IR35 tax legislation; and
- obtaining an understanding of how the COVID-19 pandemic affected the Department's control environment and identifying where measures taken in response may have resulted in an increased risk of fraud in benefit expenditure.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and the Department's legal advisors concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments including the supply impact; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- reviewing the processes, verifying the data used and the appropriateness of the assumptions and judgements applied for material estimates presented within the accounts including the Department's estimate of fraud and error in benefit expenditure, the Financial Assistance Scheme provision and the new State Pension underpayments provision;
- reviewing the Department's procedures and controls to administer benefits and State Pension in accordance with laws and regulations; and
- review of the Department's settlement with HMRC, and liabilities within the Departmental Group, relating to non-compliance with IR35 tax legislation.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

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.

Gareth Davies
Comptroller and Auditor General

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

14 July 2021

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 and State Pension to claimants and pensioners on time, and in full, in accordance with legislation and the related regulations.
2. In 2020-21 the Department spent £212.2 billion on benefits and State Pension payments to claimants and pensioners.[32] Of this, £100.8 billion was spent on the State Pension, £93.7 billion was on benefits paid directly by the Department and £17.7 billion was for Housing Benefit paid on its behalf by local authorities. Benefits and State Pension expenditure represents 97% of the Department's total operating expenditure of £219.6 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;
   - the key facts around the systemic underpayment of State Pension due to errors by the Department;
   - the impact of COVID-19 on fraud and error and the Department's strategy; and
   - the consequences of fraud and error.

Key findings

4. **I have qualified my opinion on the regularity of the Department's 2020-21 financial statements due to a record level of fraud and error in benefit expenditure.** While this is the thirty-third year in which the Department's accounts have been qualified due to material fraud and error, the impact of the COVID-19 pandemic, the increase in the number of claimants and the Department's response to these increased the Department's exposure to fraud and error (paragraphs 17 to 22).
5. **The Department has recognised a new provision of £1.0 billion in its accounts relating to the underpayment of State Pension going back at least 30 years.** It estimates 132,000 pensioners have been underpaid due to continuing process and control failings. It is the fifth systemic underpayment recognised by the Department in the last three years. It aims to review all relevant cases to make good this official error by the end of 2023. The impact of this underpayment on the individual pensioners is significant, and it is vital the Department learns lessons to avoid systemic underpayments in the future and correct past underpayments. Although I note the impact of this provision and the failings by the Department that caused it, the new provision covers expenditure over a 30-year period and as such I do not consider it a material irregularity in the current year. I have again excluded expenditure on State Pension

32 Audited total expenditure on benefits in 2020-21 was £212.2 billion, as reflected in the Statement of Comprehensive Net Expenditure for the Departmental Group. Note 18 to the Department's accounts sets out estimated total expenditure on benefits of £211.7 billion, which represented the latest available forecast for 2020-21 at the time the Department produced the fraud and error estimates.

from my qualified opinion as the annual level of fraud and error in State Pension remains lower than all other benefits at 0.1% and 0.3% for overpayments and underpayments respectively (paragraphs 20 and 31 to 34).

6. **The Department estimates it overpaid £8.3 billion (7.5%) out of £111.4 billion of benefits other than State Pension in 2020-21, an increase of £3.8 billion since 2019-20.** This is the highest rate since records began in 2005. It also estimates that it underpaid £2.2 billion (2.0%) of benefits excluding State Pension. This increase in value is in line with the increase in payments, the underpayment rate remained the same as 2019-20. The COVID-19 pandemic prevented the Department from undertaking a full sampling exercise in 2020-21 on benefits other than Universal Credit. As a result, the Department's estimate is more uncertain than in previous years (paragraph 20 to 21 and 24 to 26, and Figure 1).

7. **Nearly all the increase in fraud and error was on Universal Credit, which now has an estimated gross level of fraud and error of 15.9%.** The Department estimates that it overpaid £5.5 billion of Universal Credit (14.5%) and underpaid £540 million (1.4%). This represents a £3.8 billion increase in overpayments, due to (paragraphs 28, 30 and 37, and Figure 3):

- a surge in new claims at the start of the COVID-19 pandemic that led to a doubling of the number of people claiming Universal Credit from three million to six million. The Department estimates that this increased the amount it overpaid by £1.9 billion;
- many of the new claimants having more complex claims, such as self-employed income, which are more vulnerable to fraud. The Department estimates this change in caseload mix increased fraud by £650 million; and
- the Department relaxing verification and other important controls to enable it to process the surge in new claims on time and it removed a key control for self-employed claimants. It estimates these control easements led it to overpay a further £1.3 billion.

8. **The Department has identified four fraud and error risks that it needs to tackle in Universal Credit.** It is looking to improve controls over incorrectly reported self-employment earnings, capital levels, living arrangements and housing costs. These represent both the largest causes and greatest increase in fraud and error by risk types in 2020-21. It also identified several organised criminal attacks exploiting control easements during the pandemic (paragraphs 41 to 46 and 50 to 53, and Figure 5).

9. **The Department expects the level of overpayments of benefits excluding State Pension to stay at 7.5% this year (2021-22) and to remain significantly higher than normal for some time.** The Department says it will set a target this autumn for fraud and error in 2022-23, when the baseline level post-pandemic will be clearer. The Department still aims to reduce Universal Credit overpayments to 6.5% by 2027-28 in line with the original business case. The Department has not set targets for specific benefits or State Pension, for causes of fraud and error or for underpayments (paragraphs 56 to 58).

10. **The Department estimates that it will need at least 3,000 additional staff to manage fraud and error in its recovery from the pandemic.** This will help it tackle the backlog of compliance cases that peaked at 750,000 in 2020-21 as staff were redeployed across the business. As new staff come in and redeployed staff return to their normal compliance roles, the Department is reducing the backlog. Additional staffing will also allow the Department to continue its investigations into serious and organised attacks against the Department and to detect overpayments through its data-analytical capability. Further resourcing is also required to review 927,000 Universal Credit cases that were not subject to normal verification checks during the early part of the pandemic (paragraphs 40 and 46 to 48).

11. **The Department is owed £5.0 billion by claimants where overpayments have been detected on individual cases, placing additional strain on its resources and potentially causing hardship to claimants.** It is owed a further £1.2 billion of debt relating to advances and some £200 million of debt that it has not yet referred to its debt management function to recover or notified to claimants (paragraphs 60 to 62).
12. **Over the past five years, the Department has sought to recover around 10% of the total overpayments it estimates it has made.** Only fraud and error that is detected on individual cases can be pursued and recovered. To reduce fraud and error loss, the Department intends to balance activities to prevent fraud and error entering the benefits systems and activities that detect fraud and error that has evaded prevention controls (paragraphs 47, 48 and 64, and Figure 6).
13. **It is not clear how much of the estimated fraud and error loss during the pandemic the Department will recover.** Prevention controls were eased during the COVID-19 pandemic, but the Department does not currently plan to review all cases to detect fraud and error, for example it does not intend to review 433,000 claims that ended during 2020-21 (paragraphs 46 and 63, and Figures 4 and 6).
14. **During 2020-21 the Department settled IR35 tax liabilities with HM Revenue & Customs (HMRC) relating to its incorrect assessment of the employment status of its contractors.** This is reported as a fruitless payment of £87.9 million in the Losses and Special Payment section of the Accountability Report relating to tax liabilities arising from the Department's errors in assessing the employment status of contractors under IR35 for the years 2017-18 to 2020-21[33]. This payment relates to arrears of tax due and the interest on those arrears; the Department has not paid any penalties for non-compliance. A further liability of £6.9 million has been recognised in the Departmental Group financial statements for arrears of tax and interest on those arrears due from arm's-length bodies.

Recommendations

15. The Department's response to the impact of the COVID-19 pandemic has ensured that those in need received prompt support. However, delivering this support without face-to-face engagement and with control easements led to a significant increase in the level of fraud and error. In recovering from the pandemic and taking forward its efforts to reduce fraud and error the Department should:

- identify all cases where fraud could have occurred while controls were relaxed - including 433,000 claims that ended during the pandemic - and take action to review these unless there is clear evidence that it would not be cost-effective to do so;
- ensure that where overpayments have been identified, including from retrospective review or criminal attack, there is clear and prompt communication with claimants about the resulting debt they owe;
- assess the level of fraud and error in advances payments made during the pandemic, to ensure appropriate action can be taken against those who have sought to fraudulently obtain benefits;
- report the level of fraud identified in all cases subject to eased controls and retrospectively reviewed, to ensure transparency of the fraud and error costs of COVID-19; and
- conduct a full lessons-learned exercise from its approach to fraud and error during COVID-19 and consider wider lessons from the pandemic for its processes and controls, balance of detection and prevention controls and future emergency planning.

33 Managing Public Money Annex 4.10 sets out what is expected when departments and their arm's-length bodies incur losses or write off the values of assets, including details of when to notify Parliament. The Annex classifies categories of losses to be reported to Parliament and specifies that a payment for which liability ought not to have been incurred, where no benefit will be received by the entity although legally obliged to pay, is a fruitless payment and must be reported.

The Department should also continue to progress its responses to past recommendations from the National Audit Office (NAO) and House of Commons Committee of Public Accounts, as set out in Annexes A and B.

16. I will report further on the systemic underpayment of State Pension later in 2021. As the Department progresses its work on this it should:

- ensure clear communications and prompt redress for those affected;
- undertake a full lessons-learned exercise and make appropriate amendments to processes and controls to ensure such underpayments do not occur in future; and
- improve the way it uses information from quality checks and explore how it can better use claimant and pensioner contact to identify systemic issues affecting payment accuracy.

Qualification of the Comptroller and Auditor General's audit opinion on the regularity of benefit expenditure

17. I have qualified my opinion on the regularity of the Department's 2020-21 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.

18. 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.

19. 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.

20. In assessing my regularity opinion, I consider the rates across all benefits and State Pension. With the exception of State Pension, the Department has estimated material levels of fraud and error in all benefits. Estimated State Pension overpayments remain at 0.1% (£90 million) and although the levels of estimated underpayments of State Pension have increased this year to 0.3% (£310 million) I continue to regard the combined value of £400 million as immaterial to the accounts. As a result, I exclude State Pension expenditure from my qualified opinion on the accounts. However, I recognise that the underpayments of State Pension identified during 2020 can have a significant impact on those affected (paragraphs 31 to 34), and it remains important that the Department improves accuracy in all payments, not just those benefits where I qualify my opinion, to avoid loss due to fraud and error and provide support to those who need it.

21. Excluding State Pension, the rate of overpayments across related benefit expenditure of £111.4 billion has risen to 7.5% (£8.3 billion) in 2020-21 (**Figure 1**), its highest-ever level since records began in 2005. The estimated rate of underpayments, excluding State Pension, is 2.0% (£2.2 billion), the same rate as it was in 2019-20.

22. The Department's accounts have been qualified every year since 1988-89 due to material levels of overpayments and underpayments in benefits expenditure. For 2020-21, the rate of overpayments excluding State Pension has increased significantly, as a result of changes introduced at the start of the pandemic to ensure benefits were delivered to those in need, and due to an increase in cases with greater fraud and error risk. This increased rate presents the Department with an even greater challenge as it looks to reduce fraud and error and achieve a cost-effective control environment for benefit delivery.

The estimated level of fraud and error in benefit expenditure

23. 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.

24. The Department sets out its latest estimates of overpayments and underpayments due to fraud and error in benefits and State Pension for 2020-21 in Note 18 to the accounts. In previous years, the Department has measured five or six benefits using a statistical sampling exercise, with estimates for other benefits either rolled forward from previous sampling exercises or, for those benefits never measured, based on assumptions about the likely level of fraud and error.[34] This year, however, the Department only conducted a full sampling exercise for Universal Credit as COVID-19 restricted its ability to conduct case reviews that are undertaken face-to-face. State Pension also underwent a sampling review, but in keeping with previous years, the Department only checked for official error on those claims and not claimant fraud or error. For all other benefits, the Department rolled over the rate of fraud and error from when they were last measured.

25. The Department does not include advances in its annual exercise to estimate fraud and error despite evidence that Universal Credit advances are vulnerable to fraudulent claims.[35] Benefits no longer in payment, or benefits denied at application, are not included in the sampling exercise, and so any fraud or error in those benefits are not included in the Department's estimate.

26. Given the impact of COVID-19 on the control environment, for the benefits that were not sampled in 2020-21, the Department conducted analysis to quantify the potential impact on fraud and error due to easements affecting those benefits. This analysis was assessed by the Department as either not robust enough to warrant adjustments in the statistics or the impact of any adjustment was small and fell within the confidence intervals. The Department therefore determined rates should be rolled forward from 2019-20 for these benefits (see Note 18 to the accounts for more details). It does, however, acknowledge that some of these changes in the control environment will have increased fraud and error. To reflect the increased uncertainty around the true levels of fraud and error in these benefits, the Department has doubled its confidence intervals, the range within which the level of fraud and error is most likely to fall based on its analysis.

27. The reviews of Universal Credit and State Pension mean that nearly two-thirds of benefit expenditure was subject to some form of review. A large increase in claims for Universal Credit at the start of the pandemic means that Universal Credit expenditure now accounts for 18% of total benefit expenditure, up from 10% in 2019-20. State Pension payments accounted for 48% of total benefit expenditure. Understanding fraud and error in Universal Credit and State Pension is vital to inform efforts now and in future years, as the main working age and retirement age benefits respectively.

34 The benefits that the Department usually measures annually are: Housing Benefit, Personal Independence payment, Employment and Support Allowance and Pension Credit. In 2019-20, it also measured Carer's Allowance, for the first time since 1995-96 but this was only intended to be a one-off exercise rather than an annual commitment. For 2021-22, the Department also plans to measure State Pension claimant fraud and error and Attendance Allowance.

35 Comptroller and Auditor General, *Universal Credit advances fraud*, session 2019-2021, HC 105, National Audit Office, March 2020.

Fraud and error in Universal Credit

28. The gross rate of fraud and error in Universal Credit rose to an estimated 15.9% (£6.1 billion) in 2020-21, with overpayments at 14.5% (£5.5 billion) and underpayments at 1.4% (£540 million). For overpayments, this is a 5.1 percentage points (£3.8 billion) increase on the estimated amount in 2019-20. The estimated rate of overpayments in Universal Credit has risen every year since the Department first started measuring it in 2015-16 and is now the highest rate ever recorded for a benefit administered in the UK for which comparable records exist.[36]

29. Overpayments in Universal Credit now account for an estimated two-thirds of all overpayments by the Department compared with 1% in 2015-16 (**Figure 2**). This is in part driven by the increasing Universal Credit caseload as claimants move over from legacy benefits such as Housing Benefit, Jobseeker's Allowance as well as Tax Credits administered by HMRC. To date, most claimants have moved to Universal Credit due to changes in their circumstances with only a small number transferred from the legacy benefits Universal Credit replaces in a managed process called 'Move to UC'. The Department suspended this process due to the pandemic but is now aiming to restart this with a voluntary transfer phase later in 2021, supported by a media campaign. It is still aiming to complete the transfer of the remaining 2.5 million legacy benefit claimants to Universal Credit by the end of 2024.

30. The pandemic led to a doubling of the Universal Credit caseload in 2020-21. The number of people on Universal Credit increased from 3.0 million in March 2020 to 6.0 million in March 2021. Expenditure overall on Universal Credit rose from £18.1 billion in 2019-20 to £38.1 billion in 2020-21.[37] Assuming the same rate of fraud and error as seen in 2019-20 (9.4%), this increase in claimants would have added £1.9 billion to total overpayments. The Department, however, assesses that the additional claimants in 2020-21 are more likely than claimants in 2019-20 to have circumstances where fraud and error could occur. As a result, it estimates that this change in claimant composition added a further £650 million to total overpayments on top of the £1.9 billion due to increased claimants (**Figure 3**).[38]

Fraud and error in State Pension

31. Estimated State Pension overpayments were £90 million (0.1%) and underpayments were £310 million (0.3%) in 2020-21. In 2020, the Department became aware of systemic errors by officials that have accumulated over many years, leading to underpayments of State Pension entitlements to claimants which are currently estimated to total £1.0 billion (Note 16 to the accounts). These errors have primarily affected: women, and a small number of men, who should have received additional State Pension derived from their spouse or civil partner's contributions; widows, and a small number of widowers, who have not received contribution rights inherited from their spouse or civil partner that may increase their entitlement; and individuals over the age of 80 who may be entitled to a minimum basic pension higher than their current payment. The Department estimates these issues affect 132,000 pensioners.

32. During 2020-21 the Department has undertaken scans of its pension systems, and further detailed analysis, to identify those individuals who could be affected and to estimate the amount they may be owed. These are the first stages of an exercise required by law to redress systemic underpayments, the fifth such exercise undertaken by the Department in three years.[39] In Note 16, the Department has set out further details of the affected groups, how many people it expects to make arrears payments to and its current estimate of the total amount of arrears that may be due to each group, noting the assumptions it has made where it does not

36 The Department revised its measurement methodology in 2005-06 and times series data before that date are not comparable. HMRC started measuring Tax Credits error and fraud in 2003-04 with the highest rate recorded in the first year at 9.7%.

37 These numbers are those reflected in Note 5a of the Department's accounts. Note 18 to the Department's accounts sets out an estimate of Universal Credit expenditure, which represented the latest available forecast for 2020-21 at the time the Department produced the fraud and error estimates.

38 The Department's analysis adjusts for the fact that the proportion of new claimants since the start of the pandemic are nearly three times as likely to be self-employed and twice as likely to have capital savings. Previous data shows that such characteristics mean that these claimants are more likely to accrue overpayments due to mis-stating their earnings or capital levels.

39 The 'Legal Entitlement and Administrative Practices' (LEAP) principles provide a framework for considering how to deal with cases where there has been a failure by a government department to meet legal entitlements. Prior LEAP exercises by the Department covered underpayments of Employment Support Allowance and three relating to Personal Independence Payment.

yet have sufficient data to quantify the arrears precisely. It has currently allocated 167 people to remedying these underpayments and it plans to increase this by 360 people in order to make all the remaining payments by the end of 2023.

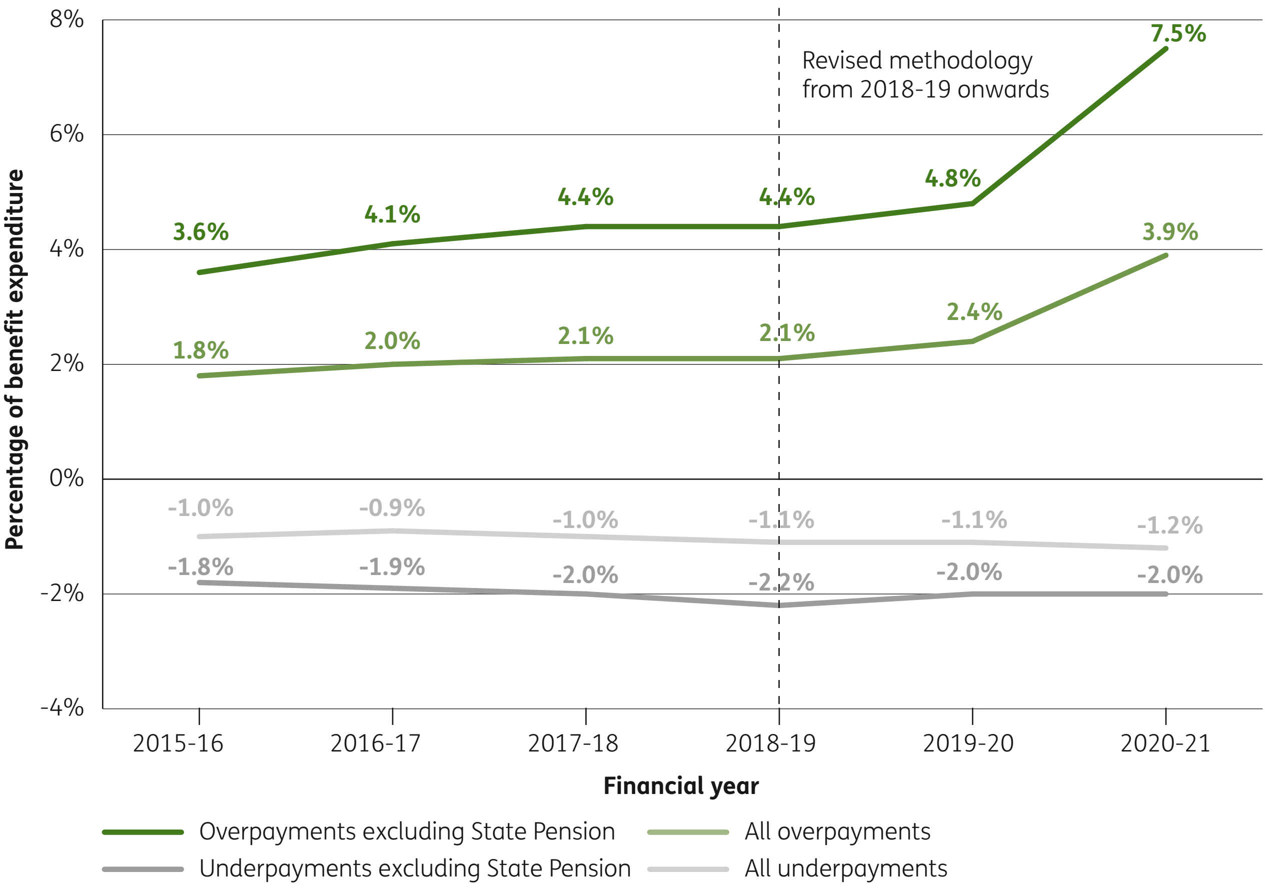
33. The Department did not identify these systemic underpayments; they were brought to its attention by individual complaints and third-party reports of underpayments that it then investigated. Cases with these types of underpayments were found by the Department in past sampling exercises to estimate official error in State Pension so opportunities to identify these underpayments earlier were missed. The Department commissioned a root cause analysis to understand the cause of these underpayments. This analysis identified a range of process and control issues including poor staff training, instructions and quality review that led to the underpayments. These issues have also affected the Department's initial work to quantify and rectify errors. The Department has asked the Government Internal Audit Agency to review State Pension legislation to ensure there are no further entitlements that may be underpaid.

34. The longevity of State Pension awards means individually small mistakes in assessing entitlement can lead to significant sums being underpaid to pensioners over time. I will report on the State Pension underpayment later in 2021, setting out what has happened, plans to remedy this underpayment and the lessons identified. I have continued to exclude State Pension from my qualified opinion on the regularity of benefit expenditure as the level of fraud and error each year remains immaterial in the context of annual expenditure on State Pension and the financial statements; the £1.0 billion provision reflects a cumulative underpayment over at least 30 years.

Figure 1

The Department for Work & Pensions' (the Department's) overpayments and underpayments in benefit expenditure 2015-16 to 2020-21

The level of overpayments increased to record levels in 2020-21.



Notes:

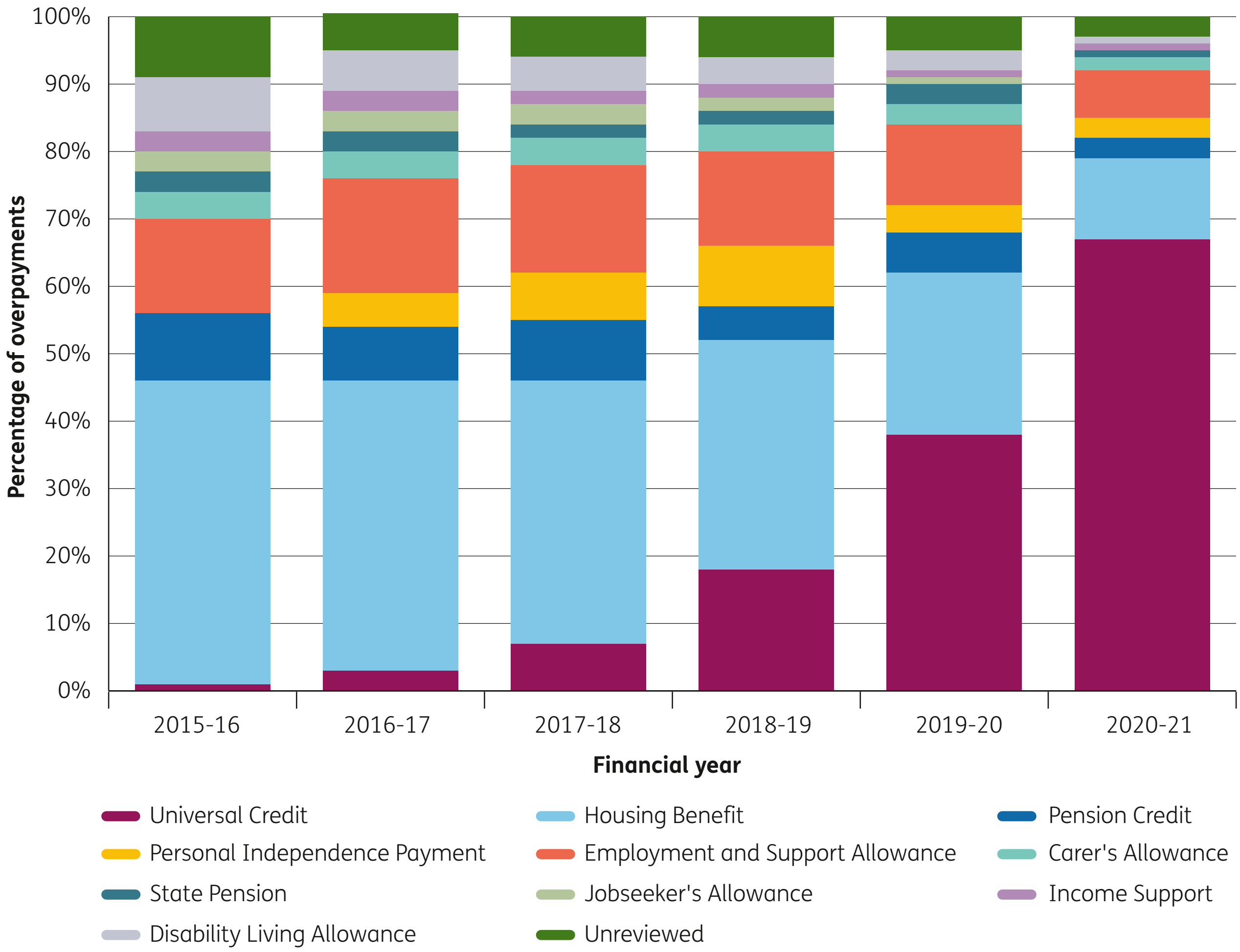
1. Underpayments are presented as negative percentages here for clarity of presentation, and because whereas overpayments represent amounts greater than entitlement, underpayments represent claimants receiving less than their entitlement.
2. All data points are the Department's central estimates of the rates. The Department reports its ranges in its published statistics on fraud and error in the benefit system. Preliminary results have been used from 2015-16 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 for financial year ending 2021 estimates. That publication provides full data going back to 2005-06 when the Department first started measuring fraud and error.
3. The Department changed its methodology in 2019-20 and restated its results for 2018-19. The data above show the restated results for 2018-19 with the vertical line signifying the change in the methodology.
4. There have been changes to the benefits measured or in payment since 2015-16, for example Universal Credit was introduced in April 2013 to replace other working-age and incapacity benefits, with fraud and error in the benefit first measured in 2015-16. In 2020-21, Universal Credit was the only benefit fully measured as the Department reduced the number of cases it reviewed due to COVID-19.
5. Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.

Source: National Audit Office analysis of the Department for Work & Pensions' fraud and error statistical data

Figure 2

Percentage of total overpayments for the Department for Work & Pensions' (the Department's) benefits, 2015-16 to 2020-21

Universal Credit has become the most common cause of overpayments, accounting for two-thirds of all overpayments in 2020-21



Notes

1. The Department has a categorisation of overpayments called 'interdependencies', which accounts for less than 1% of total overpayments and has been omitted here.

2. Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.

Source: National Audit Office analysis of the Department for Work & Pensions' fraud and error statistical data

The impact of COVID-19 on fraud and error and the Department's strategy

35. The Department had to radically rethink its approach to tackling fraud and error as a result of the COVID-19 pandemic. Its approach can be viewed in four stages, from its initial emergency response through to its plans now for long-term strategic transformation (**Figure 4**).

Initial emergency response

36. When the pandemic started, the Department had to quickly respond to three million new Universal Credit claims as well as adjusting its controls to operate in lockdown conditions without face-to-face contact with all claimants bar the most vulnerable. Quality assurance checks were significantly reduced and case reviews as part of the annual sampling to estimate the monetary value of fraud and error were suspended. It also redeployed most of its compliance staff to elsewhere in the business, primarily to help process the large increase in Universal Credit claims. At the peak of the first wave of the pandemic, around 6,000 out of its 8,000 compliance staff were redeployed. These staff returned in a staged approach from summer 2020, with the majority of them back in their normal compliance roles by March 2021.

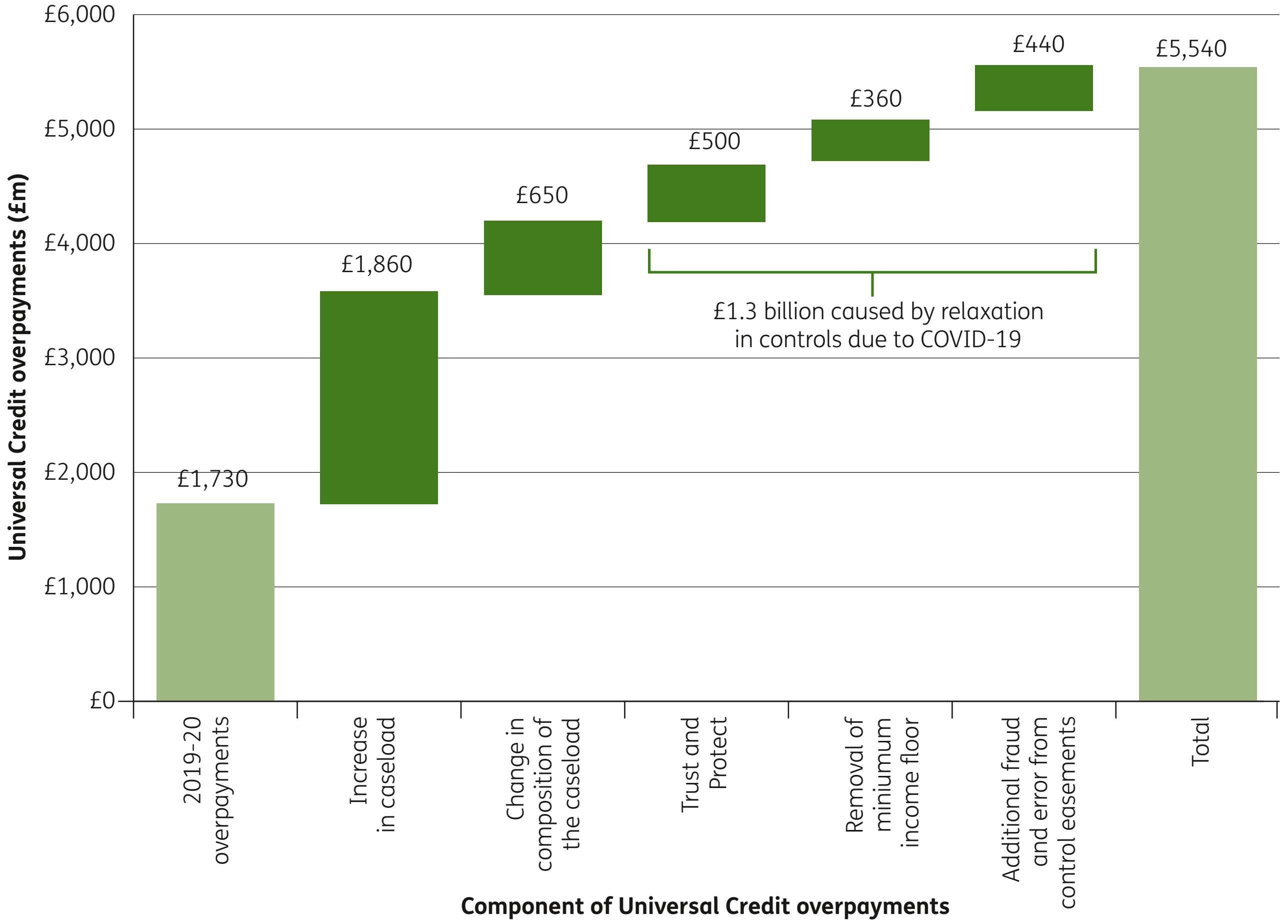
37. The Department elected to prioritise registering new claims and making payments on time, acknowledging this increased fraud and error risks. It succeeded in maintaining its performance of paying more than 90% of first payments on time and in full, but only by choosing to relax key identity and information verification controls between March and June 2020. This meant that it was placing more trust in the information provided by claimants rather than seeking to verify it against third-party sources, with the intention of returning to these claims to verify them later, a process it called Trust and Protect. The Department has undertaken a detailed review of the impact of these control easements on Universal Credit claims, and estimates that Trust and Protect led to £500 million of overpayments and the removal of the minimum income floor for self-employed claimants (see paragraph 51) added £360 million (**Figure 3**).[40] Other pandemic-related control changes, such as removing conditionality requirements, are estimated to have contributed to a further £440 million of overpayments.

40 The estimate of £360 million is taken as the mid-point of the Department's assessment that the removal of the minimum income floor added 0.7% (£270 million) to 1.5% (£570 million) to total Universal Credit overpayments, with an adjustment to allow for the fact that there was some overlap between cases relating to Trust and Protect and the minimum income floor.

Figure 3

Estimated components of Universal Credit overpayments in 2020-21

Two-thirds of the increase in Universal Credit overpayments in 2020-21 was due to an increase in the caseload and its composition and one-third caused by relaxation of controls



Notes

1. All data points are the Department for Work & Pensions' (the Department's) central estimates.
2. The change in the composition of the caseload reflects the fact that the proportion of claimants in 2020-21 who were self-employed was nearly three times as high as seen in 2019-20, and the proportion who had potential capital to declare was twice as high.
3. Trust and Protect refers to the early period of the pandemic where the Department relaxed a number of key controls in order to be able to process and pay claims on time.
4. The minimum income floor is an assumed minimum level of income for claimants who are gainfully self-employed. It was removed at the start of the pandemic and consequently more self-employed people were potentially able to mis-state their actual earnings and claim more than they were entitled to.
5. The £440 million is assumed to be additional fraud and error exacerbated by other COVID-19 control changes.
6. Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.

Source: National Audit Office analysis of the Department for Work & Pensions' data

Transitional initiatives

38. Since June 2020, the Department has taken steps to reintroduce controls, in an effort to prevent further Universal Credit losses occurring in 2020-21. This included improving its ID verification processes and introducing an Enhanced Checking Service with compliance officers performing checks on suspected fraud cases before they are put into payment. The latter proved relatively successful, with around 55% of cases checked being amended, meaning that the Department prevented fraud before it made the first payment.[41] In addition, as controls over initial verification have improved, there has been a decline in the number of cases needing to be referred for enhanced checking, from more than 10% in May 2020, down to 3% in May 2021.

39. Across all benefits the Department put in place more than 200 easements in the early months of the pandemic. Not all controls that were eased have been reinstated, and in some cases, more effective controls have been identified. The Department made some changes to controls from June 2020 onwards that aimed to prevent fraud and error while still recognising pandemic restrictions. For example, it took steps to enable claims for Employment and Support Allowance and Jobseeker's Allowance to resume while ID was verified remotely. There are still around 100 easements in place as the Department continues to transition towards more normal operating processes.

40. The redeployment of compliance staff at the start of the pandemic caused some large backlogs in working compliance and debt cases. The Department assessed that these peaked at 750,000 compliance and 1.6 million debt cases that were outstanding. The Department is seeking to recruit 3,015 compliance staff in 2021-22, including 307 into debt management, to help tackle these backlogs. The majority of debt cases were cleared by June 2021, while outstanding compliance cases are now down to 690,000. The Department accepts, however, that even if it successfully recruits 3,015 additional staff this will not be sufficient to clear all these cases. It is looking at what additional resources it might need beyond 2021-22 and also considering whether there are alternative means of clearing cases, such as pursuing civil rather than criminal litigation where appropriate.

Responding to increased serious organised crime risk

41. The Department has also had to deal with an increased risk from serious organised crime since the start of the pandemic, with organised fraudsters targeting Universal Credit in particular. These fraudsters have sought to exploit control easements introduced since March 2020, for example by hijacking people's identities, including people who have had minimal interaction with the Department previously, in order to make fictitious claims in their names, but with payments routed into bank accounts that the fraudsters can access.

42. The Department was aware that removing the requirement for face-to-face meetings to verify identities would increase the threat of identity fraud. It had previously allowed Universal Credit advances to be claimed without face-to-face verification but reversed this decision in late 2019 in order to try and reduce the threat associated with advances.[42] The Department, however, believed that it had little choice but to move to online verification when the first lockdown came into effect in March 2020 due to the requirement to enforce social distancing.

43. In May 2020, the Department identified a serious organised crime attack based on suspicious patterns in Universal Credit claims and around 60,000 accounts were suspended to enable further investigation. By the end of March 2021, it has identified 152,000 cases linked to this attempt and estimates that £68 million was paid out fraudulently across 40,000 cases, with most of this being advances. There is an ongoing criminal investigation into the matter.

41 First payment refers to a first payment of Universal Credit, an advance may be paid ahead of this first payment, which would be recovered from subsequent Universal Credit payments.

42 Comptroller and Auditor General, *Universal Credit advances fraud*, session 2019-2021, HC 105, National Audit Office, March 2020

44. There have been 5,363 people whose stolen identities led to their benefits being incorrectly stopped. This is because a claim for Universal Credit automatically triggers a stop notice for the legacy benefits it replaces, regardless of whether the Universal Credit claim is legitimate. The claimants who suffered as a result of this spent an average of two and a half weeks without payments before the Department was able to reinstate their benefits. The Department now has processes in place that should prevent anyone going more than a week without receiving their benefit entitlement.
45. Some people whose identities were stolen as part of this fraud were subsequently asked to make repayments despite having obtained no money themselves. The Department's position is that no one who has had their identity stolen should be asked to make repayments and has been working to ensure that appropriate procedures are in place to stop such people being asked to make repayments. Its assessment is that around 4,000 people may have wrongfully been asked to make repayments. In the majority of these cases debt recovery action was suspended prior to any repayments being made, but in nearly 300 of these cases automatic repayments had already commenced and the citizen had to be fully recompensed by the Department.
46. The Department has dedicated significant resources towards trying to tackle serious organised crime. It currently has around 1,300 staff working in this area, with some of these coming from existing compliance roles within the Department. As part of the wider recruitment drive for compliance staff, the Department aims to increase this by 293 staff by the end of March 2022.

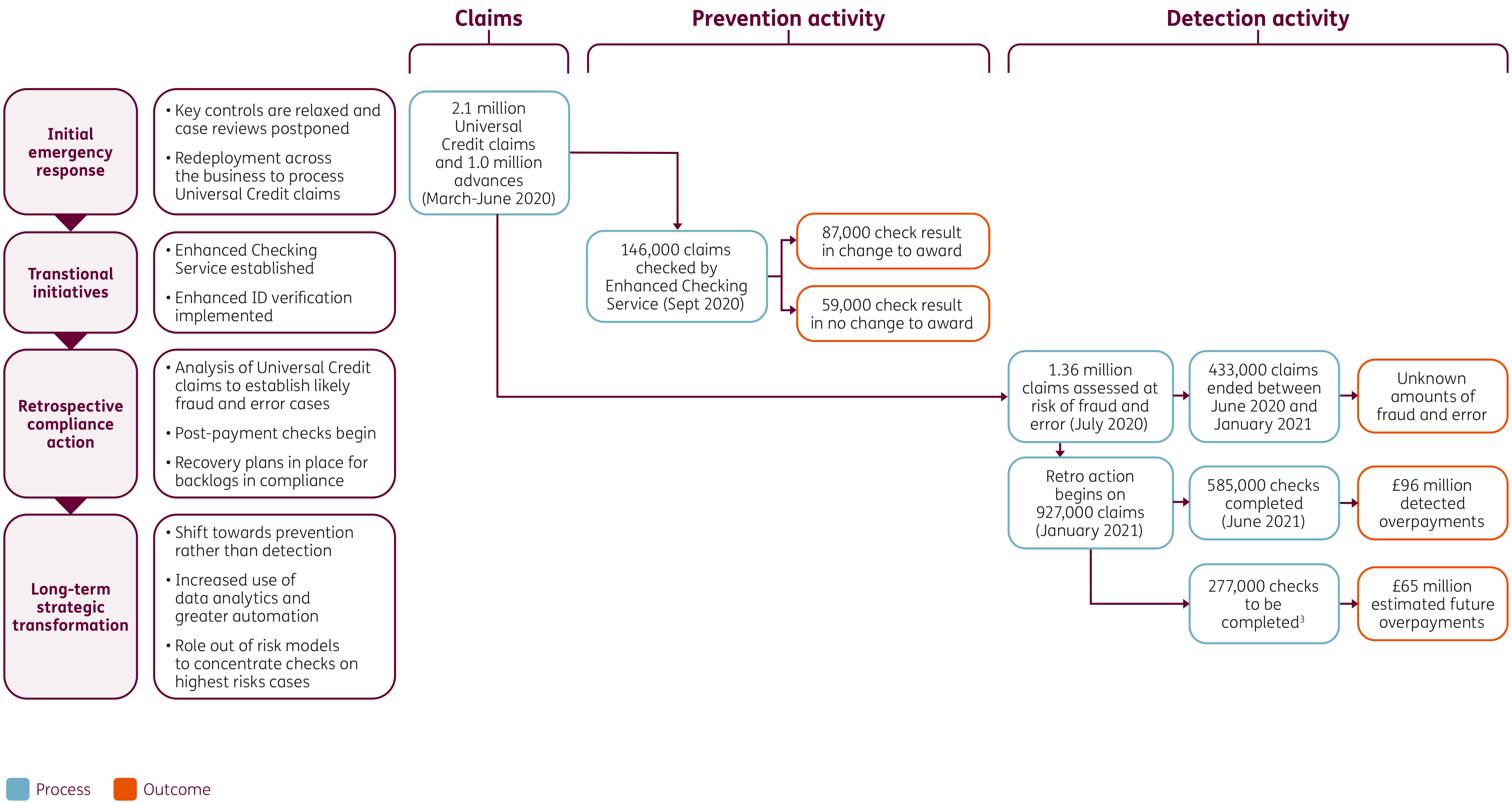
Retrospective action

47. The Department has begun retrospective action on Universal Credit claims paid out in the early period of the pandemic where it suspects that control easements introduced may have led to fraudulent or erroneous claims (**Figure 4**). It assessed that of 2.1 million new claims between March and early June 2020, 1.36 million might have been at risk and initial testing indicated around 20% of these cases showed fraud or error. Of those 1.36 million claims at risk, 433,000 had ended by the time the Department began the retrospective checks in January 2021 and are not included in the cases subject to retrospective checks to date. The Department has not yet taken a decision as to whether further work will be done to recover amounts potentially lost on those claims that were ended. Retrospective checks will include advances on claims put into payment, but the Department has not planned activity to assess the scale of potential fraud in Universal Credit advances, despite evidence of a large spike in the number of suspicious advances claimed at the start of the pandemic.

Figure 4

How the Department for Work & Pensions (the Department) has responded to the pandemic

The Department's response to the COVID-19 pandemic can be viewed in four stages and cuts across both prevention and detection activity on Universal Credit claims



Notes:

1. The Department notes in its Annual Report and Accounts, pages 28-29, its response to the pandemic in three stages. This is its response across the whole of the organisation whereas this figure is concentrating only on the fraud and error response which is viewed in four stages.
2. The Enhanced Checking Service was set up in April 2020 to enable staff to refer suspicious Universal Credit claims to experienced compliance officers to investigate. If, after investigating a claim, the Universal Credit award is amended then the Department estimates a prevented amount of fraud and error based on the value of the adjustment.
3. Of the 927,000 claims initially in scope for this retro-action work, 65,000 were removed as they were deemed to require more extensive work from compliance investigators and are therefore being looked at separately.
4. The 433,000 claims that ended between June 2020 and January 2021 may have ended because the claimant found work and no longer needed to claim Universal Credit. There is still a risk, however, that these claims may have contained fraud or error, and the Department is yet to take a decision on any retrospective action that it might take to investigate these claims.

Source: National Audit Office analysis of the Department for Work & Pensions' information

48. Of the 927,000 claims that the Department is committed to checking, it has completed checks on 585,000, with around 1,500 staff working on them. Fraud and error was found on just over 10% of the claims reviewed so far, which although lower than initial testing suggested still amounts to significant fraud and error, with overpayments of £96 million detected to date. The Department's current estimate is that completing checks on the remainder of cases might detect additional overpayments of £65 million, forecasting total detected amounts in the 927,000 cases of £161 million.

Long-term strategic transformation

49. The Department views the pandemic as an opportunity to further evolve its approach to fraud and error. The Department was mid-way through its five-year strategy launched in 2018 when the first lockdown was introduced and it acknowledged at that point that its ambitions to improve capability and move towards more preventative measures had not been as successful as hoped. Although the easements to controls at the start of the pandemic increased fraud and error levels, they have also created an opportunity for the Department to consider what it deems an appropriate control environment as it looks beyond the exceptional circumstances relating to the COVID-19 pandemic.

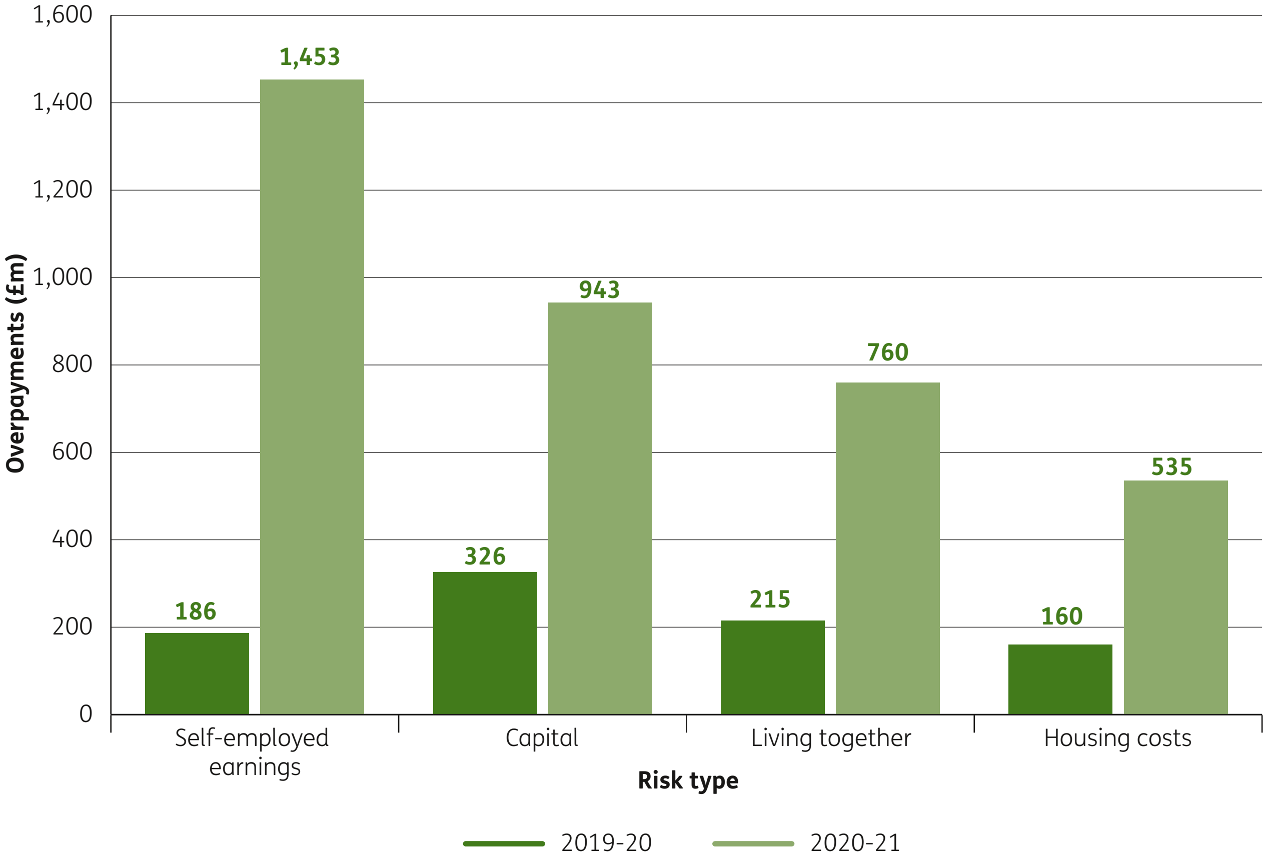
Understanding key fraud and error risks

50. The Department's strategy is based on understanding where fraud and error occurs in claims, to identify fraud and error risks. For Universal Credit, the largest risks relate to incorrectly reported self-employment earnings, capital levels, housing costs and whether claimants are correctly reporting living together. For all four of these risks, COVID-19 has exacerbated known control weaknesses in Universal Credit, leading to substantial rises in amounts overpaid (see **Figure 5**). Together, these four risk types account for two-thirds of all overpayments in Universal Credit in 2020-21, up from 51% in 2019-20.

Figure 5

Universal Credit overpayments by largest risk types in 2019-20 and 2020-21

There were large increases across all four main risk types in 2020-21



Notes

1. The Department for Work & Pensions (the Department) revised its categorisation of Universal Credit risks in 2020-21 and applied the revisions to 2019-20 figures as well. This revised categorisation means that some fraud previously attributed to risks such as capital and self-employment have been reassigned to a category labelled "failure to provide evidence/fully engage in the process", reflecting uncertainty as to the exact cause of the fraud.
2. The data presented here are central estimates. The Department reports its ranges in its published statistics on fraud and error in the benefit system. Available at: www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2020-to-2021-estimates/fraud-and-error-in-the-benefit-system-for-financial-year-ending-2021
3. The risks shown here are the four largest risk categories. The Department categorises self-employed earnings as a sub-category of a wider earnings/employment risk. Previous National Audit Office reports have presented the data using the earnings/employment categorisation. A full list of all categorisations can be seen in the Department's fraud and error estimates at the link above.
4. Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.

Source: National Audit Office analysis of the Department for Work & Pensions published data on fraud and error

51. The largest increase has occurred for problems with self-employment earnings with overpayments in this area increasing by 680% in 2020-21. The Department states that two factors have driven this. First, the proportion of Universal Credit claimants that identity as self-employed has nearly trebled over the last year. Second, the Department removed the minimum income floor (MIF) requirement at the start of the pandemic. The MIF works by assuming that a self-employed person has a minimum level of earnings based on what someone would earn on the National Minimum Wage working a 35-hour week. It effectively acts as a control on fraud and error by preventing self-employed claimants from stating that they have earnings below that level. Without it in place claimants could understate their self-employment earnings to maximise their Universal Credit entitlement. The Department's assessment is that not having this control in place has increased overall overpayments in Universal Credit by £360 million (**Figure 3**).

52. The Department was aware of deficiencies in its control environment for self-employment income before the pandemic. It acknowledged that unlike regular employment income, reported through HMRC's Real-Time Information system, it had no reliable means of promptly verifying the income that self-employed claimants were stating. It has been looking at options to try to receive more timely information from HMRC or other data sources that may enable it to independently verify self-employed claimants' income. The Department believes that obtaining such data could help to significantly reduce self-employment overpayments. It recognises, however, that this is a challenging area, with self-employed individuals currently only having to report their tax returns annually in arrears.

53. The Department recognises that it needs to tackle these key risks and its current fraud and error plans for Universal Credit focus on reducing these risks. It is working to understand the underlying causes behind all of them and put in place new controls that might produce savings. Much of this root cause analysis is focusing on issues that are longstanding, such as:

- finding a way to verify income and earnings without access to real-time data for self-employed claimants;
- accessing banking data to identify incorrectly declared capital levels, which is under discussion with the Cabinet Office;
- accessing data from landlords to ensure housing-related elements are accurate and updated in a timely manner;
- clarifying and improving claimants' understanding of whether they should be claiming as individuals or partners; this was a common issue in Tax Credits that the Department forecast would become an issue in Universal Credit as claimants transferred; and
- reducing reliance on data provided by the claimant and improving its ability to identify and match data from external sources and its own systems to verify claimants' details.

54. The Department's strategy places heavy emphasis on being able to increase the reliability of its data, to enable greater data analytics and to automate processes. It also wants to introduce risk modelling into its systems to enable it to focus on the highest-risk cases. It has been working on developing these models, particularly within Universal Credit. It believes it is very close to having a viable model to roll out for Universal Credit advances; however, to date no such modelling is fully operational in its systems.

55. The Department's strategy emphasises the importance of applying the principles set out in our Fraud and Error Audit Framework (the Framework). [43] The Department acknowledges that it needs to iterate its approach over time to understand what controls are working to prevent and detect fraud and error. It recognises the need to build consideration of fraud and error into policy design and has therefore created a new fraud and error policy unit within its policy group for that purpose. The Framework also places a heavy emphasis on having effective measurement and evaluation of controls to ensure that the Department can understand the impact that controls are having on fraud and error levels. The Department aims to apply the principles of this Framework to demonstrate how it will drive down fraud and error and demonstrate a cost-effective control environment where all cost-effective responses to fraud and error risk have been exhausted. Our recommendations arising from a review before the COVID-19 pandemic of the Department's approach to fraud and error using our Fraud and Error Audit Framework are included at Annex A.

56. The Department has engaged with the Committee of Public Accounts on its efforts to reduce fraud and error in the long term. The Committee took evidence from the Department on its 2019-20 Annual Report and Accounts in September 2020 and subsequently made a series of recommendations for the Department. We have set out in Annex B these recommendations and provided updates on the Department's progress against them.

43 Full details of the Fraud and Error Audit Framework can be found in National Audit Office, *Fraud and error good practice guidance*, March 2021. Available at: www.nao.org.uk/wp-content/uploads/2021/03/010381-001-Fraud-and-Error-Accessible.pdf

57. For Universal Credit, it is aiming to reduce overpayment levels to 6.5% by 2027-28, bringing it back in line with the levels it forecast in the Universal Credit business case, but it does not currently have the necessary plan or resources to achieve this. For other benefits and State Pension, the Department does not have targets on a one-year horizon or beyond. Nor does it have a target for underpayments or amounts detected each year. It has also not set out the expected reduction in fraud and error from its initiatives to understand whether these have the expected impact.

58. The Department continues to report against a 'net loss target' (page 107 and Note 18). 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.

59. The Department has engaged with the Public Accounts Committee on its efforts to reduce fraud and error in the long term. The Committee took evidence from the Department on its 2019-20 Annual Report and Accounts in September 2020 and subsequently made a series of recommendations for the Department. We have set out in Annex B these recommendations and provided updates on the Department's progress against them.

The consequences of fraud and error

60. 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 costly additional administrative work for the Department, and uncertainty and other challenges for claimants.

Overpayment debt

61. The Department's accounts show that as at 31 March 2021, gross debt relating to overpayments it administers totalled £2.8 billion. There is a further £2.2 billion of gross debt relating to Tax Credit debt that has been transferred over to the Department as Tax Credit claimants move over to Universal Credit. Total overpayment debt, therefore, stands at £5.0 billion, a 15% increase compared with last year. This continues a trend that has seen overpayment debt rise every year over the past decade. Separately, there is £1.2 billion of debt in relation to benefit advances, nearly all of which relates to Universal Credit.

62. The Department elected to suspend debt collection during the COVID-19 pandemic, both for existing debt balances and for new overpayment debt being detected.[44] This suspension ran from April to June 2020. Since then, the Department has resumed its debt management operations but is phasing new debt referrals, to avoid debt that built up from April 2020 overwhelming the debt management team. As a result of the pause in debt collection, there is some £200 million of gross debt arising in 2020-21 that has not yet been referred or recorded in the accounts; around three times more than would usually be added to the debt queue in-year. Recovery on these debts can therefore not yet start and claimants have not been notified of their potential debts. Other debt-related activities, such as outbound calls to customers and civil litigation, have not yet resumed.

63. The Department recognises that it needs to recruit additional staff to manage debt going forward. It currently has 2,183 full-time equivalent (FTE) staff working in debt management and wants to increase that up to 2,800 throughout 2021-22. A further 160 FTE staff are

44 The one exception to this was for Universal Credit advances, where any overpayment continued to be deducted from future awards.

provided through a contract with Serco, and another 150 through an agency agreement, meaning it needs to hire an additional 307 FTE staff through the course of 2021-22 to achieve its target staff level.

64. In addition to the overpayment debt shown in the accounts, there is likely to be substantial amounts that are not recorded because the Department does not detect all overpayments it makes. Where it does detect overpayments, this is through controls such as its quality assurance checks, sampling reviews and data-matching. For example, in 2020-21 the Department estimates that there were £7.3 billion of overpayments across all benefit expenditure except Housing Benefit. [45] By contrast, it detected and recorded only £331 million of overpayments relating to 2020-21 for recovery as debt by 31 March 2021. This suggests that only around 5% of total estimated overpayments were detected and recorded in 2020-21, where the Department can identify the individual claimant who has been overpaid and attempt recovery. The Department cannot collect amounts of debt that are estimated but not detected. The Department believes its retrospective testing will identify further overpayments for recovery relating to 2020-21, and has already detected and recorded a further £284 million of 2020-21 overpayments in the first three months of 2021-22, reducing the gap between estimated and detected overpayments. Over the past five years, the data suggest that around 10% of estimated overpayments are detected and recovery can be attempted, with a total of £16.1 billion going undetected and potentially lost (**Figure 6**).

Underpayments

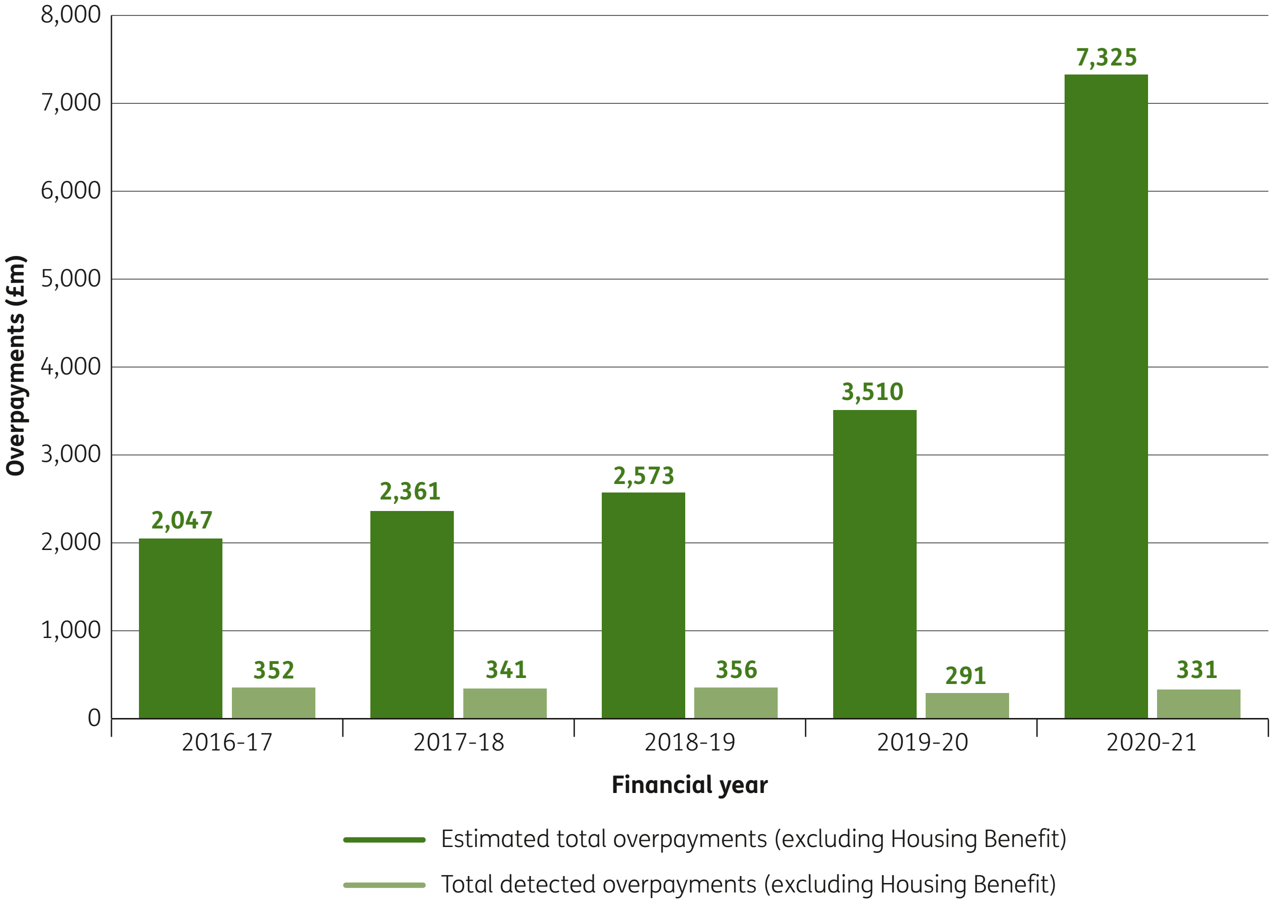
65. The Department does not have a complete measurement of underpayments detected. Where underpayments are identified in the annual sampling case testing, or through other controls, these are corrected. It does not, however, have a business process in place that accumulates the value of all these underpayments detected in the same way that it does for overpayments. In the absence of any complete data on the value of underpayments detected, the Department cannot assess the systemic causes of underpayment and ensure it is repaying all those who it estimates may have been underpaid benefits that they are entitled to. Better use of its information on detected fraud and error will also inform its strategies to prevent fraud and error and ensure that claimants receive the right benefit award.

45 The Department is not responsible for overpayment debt recovery for Housing Benefit as this is the local authorities' responsibility and therefore it is excluded from the estimate of total overpayments here.

Figure 6

The estimated total of fraud and error compared with total overpayments detected, 2016-17 to 2020-21

The Department for Work & Pensions (the Department) does not detect billions each year compared with its estimate of total overpayment levels.



Notes

1. Values presented here exclude Housing Benefit because the Department is not responsible for the collection of Housing Benefit overpayment debt.
2. The estimates of total overpayments are the Department's central estimates based on the sampling that it does each year across different benefits. The Department reports its ranges in its published statistics on fraud and error in the benefit system.
3. The Department changed its methodology for estimating overpayments in 2019-20 and restated its results for 2018-19. The data above show the restated results for 2018-19.
4. The total detected overpayment values in a given year may increase in the future because the Department continues to detect overpayments that may span several financial years. For example, the Department has detected and recorded a further £284 million of overpayment debt relating to 2020-21 between April and June 2021, increasing the total overpayments detected and reported for 2020-21 to £615 million, around 8% of total estimated overpayments.
5. Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.

Source: National Audit Office analysis of the Department for Work & Pensions' fraud and error statistical data

Gareth Davies
Comptroller and Auditor General

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

14 July 2021

Annex A

National Audit Office recommendations

1. These recommendations followed an in-depth assessment of the Department for Work & Pensions' (the Departments') approach to fraud and error in Universal Credit, Pension Credit and Carer's Allowance in 2019-20, before the COVID-19 pandemic. This work supported the report on the 2019-20 accounts and Committee of Public Accounts session in September 2020 (Annex B). The recommendations remain relevant post-pandemic, and we will continue to assess progress in implementing them as part of our wider work to follow up recommendations we have made to improve public services. These recommendations were presented to the Department's executive team in June 2020 but were not previously published.

Figure 7

The Department for Work & Pensions' (the Department's) responses to the National Audit Office's 2020 Management Letter on Fraud and Error

The Department accepted all 13 recommendations but has not yet fully implemented many of them.

Recommendation	Progress
1. Set as its ultimate goal having and demonstrating it has a cost-effective control environment to counter-fraud and error. This will help to engage Parliament on the issue of regularity. At present, the recorded levels of fraud and error are at record highs and have been increasing steadily since 2014-15.	The plans and expected actions the Department has set out indicate that it is committed to reducing fraud and error, and that establishing a cost-effective control environment is its ultimate goal. Responsibility for achieving improved fraud and error outcomes now sits with a member of the executive team, at the highest level of the organisation. The Department's fraud and error strategy has been refreshed in the light of COVID-19 and the Department has identified priority activities to undertake to try to tackle the main causes of fraud and error in Universal Credit, after record levels of estimated fraud and error in 2020-21. The Department is using the principles of the Fraud and Error Audit Framework to try to reduce fraud and error to the lowest feasible level.
2. Continue to employ Test and Learn, and iterate its approach to tackling fraud and error. This should enable the Department to collate evidence about what is and is not cost-effective to implement at the level of each control and fraud and error risk.	The Department employs Test and Learn to iterate its response to fraud and error, particularly in the design of Universal Credit. The Department's response to the increased fraud and error as a result of the pandemic further evidences Test and Learn around self-employment, to inform retrospective action on cases from the early part of the pandemic. The Department is also making use of internal management information to monitor emerging fraud and error trends. This can then lead to 'deep-dives' into specific issues that enable the Department to understand the underlying causes of fraud and error and what might be needed to tackle them.

3. Ensure that its benefit strategies set out an appropriate balance between deter, prevent and detect controls and the plans for improving each.	The Department has confirmed its intention to use the principles of the Fraud and Error Audit Framework to help it achieve an appropriate balance between detection, prevention and deterrence across the business. However, the Department has not yet decided which measures it will adopt to achieve the recommendation, including some which seem important for achieving the recommendation. For example, the Department does not fully commit to listing out controls for each benefit by deter, prevent or detect, as well as the measurement and evaluation of the effectiveness of these controls.
4. Gather evidence on and analyse the cost-effectiveness of each fraud and error control.	The Department has committed to gathering more evidence on the cost-effectiveness of controls and appears ambitious in this area, although work has only just begun to establish a baseline position to work from. Priority activities to tackle Universal Credit fraud and error include a value impact on estimated fraud and error levels.
5. Set annual targets for the gross levels of fraud and error and amounts detected over a three-year time horizon. These should be based on the individual strategies and the expected successful delivery of its plans to control fraud and error, so that it can be held to account. Targets should be publicly reported, revised annually and provided with a commentary of progress against expectation.	Despite its earlier commitment, the Department has not set a fraud and error target for 2021-22 but plans to set a target for 2022-23 after the Spending Review later this year. For Universal Credit, it is aiming to reduce overpayment levels to 6.5% by 2027-28, but it does not currently have the necessary plan or resources to achieve this. For other benefits and State Pension, the Department does not have targets on a one-year horizon or beyond. Nor does it have a target for underpayments or amounts detected each year. More information is set out in paragraphs 56 to 58.
6. Produce fraud and error impact statements for any significant policy changes. Where changes require the approval of Parliament, the Department should set out in the public business case and any explanatory memorandum the fraud and error consequences of any new benefit policies or regulations. Where changes do not require the approval of Parliament there should be a systematic assessment of the impact on fraud and error that is signed off by the Fraud and Error senior responsible owner and tabled to the relevant internal decision-making body or other government department where appropriate. These fraud and error impact assessments should make the cost-benefit analysis transparent and explicit, and set out the evidence basis for the decision.	The Department believes that it already did this to an extent, on an informal basis. The Department is now seeking to formalise this process by developing an impact assessment tool to assess the fraud and error implications of major proposals. It is not yet clear the degree to which this process will be visible to Parliament. A new counter-fraud policy team with 50 full-time equivalent (FTE) staff led by a senior civil servant has been established to support this work.

7. Introduce a rolling programme to review all its products and services to assess whether their regulations could be altered to help better address fraud and error. Potential barriers created by legislation should also be considered.	The Department has assessed what it already does to measure and evaluate what works and what needs changing in regard to reducing fraud and error – although this refers to activity wider than just legislative activities. This work is mainly being applied in the Universal Credit area, but the Department believes that many of the measures will be cross-cutting. The Department is also reviewing its current legislation and identifying what needs to be updated – for example, to take account of the new payment scheme for Kickstart - and considering what new powers it might need, for example access to claimants' savings data. The new counter-fraud policy team will support this work.
8. Perform an assessment of the fraud and error costs of using its legacy systems. The Department needs to understand the impact of not being able to make improvements to its control environment due to the inflexibility of its legacy IT and operational systems. This needs to be more explicitly costed into investment decisions and digital refresh plans.	The Department acknowledges the need to update some of its legacy systems and is making progress, for example in implementing a new case management system for fraud referrals. It has not, however, demonstrated any assessment of the costs of continuing to use its legacy systems in other areas.
9. Ensure that behavioural insights are used extensively in the design of controls to drive claimants towards more compliant behaviours. The Department should seek to understand how claimants respond to the interactions that they have with the Department and tweak controls and communications where there is a clear evidence base that shows a change will drive more compliant behaviour.	There is good evidence that the Department has some mechanisms in place to ensure that behavioural insights are identified and made use of. This is particularly apparent on Universal Credit, but it is also developing a Customer Sounding Board that it designed to improve its understanding of behaviours across all benefits. In terms of combatting fraud, the work the Integrated Risk and Intelligence Service is doing to identify digital behaviours that might indicate fraud has been significant, especially in response to easements and increased applications for benefits during the COVID-19 pandemic, and we are aware that early successes are indicating that much more can be achieved in combatting fraud using insight like this.
10. Factor in fraud and error in its resourcing decisions. The Department should consider the fraud and error impacts in its supply and demand modelling for staffing levels, so that it can demonstrate that it has achieved the value-for-money level of staffing. It should also ensure that it identifies and reacts to developing backlogs or process degradation as a result of short staffing.	There is evidence that the Department is seeking to understand fraud and error implications from resourcing decisions. The Department has secured funding for 365 FTE staff in the 2021 Budget for 'spend to save' measures and outlines a recruitment plan for more than 3,000 FTE in its counter-fraud compliance directorate.
11. Ensure that tackling fraud and error is part of claimant-facing staff job design. This should be built into job descriptions, with the right supporting tools and incentives, so that front-line staff recognise that tackling fraud and error is an integral part of their interactions with claimants. Where possible staff should be given information about the impact of their role in the fraud and error control environment, and how issues they raise are followed up.	The Department has acknowledged that tackling fraud and error is everyone's responsibility and opening up the annual Fraud Awareness Week to everyone, not just its counter-fraud and compliance directorate, is a positive step. Providing mandatory training for all new and existing Departmental staff with access to its systems (expanding to cover all contractors, agency workers and contingent labour by the end of May 2021) is also a positive step.

12. Put in place a measurement for detected underpayments across all benefits.	The Department acknowledges that the lack of data on detected underpayments is a weakness and offers some potential data sources that might provide valuable insight. There is, however, no definitive commitment to measure detected underpayments across all benefits. The systemic underpayments of Employment Support Allowance and State Pension reinforce the importance of monitoring detected underpayments and using these to improve controls.
13. Supplement MVFE estimates with estimates of the fraud and error that is not included. Types of fraud and error not included (e.g. Universal Credit advances, hidden economy earnings) should be listed and, wherever possible, estimated.	The Department has committed to working with us to understand how it can supplement the main estimate but did not provide any further details in the 2020-21 fraud and error statistical publication or its 2020-21 Annual Report and Accounts.

Note:

1. We have undertaken limited review of the Department's progress in implementing these recommendations during 2020-21 due to the impact of COVID-19. We will continue to monitor progress and report again.

Source: National Audit Office analysis of information provided by the Department for Work & Pensions

Annex B

Committee of Public Accounts recommendations

1. The Committee of Public Accounts took evidence from the Department for Work & Pensions (the Department) on its 2019-20 Annual Report and Accounts on 24 September 2020. It reported on 18 November 2020, with a series of recommendations, all of which were accepted by the Department.[46] Listed below are these recommendations along with our summary of the Department's progress in implementing them.[47]

Figure 8

The Department for Work & Pensions' progress against the Committee of Public Accounts' recommendations in 2020

The Department accepted all the Committee's recommendations but has made limited progress against several of them

Recommendation	National Audit Office assessment of progress
1. The Department should ensure that it learns from its experience and successes of spring 2020 to be ready for future challenges.	The Department has provided some limited details in its Annual Report and Accounts of how it would respond to a new surge of claims, looking to utilise its redeployment plans and making use of its governance arrangements around control easements. The Department could do more to evaluate, respond to and share its lessons more widely across government, to help inform contingency and emergency planning for any future challenges.
2. The Department needs to show sustained progress in reducing fraud and error. It should set annual targets, by risk and benefit, against which its progress can be assessed, based on its expectation of the intended impact of its counter-fraud and error initiatives over time. These should be set out and reported against in its Annual Report and Accounts for 2020–21. For Universal Credit, the Department should set out its plan for year-on-year reductions in fraud and error, assessing performance against short-term, achievable targets.	Despite its earlier commitment, the Department has not set a fraud and error target for 2021-22 but plans to set a target for 2022-23 after the Spending Review later this year. For Universal Credit, it is aiming to reduce overpayment levels to 6.5% by 2027-28, but it does not currently have the necessary plan or resources to achieve this. For other benefits and State Pension, the Department does not have targets on a one-year horizon or beyond. Nor does it have a target for underpayments or amounts detected each year More information is set out in paragraphs 56 to 58.

46 HC Committee of Public Accounts, *Department of Work and Pensions Accounts 2019-20*, Twenty-sixth report of session 2019-21 HC 681, November 2020

47 The Department's responses can be seen in full here: *HM Treasury, Treasury Minutes, Government responses to the Committee of Public Accounts on the Twenty-Fifth to the Twenty-Ninth reports from Session 2019-21*, CP 376, February 2021

3. The Department should report both the total level of fraud and error in the benefit system and the impact of its easement of controls on fraud and error, accompanied by both narrative and evidence, in its Annual Report and Accounts for 2020-21. This impact should be clearly distinguished from other fraud and error impacts of COVID-19, for example those due to the increase in caseload. The Department should use information obtained from the process of easing and restoring controls to assess the cost-effectiveness of controls.	The Department has set out in its Annual Report and Accounts the main drivers of the increase in fraud and error for Universal Credit, see paragraphs 27 to 29 (and Figure 3) in the main body of this report. This distinguishes between what has been caused by increasing caseloads and what has been caused by control easements. The Department has learnt valuable information from the pandemic about how certain controls impact fraud and error levels. For example, the impact of the Minimum Income Floor on Universal Credit (see paragraph 51). It still has more to do to demonstrate a full understanding of the cost-effectiveness across its control environment.
4. The Department needs to be able to monitor and report on the impact and cost-effectiveness of each of its fraud and error initiatives and in particular on the impact of its investment in new technology. The Department should monitor and report any discrimination or bias caused by using artificial intelligence and machine learning on different claimant groups.	The Department has benefits realisation plans in place for its new digital technologies that should provide a good evidence base for considering the effectiveness of controls. It still has more to do, however, to demonstrate a complete understanding of its control environment and the effectiveness of individual controls. The Department has put in place a draft Data Science Ethics Framework for machine learning that aims to ensure that bias and discrimination is considered in the design of predictive modelling. It has also set out the controls it has in place to guard against challenges that it is misusing personal data through its artificial intelligence and risk-modelling techniques.
5. The Department should review the regulatory regime around its fraud and error activities and communicate to Parliament where it believes additional powers or other changes to legislation would improve controls for specific fraud and error risks.	The Department has been communicating with Cabinet Office about the potential for new legislative powers to increase the effectiveness of counter-fraud activity. It acknowledges that in respect of losses due to incorrectly reported capital, it is legislative changes that could have the greatest impact on reducing losses. Capital overpayments in Universal Credit nearly trebled in 2020-21 to £950 million. The Department received funding in 2021-22 for a new counter-fraud policy team whose remit will be to explore legislative options for fraud and error measures (see paragraph 55).
6. The Department should set out clearly in its Annual Report and Accounts, starting 2020–21: the methods open to it to recover debt; the efficacy of each of these methods on recovering different types of debt; and its expectation of its recovery of different types of debt which are accumulating due to overpayments and be clear about the resources required to deliver on its targets.	The Department has set out in its Annual Report and Accounts the total debt balance, split by different types of debt and the methods used to recover the debt. Further information on the efficacy of debt collection methods and expected recovery of debts was not included nor was information about the resourcing requirements for debt management.

7. The Department should do more to understand the impact that both overpayments and underpayments have on claimants and ensure that vulnerable claimants are treated with care when dealing with error on the claim. As the Department investigates the impact of its COVID-19 response, it should consider systemic causes of underpayment and act quickly to assess and address these issues. We would like to hear from the Department how it intends to do this.	The Department is looking to use financial data to help identify vulnerable customers at source so that any deductions for overpayments can be tailored. It is also contributing to cross-government initiatives that are aimed at efficient and fair debt management, such as Breathing Space, a HM Treasury policy that aims to allow people with problem debt to obtain protection for creditor action and time to access debt advice. Universal Credit overpayments are included in this scheme, with Universal Credit advances to be included on a phased basis. Paragraphs 41 to 46 explain the Department's response to several attempted identity hijack frauds throughout 2020-21 and its approach to ensuring that affected citizens are not pursued for monies obtained by others fraudulently using their details. The Department is currently working on a new Code of Practice that would potentially enable it to write off Universal Credit and other benefit official error overpayments in exceptional circumstances. It is currently testing how this operates and plans to evaluate it by October 2021. The Department has identified a systemic underpayment of State Pension dating back up to 30 years and affecting up to 132,000 pensioners (paragraphs 31 to 34). The Department has undertaken a root cause analysis to identify lessons from this systemic underpayment.

Note:

1. The Department responded to the Committee of Public Accounts' recommendations in February 2021. We have assessed progress against the Department's commitments using information acquired in the course of the audit of the Department's 2020-21 accounts.

Source: National Audit Office analysis of the Department for Work & Pensions' response to the Committee of Public Accounts and further information shared

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 2021.

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

National Insurance Fund (NIF)

HM Revenue and Customs is responsible for the NIF. We administer the benefits funded from the NIF (see note 5b) on HM Revenue and Custom's behalf. We include these in our Statement of Comprehensive Net Expenditure (SoCNE) and recover 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). Ongoing Child Maintenance and Legacy Child Support Agency (CSA) Arrears only cases are managed through the Child Maintenance Service (CMS) launched in 2012, following the closure of the CSA systems in August 2020. Although all managed through the CMS, cases are administered according to the rules of the particular scheme that was in effect when the arrears arose.

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. Despite withdrawal from the EU, the ESF 2014-2020 programme will continue through to closure in 2024-25. It will then be replaced by the UK Shared Prosperity Fund.

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 148. They are administered separately from the Department and they produce their own Annual reports and accounts. Excluding public corporations which fall outside of our accounting boundary, the arm's length bodies are consolidated to inform the group accounts.

Consolidated Statement of Comprehensive Net Expenditure

for the year to 31 March 2021

The notes on pages 260 to 316 form part of these accounts.

		31 March 2021		31 March 2020	
	Note	Core department £000	Departmental group £000	Core department £000	Departmental group £000
Staff expenditure	3	3,170,674	3,497,913	2,751,821	3,042,812
Purchase of goods and services	4	2,578,572	2,305,168	2,644,147	2,417,983
Benefit and Social Fund expenditure	5	212,187,881	212,187,881	191,776,235	191,776,235
Depreciation and impairment charges	6	84,288	94,859	160,257	168,941
Provision expense	6	1,554,201	1,554,464	46,258	46,136
Total operating expenditure		**219,575,616**	**219,640,285**	**197,378,718**	**197,452,107**
Operating income	7	(537,302)	(610,552)	(611,689)	(701,647)
Total operating income		**(537,302)**	**(610,552)**	**(611,689)**	**(701,647)**
Finance income	7	(44,485)	(44,476)	(126,664)	(126,743)
Finance expense	4	4,509	23,011	5,137	23,423
Net expenditure for the year		**218,998,338**	**219,008,268**	**196,645,502**	**196,647,140**
Donated assets	8	(304,765)	(304,765)	(521,568)	(521,568)
Net operating costs for the year		**218,693,573**	**218,703,503**	**196,123,934**	**196,125,572**
Other comprehensive net expenditure					
Items that will not be reclassified to net operating expenditure					
Net loss/(gain) on:					
Revaluation of property, plant and equipment		-	(1,092)	-	898
Revaluation of intangibles		(28,825)	(28,774)	(70,586)	(70,586)
Revaluation of pension fund		7,645	7,645	(100,721)	(100,721)
Total comprehensive net expenditure for the year ended 31 March 2021		**218,672,393**	**218,681,282**	**195,952,627**	**195,955,163**

All income and expenditure is derived from continuing operations.

Consolidated Statement of Financial Position

as at 31 March 2021

The notes on pages 260 to 316 form part of these accounts.

		31 March 2021		31 March 2020	
	Note	Core department £000	Departmental group £000	Core department £000	Departmental group £000
Non-current assets:					
Property, plant and equipment	9	443,417	560,646	312,115	432,352
Intangible assets	10	408,565	418,028	389,018	391,481
Trade receivables, financial and other assets	13	3,959,779	3,952,767	3,423,074	3,416,176
Total non-current assets		**4,811,761**	**4,931,441**	**4,124,207**	**4,240,009**
Current assets:					
Assets classified as held for sale		-	-	15,890	15,890
Trade receivables, financial and other assets	13	4,691,691	4,740,681	2,646,433	2,687,539
Cash and cash equivalents	12	663,912	681,189	955,358	978,681
Total current assets		**5,355,603**	**5,421,870**	**3,617,681**	**3,682,110**
Total assets		**10,167,364**	**10,353,311**	**7,741,888**	**7,922,119**
Current liabilities:					
Trade payables and other liabilities	14	(9,081,969)	(9,148,762)	(7,756,847)	(7,807,762)
Provisions for liabilities and charges	16	(1,236,271)	(1,236,271)	(863,560)	(863,749)
Total current liabilities		**(10,318,240)**	**(10,385,033)**	**(8,620,407)**	**(8,671,511)**
Total assets less current liabilities		**(150,876)**	**(31,722)**	**(878,519)**	**(749,392)**
Non-current liabilities:					
Provisions for liabilities and charges	16	(6,343,802)	(6,344,888)	(5,556,520)	(5,557,212)
Other payables	14	(157,793)	(238,234)	(167,408)	(256,007)
Pension liability	17	(9,875)	(10,921)	(27,395)	(28,449)
Total non-current liabilities		**(6,511,470)**	**(6,594,043)**	**(5,751,323)**	**(5,841,668)**
Assets less liabilities		**(6,662,346)**	**(6,625,765)**	**(6,629,842)**	**(6,591,060)**
Taxpayers' equity and other reserves:					
General fund		(6,691,273)	(6,694,909)	(6,621,114)	(6,621,671)
Revaluation reserve		28,927	69,144	(8,728)	30,611
Total equity		**(6,662,346)**	**(6,625,765)**	**(6,629,842)**	**(6,591,060)**

Peter Schofield CB

Accounting Officer
9 July 2021

Consolidated Statement of Cash Flows

for the year ended 31 March 2021

		31 March 2021		31 March 2020	
	Note	Core department £000	Departmental group £000	Core department £000	Departmental group £000
Cash flows from operating activities					
Net cost for the year		(218,693,573)	(218,703,503)	(196,123,934)	(196,125,572)
Adjustments for non-cash transactions	6, 7	1,612,705	1,624,642	165,476	173,949
Adjustments for Capital Grant in Kind transfers	8	(304,765)	(304,765)	(521,568)	(521,568)
Decrease/(increase) in trade and other receivables	13	(2,581,963)	(2,589,733)	621	12,024
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		1,279,307	1,279,307	503,126	503,132
Increase/(decrease) in trade and other payables	14	(1,220,245)	(1,213,130)	1,283,891	1,283,304
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		644,095	651,336	(531,543)	(532,475)
Utilisation of provisions	16	(394,208)	(394,208)	(608,809)	(609,537)
Net cash outflow from operating activities		**(219,658,647)**	**(219,650,054)**	**(195,832,740)**	**(195,816,743)**
Cash flows from investing activities					
Purchase of property, plant and equipment	9a	(218,082)	(225,658)	(52,532)	(59,669)
Purchase of intangible assets	10a	(69,619)	(75,086)	(61,192)	(61,300)
Proceeds of disposal of property, plant and equipment and intangible assets		-	315	133,014	133,393
Proceeds of disposal of assets held for sale		21,000	21,000	-	-
Loans to other bodies – repayments		2,956	2,956	1,701	1,701
Loans to other bodies		(139,929)	(139,929)	(108,267)	(108,267)
Net cash outflow from investing activities		**(403,674)**	**(416,402)**	**(87,276)**	**(94,142)**
Cash flows from financing activities					
From the Consolidated Fund (supply) current year		109,828,059	109,828,059	91,708,453	91,708,453
From the Consolidated Fund (supply) prior year		-	-	149,279	149,279
Net financing from the National Insurance Fund		107,433,115	107,433,115	105,375,531	105,375,531

	Note	31 March 2021 Core department £000	31 March 2021 Departmental group £000	31 March 2020 Core department £000	31 March 2020 Departmental group £000
Advances from the contingencies fund		-	-	1,500,000	1,500,000
Repayments to the contingencies fund		-	-	(1,500,000)	(1,500,000)
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(13,359)	(15,875)	(24,915)	(27,631)
Net financing		**217,247,815**	**217,245,299**	**197,208,348**	**197,205,632**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(2,814,506)**	**(2,821,157)**	**1,288,332**	**1,294,747**
Payments of amounts due to the Consolidated Fund		(12,692)	(12,692)	(102,120)	(102,120)
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	12	**(2,827,198)**	**(2,833,849)**	**1,186,212**	**1,192,627**
Cash and cash equivalents at the beginning of the period	12	**20,179**	**43,226**	**(1,166,033)**	**(1,149,401)**
Cash and cash equivalents at the end of the period	12	**(2,807,019)**	**(2,790,623)**	**20,179**	**43,226**

The notes on pages 260 to 316 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2021

The notes on pages 260 to 316 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 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)**

	Note	General Fund Core department	General Fund Departmental group	Revaluation Reserve Core department	Revaluation Reserve Departmental group	Total Reserves Core department	Total Reserves Departmental group
		£000	£000	£000	£000	£000	£000
Balance at 31 March 2020		**(6,621,114)**	**(6,621,671)**	**(8,728)**	**30,611**	**(6,629,842)**	**(6,591,060)**
Net parliamentary funding drawn down (current year)		109,828,059	109,828,059	-	-	109,828,059	109,828,059
Net parliamentary funding – deemed		672,216	672,216	-	-	672,216	672,216
Funding from National Insurance Fund		107,433,115	107,433,115	-	-	107,433,115	107,433,115
Supply receivable adjustment	13	749,256	749,256	-	-	749,256	749,256
CFERS payable to the Consolidated Fund	SOPS4	(44,200)	(44,200)	-	-	(44,200)	(44,200)
General fund - other		-	6,688	-	-	-	6,688
Net costs for the year		(218,693,573)	(218,703,503)	-	-	(218,693,573)	(218,703,503)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	6	1,443	1,443	-	-	1,443	1,443
Actuarial revaluation on pension		(7,645)	(7,645)	-	-	(7,645)	(7,645)
Movements in reserves:							
Recognised in Statement of Comprehensive Net Expenditure		-	-	28,825	29,866	28,825	29,866
Transfers between reserves		(8,830)	(8,667)	8,830	8,667	-	-
Balance at 31 March 2021		**(6,691,273)**	**(6,694,909)**	**28,927**	**69,144**	**(6,662,346)**	**(6,625,765)**

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 2020-21 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 193 and shows outturn against estimate in terms of our net resource requirement and net cash requirement.

1.2 Accounting standards, interpretations and amendments

We have adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2021. We've also taken into account the specific interpretations and adaptations included in the FReM.

IFRS 16 (Leases) effective from 1 April 2022

IFRS 16 has been effective since 1 January 2019 for the private sector and was planned to be introduced in the 2021-22 FReM to replace IAS 17.

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 2022. This represents a two 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.

Our expectation is that around 1,800 of the Department's operating leases could meet the definition of a lease under IFRS 16, resulting in recognition from 1 April 2022 of assets with a value in the region of £1.6 billion, along with a lease liability of a similar amount.

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 have 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 148). 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 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.

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 in the performance report and the governance statement. Although there has been significant progress made on managing and reacting to the ongoing situation there is still a high degree of uncertainty on the time needed for a return to what will become the post COVID-19 steady state. Key assessments have been undertaken in line with IFRS 7 Financial Instrument disclosure to ensure the financial statements are properly presented where COVID-19 impacted. This has incorporated reviews of the Financial Instruments, the calculation of the Expected Credit Loss and value of Debt Stock.

Further detail is provided in notes 16 (Provisions) and 17 (Remploy Pension Scheme) and 1.11 (Financial Assets and Liabilities).

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 2021. The rates used take account of the latest economic conditions and are updated annually.

The FAS assets, which are not recognised in the DWP balance sheet, are mostly held as annuities. The income streams from these are generally not affected by any market volatility arising as a result of COVID-19, although the present value placed on them will depend on the discount rate, which could be impacted. The income streams, and therefore the present value, will also be impacted by the mortality experienced by the members the annuities relate to, which may be impacted by COVID-19. However, the total value of the assets is small compared to the FAS liability, and any fluctuation in asset value smaller still, and so the impact of COVID-19 on the assets is expected to be 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 Coronavirus Statutory Sick Pay Rebate (SSPR) scheme and 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)[48]

The SSP Rebate (SSPR) scheme was implemented to support small and medium-sized business owners by allowing them to reclaim SSPR costs due to COVID-19 for up to 2 weeks per employee at a rate of £95/week. The costs of this were based on actual costs provided by HM Revenue and Customs. Due to alternative schemes being available, eg furlough schemes and grants for self employed the amount reclaimed by employers was minimal.

Benefit provisions

Benefit provisions are mainly in relation to ongoing Legal Cases against the Department. These provisions 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).

State Pension underpayment

This is a specific benefit provision which has been recognised for the first time in 2020-21. Due to its value and likely public interest, it has been disclosed separately in note 16 c. The provision has been constructed by analysts utilising scans of our IT systems to estimate the number of customers who may have been affected, supplemented by sampling of customer records and other analytical data.

Incorrect payments

We are responsible for paying claimants the right benefit at the right time. However, the complexity and an attendant risk of fraud and error can lead to some 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 accompanying background and methodology document).

48 published by the Office for Budget Responsibility (OBR)

We estimate the level of over and underpayments 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 94.9% of £211.7 billion of benefit payments are made correctly. Measurement for 2020-21 was limited due to the impact of the COVID-19 pandemic on the reviews underpinning the estimates. More details can be found in the incorrect payments note (note 18).

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 underpayments have not been identified. We correct all individual cases sampled where we identify over or underpayments.

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

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

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

All expenditure on repairs and maintenance is charged to the 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 have 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 January 2021

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 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

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).

Benefit Advances

Benefit Advances are, in effect, an advancement of a claimant's first indicative award. We recognise the value of the original advance less any repayments or write offs made. Benefit Advances mainly relate to Universal Credit.

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 (including benefit overpayments and benefit advances) 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 Debt Respite Scheme (Breathing Space) which came into force on 4th May 2021 will have a minor impact on the impairment rate of the debt stock. However, until further details are available on the likely take up of the scheme it is not possible to include this adjustment in the accounts, the amount has been assessed at various take up levels and the impact is minimal.

Liabilities

Accruals

The material financial liability in these statements is represented by accounting for benefit payments paid in April 2021 that relate to entitlement weeks within 2020-21 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 2020-21.

1.12 Benefit overpayments

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.

The benefit overpayment value excludes the amounts included in Incorrect Payments, note 18, as this is a statistical estimate. Also excluded are estimates of potential overpayments where the individual overpayment has not been identified and communicated to the claimant. These are both excluded on the basis there are insufficient rights to recognise the related asset (see note 1.5).

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 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

Although not recognised as a receivable, amount where the categories above have been written off will be included in the Losses and Special Payments note on page 211.

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

This included implementing an agreed HM Treasury policy change during the early phase of COVID-19 to pause the recovery of most benefit overpayments for a period of 3 months. The 3 month pause period was temporary and recoveries of overpayments have been recommenced, these are in line with pre COVID-19 policies.

1.13 Tax Credits receivables

In April 2016, we started to take 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 transfer is planned to continue to transfer over the coming years as more customers move to UC. A temporary pause was implemented in April 2020 as a result of the COVID-19 pandemic. The reintroduction of Tax Credit transfers commenced November 2020 and is being carefully controlled and monitored.

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.

Financial Assistance Scheme (FAS) and other provisions

The de minimis threshold used for Benefit provisions does not apply to FAS and our other provisions (note 16a and 16d) although clearly immaterial items will not be provided for.

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.

State Pension underpayment provision

This is a specific liability relating to underpayment of benefit. As such, we adopt the same policy as set out for Benefit provisions. This item however merits separate disclosure in Note 16 (Provisions for liabilities and charges) due to its materiality and likely interest to readers of the accounts.

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 have 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 1 April 2022 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 216.

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 Investment Committee is the chief decision making body within the Department for DEL expenditure and 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.

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 frontline support for our IT
    - **Policy group**
    - **People, Capability and Place**
    - **Other corporate functions** (Communications; Central Analysis, Science, Ministers, Governance and Strategy)
- **Change -** our investment programmes and projects
- **arm's length bodies -** the expenditure incurred by the bodies within our accounting boundary on page 148

	2020-21 £000	2019-20 £000
Service Excellence	794,905	898,777
Work and Health Services	2,059,754	1,679,634
Corporate:		
Finance group	1,244,211	1,651,056
Digital group	1,042,559	902,721
Policy group	189,999	155,224
People, Capability and Place	879,438	117,003
Other corporate (Communications; Central Analysis, Science, Ministers, Governance and Strategy)	87,582	(103,645)
Change	400,683	317,635
Arm's length bodies	430,074	345,635
Total resource and capital DEL	**7,129,205**	**5,964,040**

The impairment loss recognised in SoCNE during this period for DEL amounted to £11.9 million.

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 193 (SOPS) for more details.

	2020-21 £000	2019-20 £000
Inside the Welfare Cap	92,536,299	87,540,324
Outside the Welfare Cap	119,986,995	103,551,188
Total resource and capital AME	**212,523,294**	**191,091,512**
Total resource and capital DEL and AME	**219,652,499**	**197,055,552**

The impairment gain recognised in SoCNE during this period for AME amounted to £100.2 million.

SOPS notes 1.1 and 1.2 provide details of resource and capital.

SOPS 2 on page 201 reconciles SOPS resource to the Statement of Consolidated Net Expenditure.

This note does not include assets and liabilities, as they are not included in the management information that is provided to the boards.

3. Staff expenditure

	2020-21		2019-20	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Wages and salaries	2,417,144	2,672,791	2,058,842	2,284,301
Employers' National Insurance	204,189	229,685	183,879	206,934
Superannuation and pension costs	549,341	595,437	509,100	551,577
Total staff costs	**3,170,674**	**3,497,913**	**2,751,821**	**3,042,812**

We have presented the full staff and related expenditure disclosure in the remuneration and staff report on page 173.

4. Expenditure

		2020-21		2019-20	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Purchase of goods and services					
Goods and services		739,490	824,882	807,280	893,450
Accommodation expenditure		660,317	678,455	542,395	559,623
IT services		533,432	470,661	528,949	470,752
Grant in aid		403,529	-	333,863	-
Other costs		65,444	149,378	65,693	123,815
Non-cash goods and services	6	(19,592)	(18,489)	46,363	46,274
Rentals under operating leases		3,026	7,071	2,683	6,841
Agency payments on behalf of EU to third-parties		192,846	192,846	316,921	316,921
Audit fee		-	284	-	307
Non-audit services fee		80	80		
Purchase of goods and services total		**2,578,572**	**2,305,168**	**2,644,147**	**2,417,983**
Finance expense					
PFI service charges		-	13,957	-	10,531
Finance lease charges		4,509	9,054	5,137	12,892
Total finance expense		**4,509**	**23,011**	**5,137**	**23,423**

During the year, the Department purchased non-audit services from its auditor, National Audit Office to provide a non-statutory audit opinion to the Department on benefit expenditure recharged to Social Security Scotland in relation to devolved disability benefits administered by the Department under Agency Agreements. This opinion will be shared with Social Security Scotland.

Included in the expense figures above is expenditure relating the Kickstart programme of which £17.2 million relates to grants and subsidies.

During the year, HSE has benefitted from non-audit services from its auditor Ernst & Young (EY) under a contract with the Department for Business, Energy and Industrial Strategy (BEIS). This work incurred expenditure of £1.25 million and has been performed and managed separately from the audit.

The audit fee for the Department and its agencies of £1.443 million is non-cash expenditure, see note 6.

5. Benefit and Social Fund expenditure

		2020-21		2019-20	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Voted expenditure	5a	102,888,998	102,888,998	85,221,995	85,221,995
Non-voted expenditure	5b	106,938,605	106,938,605	104,222,592	104,222,592
Social Fund expenditure		2,083,862	2,083,862	1,998,523	1,998,523
Programme balances written off		276,416	276,416	333,125	333,125
Total		**212,187,881**	**212,187,881**	**191,776,235**	**191,776,235**

5a. Voted expenditure

	2020-21		2019-20	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Universal Credit	38,063,262	38,063,262	18,089,025	18,089,025
Amounts paid to local authorities	17,667,025	17,667,025	18,243,613	18,243,613
Personal Independence Payment	13,637,576	13,637,576	12,932,752	12,932,752
Employment and Support Allowance	8,758,883	8,758,883	9,032,500	9,032,500
Disability Living Allowance	5,799,458	5,799,458	7,220,203	7,220,203
Attendance Allowance	5,317,431	5,317,431	5,887,196	5,887,196
Pension Credit	5,019,348	5,019,348	4,995,296	4,995,296
Carer's Allowance	3,036,174	3,036,174	2,879,818	2,879,818
Statutory Sick Pay and Statutory Maternity Pay	2,594,275	2,594,275	2,168,992	2,168,992
Income Support	1,070,186	1,070,186	1,338,131	1,338,131
Industrial Injuries Benefits Scheme	721,149	721,149	829,198	829,198
Jobseeker's Allowance	436,451	436,451	598,227	598,227
Employment programmes	329,509	329,509	296,176	296,176
Severe Disablement Allowance	71,472	71,472	88,820	88,820
TV licenses for over 75s	2,923	2,923	253,047	253,047
Other expenditure	363,876	363,876	369,001	369,001
Total	**102,888,998**	**102,888,998**	**85,221,995**	**85,221,995**

5b. Non-voted expenditure (financed by the National Insurance Fund)

	2020-21		2019-20	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
State Pension	100,816,520	100,816,520	98,634,351	98,634,351
Employment and Support Allowance	4,563,007	4,563,007	4,496,127	4,496,127
Jobseeker's Allowance	610,110	610,110	109,926	109,926
Bereavement benefits	442,014	442,014	438,413	438,413
Maternity Allowance	383,928	383,928	418,995	418,995
Christmas Bonus	122,699	122,699	124,015	124,015
Incapacity Benefit	327	327	765	765
Total	**106,938,605**	**106,938,605**	**104,222,592**	**104,222,592**

6. Non-cash expenditure

		2020-21		2019-20	
		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		4,106	4,448	3,751	3,905
Revaluation (gain)/loss		24	785	(24)	(267)
ESF foreign exchange loss		-	-	68,413	68,413
Movements on pension liability		(25,165)	(25,165)	(27,220)	(27,220)
		(19,592)	**(18,489)**	**46,363**	**46,274**
Depreciation, amortisation and impairment					
Depreciation and amortisation of non-current assets	9 and 10	172,601	183,172	183,548	192,232
Impairment of non-current assets		-	-	980	980
Movement in impairment of receivables	13	(88,313)	(88,313)	(24,271)	(24,271)
		84,288	**94,859**	**160,257**	**168,941**
Provision expense					
Movement in provisions	16	1,445,080	1,445,343	(63,528)	(63,650)
Borrowing costs of provisions	16	109,121	109,121	109,786	109,786
		1,554,201	**1,554,464**	**46,258**	**46,136**
Total		**1,618,897**	**1,630,834**	**252,878**	**261,351**

ESF foreign exchange losses relate to European Social Fund (ESF) 2007-13 and 2014-20 programmes. In 2020-21, the ESF programme had a net unrealised net gain shown in note 7 income. In 2019-20, unrealised losses and gains were reported separately.

7. Income

	2020-21		2019-20	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Operating income				
HSE income	-	75,992	-	94,380
Pension levy receipts	94,162	94,183	84,346	84,455
EU income	185,956	185,956	279,625	279,625
Other income	80,035	77,272	128,015	123,488
Mesothelioma recoveries	51,150	51,150	62,386	62,386
Income from other government departments	81,799	81,799	38,876	38,872
CFER income	44,200	44,200	18,441	18,441
Total operating income	**537,302**	**610,552**	**611,689**	**701,647**
Finance income				
Investment income	38,293	38,284	39,262	39,341
Non-cash				
ESF foreign exchange gain	6,192	6,192	87,402	87,402
Total financial income	**44,485**	**44,476**	**126,664**	**126,743**
Total income	**581,787**	**655,028**	**738,353**	**828,390**

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. The ESF programme had an unrealised net gain in 2020-21. In 2019-20, unrealised losses and gains were reported separately.

8. Donated assets

	2020-21		2019-20	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Non-cash				
Gross Tax Credits transfer	(689,141)	(689,141)	(1,155,505)	(1,155,505)
Tax Credits transfer impairment	378,063	378,063	633,937	633,937
Net Tax Credits transfer	**(311,078)**	**(311,078)**	**(521,568)**	**(521,568)**
Gross devolved benefits	13,451	13,451	-	-
Devolved benefits impairment	(7,138)	(7,138)	-	-
Net devolved benefits	**6,313**	**6,313**	-	-
Total	**(304,765)**	**(304,765)**	**(521,568)**	**(521,568)**

In April 2016 the Department started to take 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. This was planned to continue to transfer over the coming years, as more customers move to UC. In 2020-21 there was a temporary pause in debt transfers to allow the Department to concentrate on other priorities linked to the COVID-19 pandemic. The migration recommenced in November 2020. This delay means the cumulative transferred amount is behind previously published plans, the Department is now exploring how best to ensure the Debt transfers can catch up.

Whilst we regularly agree Tax Credits debt to transfer with HM Revenue and Customs, 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 Social Security Scotland as assets. Executive Competency for a further five disability related benefits transferred on 1 April 2020 along with the associated debt.

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 2020	**154,953**	**102,894**	**402,078**	**21,401**	**62,570**	**2,698**	**41,356**	**787,950**
Additions	219	395	103,680	4,774	3,750	90	122,169	**235,077**
Disposals	-	(3,160)	(36,891)	(43)	(624)	(633)	-	**(41,351)**
Reclassifications	-	14,699	2,482	-	(664)	-	(18,807)	**(2,290)**
Revaluations	(2,547)	-	-	-	-	-	-	**(2,547)**
Transfers	(205)	-	-	-	-	-	-	**(205)**
At 31 March 2021	**152,420**	**114,828**	**471,349**	**26,132**	**65,032**	**2,155**	**144,718**	**976,634**
Depreciation								
At 1 April 2020	**35,974**	**38,092**	**248,663**	**16,841**	**14,639**	**1,389**	**-**	**355,598**
Charged in year	4,925	14,483	74,263	907	6,074	235	-	**100,887**
Disposals	-	(2,905)	(33,703)	(42)	(513)	(348)	-	**(37,511)**
Reclassifications	(73)	73	(339)	-	-	-	-	**(339)**
Revaluations	(2,637)	-	-	-	-	-	-	**(2,637)**
Transfers	(10)	-	-	-	-	-	-	**(10)**
At 31 March 2021	**38,179**	**49,743**	**288,884**	**17,706**	**20,200**	**1,276**	**-**	**415,988**
Carrying amount at 31 March 2020	**118,979**	**64,802**	**153,415**	**4,560**	**47,931**	**1,309**	**41,356**	**432,352**
Carrying amount at 31 March 2021	**114,241**	**65,085**	**182,465**	**8,426**	**44,832**	**879**	**144,718**	**560,646**
Asset financing:								
Owned	9,069	65,085	174,398	8,426	43,473	879	144,718	**446,048**
Finance leased	22,310	-	8,067		1,359			**31,736**
PFI contracts	82,862	-	-	-	-	-	-	**82,862**
Carrying amount at 31 March 2021	**114,241**	**65,085**	**182,465**	**8,426**	**44,832**	**879**	**144,718**	**560,646**
Of the total:								
Department	21,160	60,051	176,268	4,526	40,477	28	140,907	**443,417**
Arm's length bodies	93,081	5,034	6,197	3,900	4,355	851	3,811	**117,229**
Carrying amount at 31 March 2021	**114,241**	**65,085**	**182,465**	**8,426**	**44,832**	**879**	**144,718**	**560,646**

	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)**
Impairments								
Reclassifications	11	58,168	2,209	(764)	2,574	59	(61,816)	**441**
Revaluations	(2,515)	-	-	-	-	-	-	**(2,515)**
Transfers								
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)**
Impairments								
Reclassifications	52	(52)	(1,143)	-	-	-	-	**(1,143)**
Revaluations	(1,859)	-	-	-	-	-	-	**(1,859)**
Transfers								
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**

a. Cash flow reconciliation

	2020-21 £000	2019-20 £000
Capital payables and accruals at 1 April	38,601	54,315
Capital additions	235,077	45,660
Less: leased capital additions	(2,902)	(1,705)
Capital payables and accruals at 31 March	(45,118)	(38,601)
Purchases of property, plant and equipment as per Statement of Cash Flows	**225,658**	**59,669**
Of the total:		
Department	218,082	52,532
Arm's length bodies	7,576	7,137
Total	**225,658**	**59,669**

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 2020	36,285	187,195	710,383	52,136	**985,999**
Additions	-	34,823	244	49,097	**84,164**
Disposals	-	(16,172)	(66,547)	-	**(82,719)**
Reclassifications	-	14,233	23,945	(48,040)	**(9,862)**
Revaluations	1,486	56	50,934	-	**52,476**
At 31 March 2021	**37,771**	**220,135**	**718,959**	**53,193**	**1,030,058**
Amortisation					
At 1 April 2020	35,762	149,198	409,558	-	**594,518**
Charged in year	201	30,748	51,336	-	**82,285**
Disposals	-	(15,350)	(66,446)	-	**(81,796)**
Reclassifications	-	339	-	-	**339**
Revaluations	1,485	47	15,152	-	**16,684**
At 31 March 2021	**37,448**	**164,982**	**409,600**	**-**	**612,030**
Carrying amount at 31 March 2021	**323**	**55,153**	**309,359**	**53,193**	**418,028**
Carrying amount at 31 March 2020	**523**	**37,997**	**300,825**	**52,136**	**391,481**
Of the total:					
Department	-	51,610	307,484	49,471	**408,565**
Arm's length bodies	323	3,543	1,875	3,722	**9,463**
Carrying amount at 31 March 2021	**323**	**55,153**	**309,359**	**53,193**	**418,028**
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)**
Transfers	-	-	-	-	**-**
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)**
Transfers	-	-	-	-	**-**
Reclassifications	-	427	-	-	**427**
Revaluations	1,110	903	13,806	-	**15,819**
At 31 March 2020	**35,762**	**149,198**	**409,558**	**-**	**594,518**

	Websites	Purchased software licences	Internally developed software	Payments on assets under construction	Total
	£000	£000	£000	£000	£000
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**

a) Intangible asset cash flow reconciliation

	2020-21 £000	2019-20 £000
Capital payables and accruals at 1 April	8,535	3,045
Capital additions	84,164	66,790
Capital payables and accruals at 31 March	(17,613)	(8,535)
Purchases of intangible assets as per Statement of Cash Flows	**75,086**	**61,300**
Of the total:		
Department	69,619	61,192
Arm's length bodies	5,467	108
Total	**75,086**	**61,300**

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 2021		31 March 2020	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Not later than 1 year	190,186	194,814	212,433	216,987
Later than 1 year and not later than 5 years	645,945	655,640	731,037	737,328
Later than 5 years	973,585	985,913	694,289	695,613
Total	**1,809,716**	**1,836,367**	**1,637,759**	**1,649,928**

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 2021		31 March 2020	
	Core department	**Departmental group**	**Core department**	**Departmental group**
	£000	**£000**	**£000**	**£000**
Balances at 1 April	**20,179**	**43,226**	(1,166,033)	(1,149,401)
Net change in cash and cash equivalent balances	(2,827,198)	(2,833,849)	1,186,212	1,192,627
Balances at 31 March	**(2,807,019)**	**(2,790,623)**	**20,179**	**43,226**
Represented by:				
Cash and cash equivalents	663,912	681,189	955,358	978,681
Bank overdraft	(3,470,931)	(3,471,812)	(935,179)	(935,455)
	(2,807,019)	**(2,790,623)**	**20,179**	**43,226**

The following balances were held at:

	31 March 2021		31 March 2020	
	Core department	**Departmental group**	**Core department**	**Departmental group**
	£000	**£000**	**£000**	**£000**
Government Banking Services	(2,809,025)	(2,809,905)	16,832	16,556
Commercial banks and cash in hand	2,006	19,282	3,347	26,670
Total	**(2,807,019)**	**(2,790,623)**	**20,179**	**43,226**

The bank overdraft relates to cash-in-transit due to a timing difference between the payment being processed and the date that our customers are paid.

13. Trade receivables, financial and other assets

	Note	31 March 2021 Core department £000	31 March 2021 Departmental group £000	31 March 2020 Core department £000	31 March 2020 Departmental group £000
Amounts falling due within one year					
Trade receivables		277,030	310,172	120,256	143,984
Benefit overpayments		365,989	365,989	346,681	346,681
Benefit advances		598,675	598,675	492,266	492,266
Housing Benefit subsidy		487,167	487,167	143,991	143,991
Prepayments and accrued income		1,472,685	1,494,940	921,556	945,579
Social Fund loans		214,937	214,937	142,636	142,636
Tax Credits		529,078	529,078	602,117	602,117
European Social Fund		314,041	314,041	197,705	197,705
Value Added Tax		36,421	37,695	48,849	47,579
Current part of loans		-	-	68	68
Amounts due from the Consolidated Fund in respect of supply		749,256	749,256	-	-
CFERS receivable		3,416	3,416	3,700	3,700
Other receivables		22,201	24,062	22,527	23,523
Gross receivables		**5,070,896**	**5,129,428**	**3,042,352**	**3,089,829**
Less: impairment of receivables	A	(379,205)	(388,747)	(395,919)	(402,290)
Net receivables		**4,691,691**	**4,740,681**	**2,646,433**	**2,687,539**
Amounts falling due after more than one year					
Benefit overpayments		2,391,101	2,391,101	2,232,663	2,232,663
Benefit advances		625,706	625,706	499,692	499,692
Financial assets	B	997,649	987,649	860,701	850,701
Social Fund loans		159,984	159,984	270,992	270,992
Tax Credits		1,700,208	1,700,208	1,173,176	1,173,176
Prepayments and Accrued Income		-	792	-	887
Other receivables		6,662	8,858	7,128	9,343
Gross receivables		**5,881,310**	**5,874,298**	**5,044,352**	**5,037,454**
Less: impairment of receivables	A	(1,921,531)	(1,921,531)	(1,621,278)	(1,621,278)
Net receivables		**3,959,779**	**3,952,767**	**3,423,074**	**3,416,176**
Total net receivables		**8,651,470**	**8,693,448**	**6,069,507**	**6,103,715**

a. Impairment of receivables

Impairment of receivables <1 year	31 March 2021		31 March 2020	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Benefit overpayments and Tax Credits	(332,669)	(332,669)	(371,386)	(370,105)
Benefit advances	(17,438)	(17,438)	-	-
Social Fund	(13,444)	(13,444)	(12,440)	(12,440)
Other	(15,654)	(25,196)	(12,093)	(19,745)
Total	**(379,205)**	**(388,747)**	**(395,919)**	**(402,290)**

Impairment of receivables >1 year				
Benefit overpayments and Tax Credits	(1,812,461)	(1,812,461)	(1,561,023)	(1,561,023)
Benefit advances	(43,822)	(43,822)	-	-
Social Fund	(64,748)	(64,748)	(60,064)	(60,064)
Other	(500)	(500)	(191)	(191)
Total	**(1,921,531)**	**(1,921,531)**	**(1,621,278)**	**(1,621,278)**

b. Financial assets

Our financial assets of £988 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 £106 million to NEST during the year (2019-20: £64 million), bringing the total loan balance to £884 million (2019-20: £778 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 £11.18 million (2019-20: £10 million).

BPDTS Limited

Our loan to BPDTS Limited of £10 million (2019-20: £10 million) is eliminated on group consolidation as BPDTS Limited falls within our reporting boundary.

Support for Mortgage Interest (SMI)

The value of SMI loans now stands at £92 million (2019-20: £63 million).

14. Trade payables and other liabilities

		31 March 2021		31 March 2020	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Taxation and social security		55,421	62,161	45,949	51,336
Superannuation		61,205	66,153	50,663	54,861
Trade payables		155,984	159,499	162,425	166,481
Accruals and deferred income		4,945,789	4,989,427	5,609,629	5,640,706
Capital payables and accruals	9, 10	52,071	55,911	43,345	46,012
Bank overdrafts	12	3,470,931	3,471,812	935,179	935,455
Imputed finance lease element of on-Statement of Financial Position PFI contracts		-	2,926	-	2,971
Finance lease obligations		9,816	9,817	11,299	11,301
CFERs due to be paid to the Consolidated Fund – Received		37,397	37,397	5,605	5,605
CFERs due to be paid to the Consolidated Fund – Receivable		3,416	3,416	3,700	3,700
Amounts issued from the Consolidated Fund for supply but not spent at year end		-	-	672,216	672,216
Third-party payments		64,382	64,382	75,625	75,625
European Social Fund		166,512	166,512	94,535	94,535
Other payables		59,045	59,349	46,677	46,958
		9,081,969	**9,148,762**	**7,756,847**	**7,807,762**
Amounts falling due after more than one year					
Imputed finance lease element of on-Statement of Financial Position PFI contracts		-	78,129	-	87,204
Finance lease obligations		44,359	45,511	53,333	54,728
European Social Fund		89,760	89,760	93,771	93,771
Accruals and Deferred Income		18,014	18,014	19,180	19,180
Capital Accruals	9, 10	5,660	6,820	1,124	1,124
		157,793	**238,234**	**167,408**	**256,007**
Total payables		**9,239,762**	**9,386,996**	**7,924,255**	**8,063,769**

15. Financial instruments

Our financial instruments include loans and receivables.

		31 March 2021		31 March 2020	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Financial assets					
Loans and investments		997,649	987,649	797,715	787,715
Benefit advances	13	1,224,381	1,224,381	991,959	991,959
Other receivables		293,613	327,153	200,379	224,711
Cash and cash equivalents	12	663,912	681,189	955,358	978,681
Housing Benefit subsidy	13	487,167	487,167	143,991	143,991
Benefit overpayments	13	2,757,090	2,757,090	2,579,344	2,579,344
Tax Credits	13	2,229,286	2,229,286	1,775,293	1,775,293
Social Fund loans	13	374,921	374,921	413,628	413,628
European Social Fund	13	314,041	314,041	197,705	197,705
Total		**9,342,060**	**9,382,877**	**8,055,372**	**8,093,027**
Less: impairment of financial instruments		(2,300,736)	(2,310,278)	(2,017,197)	(2,023,568)
		7,041,324	**7,072,599**	**6,038,175**	**6,069,459**
Financial liabilities					
Other payables		5,180,567	5,232,713	5,853,076	5,892,272
Bank overdraft	12	3,470,931	3,471,812	935,179	935,455
European Social Fund	14	256,272	256,272	188,306	188,306
Total		**8,907,770**	**8,960,797**	**6,976,561**	**7,016,033**

For 2020-21 we revised the content of our Financial Instruments note to ensure that it accurately reflected the balances that arose from Financial Instruments, as per IFRS 9. This has resulted in mapping SMI to Loans and Investments and is consistent with the Financial Asset line within trade receivables (note 13).

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 2021 aren't materially different from their fair values, so we haven't shown them separately.

Exposure to risks

There are no material liquidity, market and credit risks associated with our financial instruments.

16. Provisions for liabilities and charges

	Note	31 March 2021		31 March 2020	
		Core department	Departmental group	Core department	Departmental group
		£000	£000	£000	£000
Financial Assistance Scheme (FAS) provision	16a	5,552,226	5,552,226	5,489,874	5,489,874
Benefit provisions	16b	968,388	968,388	883,003	883,003
State Pension	16c	1,033,632	1,033,632	-	-
Other provisions	16d	25,827	26,913	47,203	48,084
		7,580,073	**7,581,159**	**6,420,080**	**6,420,961**

Analysis by type

a. FAS provision

	31 March 2021		31 March 2020	
	Core department	Departmental group	Core department	Departmental group
FAS provision (a)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	**5,489,874**	**5,489,874**	**5,716,940**	**5,716,940**
Provided in year	116,651	116,651	-	-
Provisions not required written back	-	-	(187,018)	(187,018)
Change in discount rate	57,497	57,497	63,528	63,528
Utilised in year	(218,794)	(218,794)	(212,228)	(212,228)
Borrowing costs (unwinding of discount)	106,998	106,998	108,652	108,652
Balance at 31 March	**5,552,226**	**5,552,226**	**5,489,874**	**5,489,874**

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 manage 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 FAS assets, which are not recognised in the DWP balance sheet, are mostly held as annuities. The income streams from these are generally not affected by any market volatility arising as a result of COVID-19, although the present value placed on them will depend on the discount rate, which could be impacted. The income streams, and therefore the present value, will also be impacted by the mortality experienced by the members the annuities relate to, which may be impacted by COVID-19. However, the total value of the assets is small compared to the FAS liability, and any fluctuation in asset value smaller still, and so the impact of COVID-19 on the assets is expected to be 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 2020-21

The FAS provision is long-term and is therefore more sensitive to changes in economic and demographic 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	Mortality rate	Pension payments	Deferred pension revaluation rate
	£bn	£bn	£bn	£bn	£bn
		0.5% decrease	10% increase p.a.	0.5% increase p.a.	0.5% increase p.a.
Assumption					
Provision as at 31 March 2021	5.552	5.942	5.384	5.652	5.626
Increase/(decrease) in provision		0.390	(0.168)	0.100	0.074
Percentage change		7.02%	(3.03%)	1.80%	1.33%

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 – assuming cash flows remain the same a 0.5% decrease in the discount rates, (as advised by HM Treasury), would result in an increase in the provision of £390 million (7%).

Mortality increase – assuming a 10% increase to the mortality of pensioners, (after allowing for projected mortality improvements), has the impact of reducing the amount of cash flows as pensioner numbers decrease and would result in a £168 million (3%) reduction in the provision.

Pension increase – assuming that pensions will increase by 0.5% per annum for all future years, (where the actual rates are not yet known), has the impact of increasing the amount of cash flows and would result in a £100 million (2%) increase in the provision.

Deferred revaluation increase – assuming that the rate used for deferred pension revaluations increases by 0.5% per annum for all future years, (where the actual rates are not yet known), has the impact of increasing the amount of cash flows and would result in a £74 million (1%) 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.

Legal Cases - 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. This includes allowances for judgements made in the ‘Hampshire’, ‘Hughes’ and ‘Bauer’ cases.

In September 2018 the Court of Justice of the European Union (CJEU) ruled in the case of Hampshire v PPF that, in the event of employer insolvency, individual members should receive at least 50% of the value of their accrued old age pension in their former scheme (the 'Hampshire judgement'). Work has been carried out in recent years to implement this judgement, including uplifting FAS assistance amounts for some of the affected FAS members. This work has been paused pending the outcome of the appeals in the Hughes case.

In June 2020 the Administrative Court ruled in the case of Hughes v PPF that in calculating the minimum 50 per cent value the PPF needs to make sure that over the course of their lifetime each member, and separately each survivor, receives at least 50% on a cumulative basis of the actual value of the benefits that their scheme would have provided (the 'Hughes judgement'). This case remains subject to an ongoing appeals process.

For the purposes of this Annual Report and Accounts, the FAS liabilities shown here include a loading (i.e. an addition to the liabilities) of 5.8% for in-payment members, and a loading of 3.3% for not yet in payment members, which reflect a very approximate aggregate allowance for the combined impact of the Hampshire judgement, as modified by the Hughes judgement. It is not possible to calculate an accurate allowance at this time.

In December 2019 the CJEU ruled in the case of Bauer that a reduction in the amount of occupational old age pension benefits paid to a member on account of his or her employer's insolvency is manifestly disproportionate where, as a result of the reduction, the member is living below the at-risk-of-poverty threshold determined by Eurostat.

DWP is in the process of assessing the various options for implementation of this judgement. For the purposes of this Annual Report and Accounts, the FAS liabilities shown here include a loading of 1.0% for in-payment members, and a loading of 0.8% for not yet in payment members, which reflect a very approximate allowance for the Bauer judgement. It is not possible to calculate an accurate allowance at this time.

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.

Inflation rate – the inflation rate assumptions used are in line with those recommended by the Government Actuary's Department (GAD) as agreed in January 2021 with PPF and DWP. This includes changes to RPI (Retail Price Index) which will now be aligned to CPIH (Consumer Prices Index Including Owner Occupiers' Housing Costs) from 2030 onward. This should not have a material impact on the FAS liabilities as we set CPI (Consumer Price Inflation) linked increases based on short- and long-term OBR (Office for Budget Responsibility) CPI forecasts and these won't change, but will affect the assumption for the indexation of annuities. The long-term assumption for CPIH, and therefore RPI from 2030, is set at 0.1% p.a. above the long-term CPI assumption. A change to future inflation rate assumptions would have an impact on future compensation increases and therefore on the value of liabilities, but it is too early at this stage to quantify this. Changes in inflation rates 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.

Mortality rate – 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. Updated membership data has been used for this year's valuation, taken as at 30 November 2020 - this will directly take into account actual mortality over the pandemic period to that date.

Of far greater material significance are the assumptions used for future mortality as these will have a far larger impact on the liabilities, given the long-term nature of the liabilities.

There is currently insufficient mortality experience from FAS pensioners to analyse with any credibility. Therefore, GAD have continued to advise to use "baseline" mortality assumptions, whilst continuing to monitor the situation for sufficient mortality experience. GAD further advise that the COVID-19 pandemic has drawn focus on short-term impacts to life expectancy, excess deaths and mortality in general. The longevity assumption is a long-term assumption, and therefore it would not be appropriate to adjust the assumption at this time before the full impact of the pandemic on mortality is clearer. It is however possible that a material adjustment may be required in the future.

b. Benefit provisions

	31 March 2021		31 March 2020	
	Core department	**Departmental group**	**Core department**	**Departmental group**
Benefit provisions (b)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	**883,003**	**883,003**	**1,248,401**	**1,248,401**
Provided in year	308,418	308,418	1,063,956	1,063,956
Provisions not required written back	(84,147)	(84,147)	(1,034,354)	(1,034,354)
Utilised in year	(141,086)	(141,086)	(396,239)	(396,239)
Borrowing costs (unwinding of discount)	2,200	2,200	1,239	1,239
Balance at 31 March	**968,388**	**968,388**	**883,003**	**883,003**

Benefit provisions in relation to judicial review, legal cases and appeals:

Legal cases - 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 £968 million to be our best estimate of our exposure.

Benefit provisions are estimated using detailed forecasting data and established methodology.

This section excludes our provision for State Pension underpayment (as mentioned on page 77) which, although a benefit provision, merits separate disclosure in Note 16c below due to its materiality and likely interest to readers of the accounts.

c. State Pension underpayment provision

	31 March 2021		31 March 2020	
	Core department	Departmental group	Core department	Departmental group
Benefit provision (c)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	-	-	-	-
Provided in year	1,033,632	1,033,632	-	-
Provisions not required written back	-	-	-	-
Payments made in year	-	-	-	-
Borrowing costs (unwinding of discount)	-	-	-	-
Balance at 31 March	**1,033,632**	**1,033,632**	**-**	**-**

Background

As mentioned on page 63, we became aware of potential issues with State Pension underpayments in the Spring of 2020 after a small number of cases were highlighted through media attention. Since then, significant work has been conducted across the Department to gain a better understanding of the number of individuals likely to have been underpaid and the value of underpayments that are due to them. We are committed to making sure that anyone who has been underpaid receives the money to which they are entitled, and correction of this issue is a key priority for us.

The value of the provision reflects our current estimate of the amount that will be paid out to correct State Pension underpayments. This estimate is subject to a high level of uncertainty and will continue to be refined as further information becomes available. The final total value of the underpayments will only be confirmed by the completion of the Legal Entitlements and Administrative Practice (LEAP) exercise. Table 2 below sets out the impact of a number of key sensitivities to the estimated value of the State Pension underpayment provision. This sensitivity analysis in table 2 suggests that the final value of the State Pension underpayment could range from £620 million (central estimate together with all estimated sensitivity analysis minimums) to around £2,800 million (central estimate together with all estimated sensitivity analysis maximums).

The Department will continue its work to refine and update the estimated total value of the State Pension underpayments as the correction activity progresses.

Underpayments

The underpayments identified fall into the following groups:

- **Category BL (CAT BL)** - People who are married or in a civil partnership who reached State Pension age before 6 April 2016 and may be entitled to a Category BL uplift based on their partner's National Insurance contributions
- **Missed conversions** - People who have been widowed and their State Pension was not uplifted to include amounts they are entitled to inherit from their late husband, wife or civil partner
- **Category D (CAT D)** - People who have not been paid Category D State Pension uplift as they should have been from age 80. To be eligible for this award, customers must have been resident in England, Scotland or Wales for at least ten years out of the last twenty

As was mentioned on page 63, we expect to review around 400,000 cases through the LEAP exercise launched in January 2021. We estimate that fewer than half of the cases reviewed will result in an underpayment being identified. Table 1 below shows the split of the overall provision relating to each group and our assessment of the number of individuals as at 31st March 2021 whose cases will require action to correct an underpayment.

Table 1 – Value and volume estimates for each underpayment group

Group	Provision Value £m	Estimated volume of customers affected (as at 31 March 2021)
CAT BL	332	53,000
Missed conversions	560	43,000
CAT D	142	36,000
Total	**1,034**	**132,000**

Note volumes rounded to nearest thousand, values to nearest £ milllion
Totals may not sum due to rounding

In March 2021, Parliament was advised that our best estimate of the liability for arrears was £2.7 billion. This amount had been factored into Budget 2021 and the calculation approved by the Office for Budget Responsibility. Our revised estimate of underpayments is £1.034 billion. The major changes include:

- a reduction of £1.094 billion following a revision to the CAT BL estimate based upon the outputs of structured sampling activity and progress made in tracing the spouses of potentially affected customers
- a reduction of £412 million following a revision to our estimate of the number of CAT D cases where arrears will be due
- a reduction of £74 million relating to an acceleration of the LEAP exercise. As a Ministerial priority, we have reprioritised resourcing and recruitment plans to direct more staff to this activity, and have brought forward the timetable for completion from 2027 to the end of 2023
- a reduction of £27 million following an adjustment to the missed conversions estimate based on including updated sampling outputs
- a reduction of £20 million relating to correction payments made to individuals during 2020-21 as part of the LEAP exercise

We have estimated the value of this provision using the best available data held by the Department. However, we must emphasise that the value of the provision is an estimate and there are uncertainties that may mean that the final value of the State Pension underpayment could be higher or lower than this estimate. The Department will continue its work to refine this estimate as the correction activity progresses.

Methodology and data

The provision for each group is driven by three key variables:

- volume of individuals affected
- value of "top up" required to correct the individual's award
- duration of underpayment (if the "top up" is a weekly calculation)

The section below explains the methodology by which we have reached our provision estimate for each category.

CAT BL

The starting point for all the volume estimates within our costings was to perform scans to interrogate the Department's IT systems to identify potentially underpaid individuals.

For CAT BL, we commissioned a scan from the Pension Strategy Computer System (PSCS) which is the primary database for information for State Pension accounts and contains all relevant data to evaluate potential underpayments.

The scan was set with wide parameters to ensure the records of all those who may have been impacted were identified for review.

We then undertook a structured sample of 1,500 cases between April and May 2021 to refine volume estimates and likely values of underpayments for those within this group. The results of this sampling have been extrapolated to provide an estimate of expected total underpayments. The extrapolation of a sample to a whole population is subject to statistical uncertainty, with a confidence interval around the central estimate.

Missed conversions and CAT D

It was not possible to run scans for these groups from PSCS due to long-planned system upgrades to PSCS which were undertaken during the year. Our volume estimates are therefore based on General Matching Service (GMS) scans which take data from PSCS every six weeks. These scans do not, however, capture all the data fields available in PSCS and they exclude deceased claimants; both of these limitations result in the need for additional assumptions within our estimates.

Further scans of PSCS are due to be run from the summer of 2021 to enable a refinement of our estimates for the missed conversions and CAT D groups.

We have yet to perform structured sampling exercises for conversions and CAT D, pending running of PSCS scans. As a result, we calculated an estimate of top up values and durations through use of statistical data available to the Department that is regularly extracted from PSCS as part of the Work and Pensions Longitudinal Study.

When calculating any arrears owed in State Pension, the case is also reviewed to identify where an individual may have been overpaid Pension Credit (PC) based on their incorrect State Pension entitlement. For missed conversions and CAT D we have had to estimate the value of any PC offset using GMS PC data. The PSCS scan used for CAT BL cases includes this information for each claimant and it is therefore captured as part of the sampling exercise described above.

Key uncertainties

The issues addressed by this provision relate to complex pensions awards and we have had to make several assumptions to quantify the volume of individuals impacted and the associated values. These assumptions are particularly important in areas where data currently available is limited, as we have already described for CAT D and missed conversions. The impact of key uncertainties on both volumes and values is shown in table 2 and described further below.

Table 2 – Sensitivity analysis upon key assumptions

	Volumes			Values £m		
	Original assumption	Estimated minimum	Estimated maximum	Original assumption	Estimated minimum	Estimated maximum
CAT BL volumes – Spouse records	5,000	0	153,000	30	0	1,140
Pension Credit offset	132,000	132,000	132,000	700	660	1,090
Missed conversions volumes (Live cases)	26,000	24,000	28,000	420	390	460
Traceability of Next of Kin	24,000	9,000	37,000	210	80	330
Estimated deceased cases (Missed conversions and CAT D)	18,000	7,000	23,000	170	60	210
CAT D volumes GB (Live cases)	21,000	13,000	29,000	90	60	130
CAT D volumes overseas (Live cases)	1,000	0	2,000	20	0	50
Duration of LEAP exercise	132,000	132,000	132,000	1,030	1,020	1,050

Original assumption – represents how this element has been treated in the State Pension underpayment provision posted in our accounts and is used as a baseline position for other scenarios.

Note volumes rounded to nearest thousand, values to nearest £ ten million

CAT BL – Spouse records

Our initial scans returned over 900,000 records but did not capture details of the individual's spouse in around half of these. This information is essential to confirm whether an underpayment has occurred. Additional tracing activity has identified the spouse details for the majority of these cases, however 153,000 remain with no spouse traced or with key information missing. Until tracing is completed this represents a significant uncertainty. As it is not possible to infer the level of error in untraced cases from any information we hold for other groups, table 2 shows a range of volumes potentially affected from zero to the total number of untraced cases. As before though, our belief is that the upper end of this estimate has a minimal likelihood of occurrence.

Pension Credit offset

We have applied an assumption equally across claimants in the missed conversions and CAT D groups concerning average levels of Pension Credit (PC) that may be offset against State Pension arrears payments. If we removed this PC offset and only considered the State Pension arrears it could increase the estimate of the liability by up to £400 million. As a lower limit we have considered the impact if our assessment of PC offset was 10% too low. We will be able to refine our estimate of PC offset as further information becomes available, both through PSCS scans and progress in the LEAP exercise.

Missed conversions volumes (live cases)

We undertook a GMS scan to identify live claimants. Review of a sample of 400 cases allowed us to refine our estimate of those potentially underpaid.

The upper and lower limits have been derived from confidence intervals associated with the sampling exercise and reflect uncertainties which may exist until PSCS data is available.

Traceability of next of kin

Where an underpaid claimant is deceased, we will seek to pay arrears to the deceased's next of kin. We cannot always locate a next of kin so we have used information from two previous LEAP correction exercises one undertaken in DWP, and one in another government department, to estimate the percentage of deceased cases where we expect to be able to trace next of kin. We estimate that the next of kin will be traceable in 57% of deceased missed conversions and CAT D cases, and in 75% of CAT BL cases, the rate being higher for CAT BL as we will hold details of a spouse.

Table 2 shows the impact upon our estimate if we applied the lower and upper limit percentages from these exercises (23% and 92% respectively) to the State Pension underpayment LEAP.

Estimated deceased claimants (missed conversions and CAT D)

Where an underpaid claimant is deceased, we will seek to pay arrears to the deceased's next of kin. PSCS retains records for at least four years after a claimant's death which we have included within our CAT BL estimate. Should cases reach back further than this, data is not available beyond this point. The GMS scans used for missed conversions and CAT D only contain the records of live claimants so we have estimated the volume of deceased claimants based on the level of live cases and expected mortality rates derived from caseload movements. We believe internally produced data will be more representative than external benchmarks for mortality rates as it considers wider factors such as the impact work history may have on life expectancy.

We have estimated the volume of deceased cases as 18,000 based upon mortality assumptions of 15% and 16% per annum for missed conversions and CAT D respectively. These rates are higher than estimates produced by the Office for National Statistics (ONS) which estimates mortality rates for those aged 80-90 being between 4% and 14%.

Table 2 shows the range which could apply to this assumption. The minimum value uses the ONS population mortality rate for the age range of our scans (6% for both groups). The maximum value shows the impact should our estimate of mortality rates prove too low. There is no external benchmark available, so the figure of 20% has been chosen for illustrative purposes.

CAT D volumes GB (live cases)

The GMS scan undertaken can only identify the total State Pension paid, whereas CAT D entitlement is specifically related to the basic component of the State Pension award and not any additional elements. Making use of the scan and other statistical data available to the Department we have estimated a central case for the volume for live GB cases for inclusion in our provision.

CAT D volumes overseas (live cases)

For overseas CAT D cases, it was particularly difficult to specify the parameters within the GMS scan to capture the complex residency criteria around entitlement. Making use of the scan and a review of a small sample of cases, we have estimated a central case for the volume for live overseas cases along with an upper and lower limit.

Duration of LEAP exercise

Our current estimate of the payment of arrears required is aligned to our commitment to complete correction activity by the end of 2023. Several factors could impact this plan, such as recruitment, resourcing and staff productivity. Should the timetable be accelerated or delayed the value of arrears owed by the Department would increase or decrease accordingly. Table 2 shows the impact of a six-month increase or decrease in the length of the LEAP exercise.

Comparison to Monetary Value of Fraud and Error (MVFE)

We have considered this provision estimate in light of alternative evidence available from historic MVFE testing. Whilst direct comparability is not possible, we are content that the two measures are not inconsistent and that historic reporting of MVFE is unaffected.

The three types of underpayment covered by the provision fall within scope of fraud and error (F&E) testing and, if evident within the cases sampled, would have been classed as an error.

Direct comparison is however not possible. The sample sizes underpinning the F&E estimates represent a small proportion of the State Pension caseload (0.01% in 2020-21). This means it is difficult to comment reliably on estimates relating specifically to the three types of underpayment within this provision (which are expected to affect only small proportion of the State Pension caseload themselves).

Additionally, methodologies differ between the two measures with F&E recognising other reasons for official error underpayment beyond those covered by this provision. Under normal circumstances, therefore we would expect F&E statistics to record a higher error valuation than in this provision.

We have calculated an estimate of the underpayment in 2020-21 for the items within scope of the provision and compared this to historic published MVFE reporting. In nine years out of the last ten the value of underpayment reported in MVFE has been higher. Within the limitations available, we are confident this means the two measures are not contradictory.

d. Other provisions

	31 March 2021		31 March 2020	
	Core department	Departmental group	Core department	Departmental group
Other provisions (d)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	**47,203**	**48,084**	**17,290**	**19,110**
Provided in year	19,911	20,116	36,029	36,042
Provisions not required written back	(6,882)	(6,882)	(5,669)	(5,893)
Utilised in year	(34,328)	(34,328)	(342)	(1,070)
Borrowing costs (unwinding of discount)	(77)	(77)	(105)	(105)
Balance at 31 March	**25,827**	**26,913**	**47,203**	**48,084**

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 cannot perform their job as a result
- enhanced holiday pay commitments
- the provision for the IR35 liability (£31.1 million in 2019-20) was utilised in full following settlement of the liability with HM Revenue and Customs and therefore is not included in the closing provisions balance as at 31 March 2021

Analysis of expected timing of discounted flows

	FAS provisions		Benefit provisions		State Pension		Other provisions		Total	
	Core department	Departmental group	Core department	Departmental group	Core department	Departmental group	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Not later than one year	249,850	249,850	656,839	656,839	311,720	311,720	17,862	17,862	1,236,271	1,236,271
Later than one year and not later than 5 years	1,016,981	1,016,981	311,549	311,549	721,912	721,912	2,687	3,575	2,053,129	2,054,017
Later than 5 years	4,285,395	4,285,395	-	-	-	-	5,278	5,476	4,290,673	4,290,871
Balance at 31 March 2021	**5,552,226**	**5,552,226**	**968,388**	**968,388**	**1,033,632**	**1,033,632**	**25,827**	**26,913**	**7,580,073**	**7,581,159**

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

Allowance has been made for the impact of Guaranteed Minimum Pension (GMP) equalisation for past transfers as a past service cost in this year's disclosures. Other than this, 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 (for example 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 2022 (although note the Sponsor has pre-paid future contributions set out in the Schedule of Contributions including an additional pre-payment in March 2021).

The weighted average duration of the defined benefit obligation is approximately 18 years.

Guaranteed Minimum Pension (GMP) equalisation

Previous disclosures have included an allowance for GMP equalisation for the liabilities of the current members of the Scheme. This allowance was equivalent to around 1.0% of the value of the liabilities. The same allowance has been made this year.

A further judgement on The *Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC (and others)* case was made on 20 November 2020 and covered whether schemes are required to revisit past transfers. The judgement confirmed the following:

- for transfer values paid due to members exercising their statutory right to transfer an obligation remains on the trustees to pay such an additional amount where it arises. This applies to any transfer made following 17 May 1990 that includes GMP accrued in the period 17 May 1990 to 5 April 1997
- for bulk transfers between schemes (where regulation 12 of the Occupational Pension Scheme (Preservation of Benefit) Regulations 1991 were complied with) there is no further obligation on the transferring scheme to pay top-ups
- where an individual transfer value was paid under the provisions of the rules, but the member did not otherwise have a statutory right the position is less clear; however, it would appear to involve further investigation on a case by case basis as to whether the trustees breached any duties when making the original payment

Allowance has been made for this latest judgement with the result that a Past Service Cost of £200,000 has been recognised at the Review Date, this has been treated as a charge in the profit and loss account.

There may be an argument that the GMP equalisation judgement referred to could potentially be viewed as a plan amendment, but given the relatively (to the Scheme overall) small amount of the estimated impact (and its approximate nature), the impact of re-measuring the assets and liabilities has not been taken into consideration at this point in time.

Scheme deficit

At the Review Date there was a deficit in the Scheme of £9,875,000. This compares to a deficit of £27,395,000 at the previous review date.

The main reasons for the decrease in the deficit over the period are the deficit reduction contributions paid by the Sponsor, higher than assumed returns on the Scheme's assets, and low recent actual inflation and hence pension increases this year. This was partially offset by a decrease in the discount rate and increase in the future inflation assumptions, both of which place a higher value on the liabilities.

Assessment of COVID-19 impact

Many asset markets have recovered well over the past year, following the falls in spring 2020 immediately after the COVID-19 pandemic began. The Scheme's particular asset mix (which includes a relatively low exposure to equity markets) produced a positive return of more than 10% over the 12 months to 31 March 2021.

On the liability side, long-dated high quality corporate bond yields fell by around 0.3% during the year to March 2021 and inflation expectations rose, both of which served to increase the liabilities measured in accordance with the IAS19 (Employee Benefits) accounting standard significantly.

Disclosures for IAS19 (Employee Benefits) Table of assumptions used in calculations

Figures for disclosure in accounts for period ending 31 March 2021 under IAS19. Results are shown in pounds, rounded to the nearest £1,000. Asset figures were supplied by Isio on 26 April 2021 and reflect a total bid value of the funds at the Review Date where available, (values as at the Review Date for one or two managers of less liquid assets were not yet available and estimates were provided).

Principal actuarial assumptions	At 31 Mar 2021	At 31 Mar 2020
Discount rate	2.00% p.a.	2.30% p.a.
Inflation (RPI)	3.00% p.a.	2.70% p.a.
Inflation (CPI)	2.50% p.a.	2.10% p.a.
Discretionary pension increase (Pre 1 April 1997 excess – CPI uncapped)	2.50% p.a.	2.10% p.a.
Pension increase (1 April 1997 – 1 April 2005 – CPI (capped at 5%))	2.40% p.a.	2.10% p.a.
Pension increase (Post 1 April 2005 – RPI (capped at 5%))	2.90% p.a.	2.60% 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 2018 projections subject to a long-term rate of improvement of 1.25% p.a., a smoothing parameter of 7 and no additional rate of improvement
Commutation	Members are assumed to take 75% of their maximum lump-sum	Members are assumed to take 75% of their maximum lump-sum
Early Retirement	Non-pensioners over age 50 at 31 March 2016 retire at age 63, under age 50 retire at age 65	Non-pensioners over age 50 at 31 March 2016 retire at age 63, under age 50 retire at age 65
Ill health retirements	1% loading (non-pensioners)	1% loading (non-pensioners)
Allowance for GMP equalisation	Uplift to liabilities of approx 1%	Uplift to liabilities of approx 1%
Life expectancy at age 65 of male aged 45	20.4	20.3

Principal actuarial assumptions	At 31 Mar 2021	At 31 Mar 2020
Life expectancy at age 65 of male aged 65	18.5	18.4
Life expectancy at age 65 of female aged 45	23.3	23.2
Life expectancy at age 65 of female aged 65	21.3	21.2

The current asset split is as follows:	Asset allocation at 31 March 2021
Property	8.8%
Absolute return bonds	14.8%
Collateralised loan obligations	7.2%
Direct Lending	6.7%
Semi-liquid credit	14.7%
LDI	46.0%
Cash	0.6%
Insurance Policies	0.3%
AVC Investments	0.9%
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	86%	14%
Collateralised loan obligations	100%	0%
Direct lending	0%	100%
Semi-liquid credit	81%	19%
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.

Balance sheet	At 31 March 2021 £	At 31 March 2020 £
Fair value of assets	987,974,000	895,087,000
Present value of funded obligations	(997,849,000)	(922,482,000)
Surplus/(deficit)* in scheme	**(9,875,000)**	**(27,395,000)**
Effect of asset ceiling	0	0
Net defined benefit asset/(liability)	**(9,875,000)**	**(27,395,000)**
* Surplus/(deficit) shown prior to deferred taxation		

Amount recognised in Profit and Loss	At 31 March 2021 £	At 31 March 2020 £
Current service cost	0	0
Administration costs	1,298,000	1,438,000
Interest on liabilities	20,627,000	25,474,000
Interest on assets	(20,290,000)	(21,972,000)
2019-20 post balance sheet adjustment	0	7,000
Past service costs	200,000	0
Settlement and curtailment cost	0	0
Total charge to Profit and Loss	**1,835,000**	**4,947,000**

Re-measurements over the period	Period to 31 March 2021 £	Period to 31 March 2020 £
Loss/(gain) on assets in excess of interest	(81,182,000)	13,337,000
2019-20 post balance sheet adjustment	0	(567,000)
Experience losses/(gains) on liabilities	(10,694,000)	(13,254,000)
Losses/(gains) from changes to demographic assumptions	0	(64,345,000)
Losses/(gains) from changes to financial assumptions	99,521,000	(36,459,000)
Total re-measurements	**7,645,000**	**(101,288,000)**

Change in value of assets	Period to 31 March 2021 £	Period to 31 March 2020 £
Fair value of assets at start	**895,087,000**	**889,536,000**
AVC assets at start	(8,890,000)	(9,327,000)
Interest on assets	20,290,000	21,972,000
2019-20 post balance sheet adjustment	0	(7,000)
Sponsor contributions	27,000,000	32,160,000
2019-20 post balance sheet adjustment	0	(560,000)
Contributions by Scheme participants	0	0
Benefits paid	(33,819,000)	(33,369,000)
Administration costs	(1,298,000)	(1,438,000)
Change due to settlements and curtailments	0	0
Return on assets less interest	81,182,000	(13,337,000)
2019-20 post balance sheet adjustment	0	567,000

AVC assets at end	8,422,000	8,890,000
Fair value of assets at end	**987,974,000**	**895,087,000**

Actual return on assets	**101,472,000**	

Change in value of the DB liabilities	**Period to 31 March 2021 £**	**Period to 31 March 2020 £**
Defined benefit obligation at start	**922,482,000**	**1,044,872,000**
AVC liabilities at start	(8,890,000)	(9,327,000)
Current service cost	0	0
Contributions by Scheme Participants	0	0
Past service costs	200,000	0
Interest on liabilities	20,627,000	25,474,000
Benefits paid	(33,819,000)	(33,369,000)
Change due to settlements and curtailments	0	0
Experience (gain)/loss on liabilities	(10,694,000)	(13,254,000)
Changes to demographic assumptions	0	(64,345,000)
Changes to financial assumptions	99,521,000	(36,459,000)
AVC liabilities at end	8,422,000	8,890,000
Defined benefit obligation at end	**997,849,000**	**922,482,000**

Reconciliation of net defined benefit liability (asset)	**Period to 31 March 2021 £**	**Period to 31 March 2020 £**
Net defined benefit liability (asset) at start	**27,395,000**	**155,336,000**
Current service cost	0	0
Past service cost and settlement and curtailment cost	200,000	0
Net interest expense (income)	337,000	3,502,000
2019-20 post balance sheet adjustment	0	7,000
Remeasurements	7,645,000	(100,721,000)
2019-20 post balance sheet adjustment	0	(567,000)
Administration costs	1,298,000	1,438,000
Employer contributions	(27,000,000)	(32,160,000)
2019-20 post balance sheet adjustment	0	560,000
Net defined benefit liability (asset) at end	**9,875,000**	**27,395,000**

Sensitivity of the value placed on the liabilities	Approximate effect on liability
Discount rate	**£**
Discount rate +0.50%	(80,006,000)
Discount rate -0.50%	91,327,000
Inflation	
Inflation +0.50%	72,547,000
Inflation -0.50%	(63,844,000)
Mortality	
Decrease mortality rates by a factor of **10%**	47,878,000
Increase mortality rates by a factor of **10%**	(42,276,000)

NB The figures above include post balance sheet adjustments for the 31 March 2020 disclosures to exclude a sponsor contribution of £560,000 as this had been previously included in the 31 March 2019 disclosures

Pension accounting assumptions as at 31 March 2021 Discount rate

Under IAS19 the discount rate should be based upon the yield available on high quality corporate bonds (usually taken as AA rated in the UK) of appropriate term and currency.

The approach used to set the discount rate is based on the Merrill Lynch AA Corporate Bond yield curve at a duration of 18 years, which is the approximate term of the Scheme's liabilities at the review date.

Using the Merrill Lynch AA Corporate Bond yield curve results in a proposed discount rate of 2.0% p.a. after rounding.

This is lower than the discount rate used last year of 2.3% p.a., reflecting the changes to the yields on bonds of the appropriate term over this Period.

Inflation

Retail Prices Index (RPI) inflation

The Bank of England publishes implied inflation data which shows that breakeven inflation varies by term. One way of reflecting this feature in the choice of assumption is to estimate the single rate of inflation that would produce the same liability value as carrying out a valuation using a full inflation curve together with a set of proxy cashflows with a similar duration to that of the Scheme. This is the approach taken to derive an assumption for breakeven Retail Price Index inflation (including the considerations mentioned below). There are, however, other factors which are relevant when considering this assumption.

In September 2019, the UK Statistics Authority announced that it intends to change the RPI inflation statistic, to bring RPI into line with the "CPIH" index (this is the CPI index but with housing costs included). The earliest they can do this without the Chancellor's consent is 2030 and, in response, the Chancellor consulted on the potential effects and considered introducing the change earlier. On 25 November 2020, the Government confirmed that the changes to RPI are expected to proceed as planned in 2030.

Having taken the above into account, it is considered that deriving the breakeven RPI inflation assumption with reference to the Bank of England implied inflation curve remains reasonable.

In recent years there has effectively been a deduction of 0.2% per annum to the breakeven RPI inflation rate, for example to allow for an inflation risk premium (IRP). At this stage we have included the same 0.2% per annum adjustment to the breakeven RPI inflation rate as in prior years.

Overall, this gives a proposed RPI inflation assumption of 3.3% per annum, which is higher than the assumption used last year. This reflects the changes in the expectations for future inflation over the period. Last year following the discussions with GAD, the RPI inflation assumption used was 2.7% per annum, and this rate is consistent with the method proposed this year, including the 0.2% per annum adjustment.

Consumer Price Index (CPI) inflation

Unlike RPI, there is currently a limited market implied measure of Consumer Price Index (CPI) inflation. In the opinion of the scheme's actuaries it is reasonable to assume CPI inflation will be 1.0% per annum lower than the RPI assumption up until 2030, and equal to the RPI assumption from 2030.

It is the view of the scheme's actuaries that based on the composition of CPI and CPIH the difference between the two indices will be, on average, negligible in future years. As a single "average" assumption over time is needed, and assuming that the change happens in 2030, this suggests an average CPI inflation assumption over time of 2.8% per annum would be appropriate based on this methodology, i.e. an RPI-CPI gap of 0.5% per annum.

Last year the CPI assumption used was 2.1% per annum, which implied an RPI-CPI gap of 0.6% per annum, albeit that the derivation of the CPI assumption last year wasn't carried out explicitly in the way described above – in particular there is now more information about how future inflation may be calculated, following the November 2020 announcement. However, the reduced gap between RPI and CPI this year could be viewed as reflecting a belief that the market has priced in slightly more of the fall in RPI inflation than last year.

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.

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 94.9% of our £211.7[49] billion benefit expenditure correctly.

Rate of fraud and error in 2020-21

Due to COVID-19 restrictions only Universal Credit and official error on State Pension were measured. For other benefits the rates last year were rolled forward and applied to the 2020-21 expenditure. For more information, please see the Benefit fraud and error estimation uncertainty and assumptions section on page 310.

49 Benefit expenditure stated within this note is based on the latest available forecast expenditure for 2020-21, 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 £218.7 billion, or the Statement of Parliamentary Supply (SOPS) of £212.4 billion. The difference between these values is due to disaggregation in the SOPS between DEL and AME, resource and capital expenditure.

The 2020-21 statistics (published in May 2021) indicate that fraud and error overpayments increased to 3.9% from 2.4%. This amounts to a monetary value of £8.4 billion overpaid from a total expenditure of £211.7 billion this year. Fraud accounts for overpayments of 3.0% (£6.3 billion) of expenditure, whilst claimant error is 0.6% (£1.3 billion) and official error is 0.4% (£0.8 billion).[50]

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 £0.8 billion was recovered in 2020-21.[51] An additional measure to the estimated overpayments takes away actual recoveries from estimated overpayments, to give an estimate of the net loss to the system.[52] Further details on our fraud and error strategy are included in the performance report, on page 106.

The 2020-21 statistics estimate that the proportion of benefit underpaid increased to 1.2% from 1.1% of total expenditure in comparison to the previous year, which equates to a monetary value of £2.5 billion. Claimant error accounts for underpayments of 0.7% (£1.6 billion) whilst official error is 0.4% (£0.9 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 and ensure that we pay claimants their full entitlement.

The department became aware of a systemic underpayment issue affecting State Pension. The types of errors leading to these underpayments had been identified in cases reviewed to estimate MVFE, therefore in year underpayments are included in the MVFE estimate. More information on this State Pension provision, can be found in Note 16c.

Statistics

Table 1. Overall 2020-21 fraud and error estimates

	Fraud	Claimant Error	Official Error	Total
Overpayments	* 3.0%	0.6%	0.4%	*3.9%
	(£6.3bn)	(£1.3bn)	(£0.8bn)	(£8.4bn)
Underpayments	0.0%	0.7%	0.4%	1.2%
	(£0bn)	(£1.6bn)	(£0.9bn)	(£2.5bn)
Total Expenditure				***£211.7bn***

Table 2. Estimates for benefits reviewed in 2020-21

	Overpayments				Underpayments			Total Expenditure
	Fraud	Claimant Error	Official Error	Total	Claimant Error	Official Error	Total	
Universal Credit	*12.8%	0.9%	0.9%	*14.5%	*1.1%	0.4%	1.4%	
	(£4,880m)	(£330m)	(£330m)	(£5,540m)	(£400m)	(£140m)	(£540m)	£38.2bn

50 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.

51 Benefit recovery is through the department's debt management function and local authorities.

52 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 2020-21 figures for directly administered benefits plus figures for Housing Benefit for the period October 2019 to September 2020. Further information can be found at www.gov.uk by searching for Fraud and Error in the Benefit System 2020-21.

	Overpayments				Underpayments			Total Expenditure
	Fraud	Claimant Error	Official Error	Total	Claimant Error	Official Error	Total	
State Pension	0.0%	0.1%	0.0%	0.1%	0.0%	0.3%	0.3%	
	(£0m)	(£70m)	(£20m)	(£90m)	(£0m)	(£310m)	(£310m)	£101.2bn

Table 3. Estimates for benefits reviewed in previous years

	Overpayments				Underpayments			Total Expenditure
	Fraud	Claimant Error	Official Error	Total	Claimant Error	Official Error	Total	
Housing Benefit	3.7%	1.7%	0.5%	6.0%	1.3%	0.4%	1.7%	
	(£650m)	(£300m)	(£90m)	(£1,030m)	(£220m)	(£80m)	(£300m)	£17.3bn
Employment and Support Allowance	1.9%	1.2%	1.1%	4.1%	1.2%	1.6%	2.8%	
	(£250m)	(£160m)	(£150m)	(£550m)	(£160m)	(£210m)	(£370m)	£13.4bn
Personal Independence Payment	0.3%	1.1%	0.1%	1.5%	3.1%	0.7%	3.8%	
	(£40m)	(£150m)	(£20m)	(£210m)	(£420m)	(£90m)	(£510m)	£13.6bn
Pension Credit	2.5%	1.6%	1.2%	5.3%	1.2%	1.1%	2.2%	
	(£130m)	(£80m)	(£60m)	(£270m)	(£60m)	(£50m)	(£110m)	£5.1bn
Carer's Allowance	3.0%	2.0%	0.1%	5.2%	0.0%	0.0%	0.0%	
	(£90m)	(£60m)	(£0m)	(£160m)	(£0m)	(£0m)	(£0m)	£3.1bn
Jobseeker's Allowance	3.1%	0.3%	1.2%	4.6%	0.3%	1.2%	1.5%	
	(£30m)	(£0m)	(£10m)	(£50m)	(£0m)	(£10m)	(£20m)	£1.0bn
Disability Living Allowance	0.5%	0.6%	0.8%	1.9%	2.4%	0.1%	2.5%	
	(£30m)	(£40m)	(£40m)	(£110m)	(£140m)	(£10m)	(£150m)	£5.8bn
Income Support	2.4%	1.0%	0.4%	3.9%	0.4%	0.3%	0.8%	
	(£30m)	(£10m)	(£0m)	(£40m)	(£0m)	(£0m)	(£10m)	£1.1bn
Incapacity Benefit	0.3%	0.9%	1.2%	2.4%	0.0%	0.7%	0.7%	
	(£0m)	(£0m)	(£0m)	(£0m)	(£0m)	(£0m)	(£0m)	£0.0bn

Table 4. Estimates for benefits never reviewed and interdependencies

	Overpayments				Underpayments			Total Expenditure
	Fraud	Claimant Error	Official Error	Total	Claimant Error	Official Error	Total	
Unreviewed benefits	1.2%	0.5%	0.5%	2.2%	1.4%	0.3%	1.7%	
	(£140m)	(£60m)	(£60m)	(£270m)	(£170m)	(£40m)	(£210m)	£12.1bn
Interdependencies	z	z	z	z	z	z	z	
	(£10m)	(£20m)	(£20m)	(£50m)				z

Notes to tables 1-4:

1. The 2020-21 data comes from DWP National Statistics: Fraud and Error in the Benefit System: 2020-21 Estimates. Fraud and error rates for Universal Credit are based on fraud and error reviews in the period covering July 2020 to November 2020. Official error rates for State Pension are based on reviews in the period covering October 2019 to September 2020 (with a break May to July 2020). The State Pension fraud and claimant error figures are rolled forward from the last full measurement of State Pension (in 2005-06). Estimates for all benefits are based on estimated benefit expenditure for 2020-21 consistent with Spring Budget 2021 published expenditure forecasts.
2. Total expenditure figures for 2020-21 were the latest available for the financial year at the time of producing the fraud and error estimates and are consistent with Spring Budget 2021.
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 (expenditure).
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 2019-20 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 2019-20 figures please see GOV.UK.
10. We review a selection of benefits for fraud and error each year. However, in 2020-21, due to COVID-19 only Universal Credit and official error on State Pension were measured. 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 assumptions' 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 contribute to the overall overpayment value (of £8.4 billion benefit expenditure, equating to an overall rate of 3.9%) and overall underpayment amount (of £2.5 billion benefit expenditure, equating to an overall rate of 1.2%). 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 2020-21	**UC**
Expenditure (£bn)	38.2
Overpayment rate	14.5%
Overpayment value (£m)	5,540
Contribution to overall OP	*66%*
Impact of a 10% change in monetary value of overpayment on the overall overpayment rate	*0.26%*

Previously reviewed	**HB**	**ESA**	**PIP**	**PC**	**CA**	**JSA**
Expenditure (£bn)	17.3	13.4	13.6	5.1	3.1	1.0
Overpayment rate	6.0%	4.1%	1.5%	5.3%	5.2%	4.6%
Overpayment value (£m)	1,030	550	210	270	160	50
Contribution to overall OPs	*12%*	*7%*	*2%*	*3%*	*2%*	*1%*
Impact of a 10% change in monetary value of overpayment on the overall overpayment rate	*0.05%*	*0.03%*	*0.01%*	*0.01%*	*0.01%*	*0.00%*

Previously reviewed (continued)	**IS**	**IB**	**DLA**	**SP**	**Unreviewed**
Expenditure (£bn)	1.1	0.0	5.8	101.2	12.1
Overpayment rate	3.9%	2.4%	1.9%	0.1%	2.2%
Overpayment value (£m)	40	0	110	90	270
Contribution to overall OPs	*0%*	*0%*	*1%*	*1%*	*3%*
Impact of a 10% change in monetary value of overpayment on the overall overpayment rate	*0.00%*	*0.00%*	*0.01%*	*0.00%*	*0.01%*

For example, Universal Credit currently contributes 66% of the overall overpayment value, the highest of all individual benefits. If the monetary value of overpayment on Universal Credit (currently £5,540 million) changed by 10%, this would lead to the overall overpayment rate of 3.9% changing by 0.26% (equating to around £550 million).

Table of the proportion each benefit contributes to the overall underpayment rate

Reviewed in 2020-21	**UC**
Expenditure (£bn)	38.2
Underpayment rate	1.4%
Underpayment value (£m)	540
Contribution to overall UP	*21%*

Reviewed in 2020-21	**UC**
Impact of a 10% change in monetary value of underpayment on the overall underpayment rate	*0.03%*

Previously reviewed	**HB**	**ESA**	**PIP**	**PC**	**CA**	**JSA**
Expenditure (£bn)	17.3	13.4	13.6	5.1	3.1	1.0
Underpayment rate	1.7%	2.8%	3.8%	2.2%	0.0%	1.5%
Underpayment value (£m)	300	370	510	110	0	20
Contribution to overall UP	*12%*	*15%*	*20%*	*5%*	*0%*	*1%*
Impact of a 10% change in monetary value of underpayment on the overall underpayment rate	*0.01%*	*0.02%*	*0.02%*	*0.01%*	*0.00%*	*0.00%*

Previously reviewed	**IS**	**IB**	**DLA**	**SP**	**Unreviewed**
Expenditure (£bn)	1.1	0.0	5.8	101.2	12.1
Underpayment rate	0.8%	0.7%	2.5%	0.3%	1.7%
Underpayment value (£m)	10	0	150	310	210
Contribution to overall UP	*0%*	*0%*	*6%*	*12%*	*8%*
Impact of a 10% change in monetary value of underpayment on the overall underpayment rate	*0.00%*	*0.00%*	*0.01%*	*0.01%*	*0.01%*

For example, Universal Credit currently contributes 21% of the overall underpayment value, the highest of all individual benefits. If the monetary value of underpayment on Universal Credit (currently £540 million) changed by 10%, this would lead to the overall underpayment rate of 1.2% changing by 0.03% (equating to around £54 million).

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. Our estimates are normally based on around 15,000 reviews of a random sample of claimants on certain benefits. The benefit reviews, which underpin the annual fraud and error estimates for 2020-21, were paused in March 2020, due to the visiting restrictions imposed as a result of the COVID-19 pandemic, the inability of claimants to provide evidence due to lockdown restrictions, and changes to the suspension of benefit (which is a key compliance tool when carrying out benefit reviews).

This means that for 2020-21, only Universal Credit and the official error in State Pension were measured due to COVID-19 restrictions.

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 2020-21, the rates of total overpayment lie in the range from 3.6% to 4.3% (monetary value £7.7 billion to £9.2 billion), whilst the corresponding range for underpayments is 1.0% to 1.5% (£2.1 billion to £3.1 billion).

When rolling forward historic rates of fraud and error, the level of uncertainty associated with those estimates increases. To reflect this rise in uncertainty, for any benefit that has rolled forward rates due to not being measured in the current year, the confidence intervals from those found when it was last measured are widened by a factor of 2.

The table below shows the updated overpayment confidence intervals for the 5 benefits that have had their rate rolled forward from last year and their confidence intervals widened for the first time. However due to Universal Credit and State Pension making up around 80% of all expenditure, the impact this has had on the All Benefits confidence intervals is minimal.

	2020-2021			2019-2020		
	Central Estimate	**Confidence interval**		**Central Estimate**	**Confidence interval**	
All Benefits	3.9	(3.6,	4.3)	2.4	(2.2,	2.7)
HB	6.0	(5.0,	7.0)	6.0	(5.5,	6.5)
ESA	4.1	(2.6,	5.8)	4.1	(3.4,	5.0)
PIP	1.5	(0.4,	2.7)	1.5	(1.0,	2.1)
PC	5.3	(3.2,	7.6)	5.3	(4.3,	6.4)
CA	5.2	(2.0,	8.6)	5.2	(3.6,	6.9)

Further information on these figures can be found at GOV.UK (within the latest National Statistics publication, and the Background Information and Methodology note).

Consideration of adjustments due to impact of COVID-19

Analysis was carried out on various data sources to try and ensure that this year's Fraud and Error estimate for Universal Credit and the rolled forward estimates for other benefits were valid given the impact of the pandemic and the easements the department put in place. Analysis was carried out on Universal Credit (UC), Personal Independence Payments (PIP), Housing Benefit (HB), Jobseeker's Allowance (JSA), Carer's Allowance (CA), Employment Support Allowance (ESA), Pension Credit (PC), Attendance Allowance (AA) and Bereavement Support Payments (BSP). The table below shows the results of this analysis, giving potential ranges for each impact.

Benefit	COVID-19 Impact	Range of additional overpayments (£m)	Range of additional underpayments (£m)
UC	SEISS grants	70 - 200	N/A
PIP	Delays to Assessment Reviews	0 - 170	0 - 48
HB	SEISS grants	0 - 95	0 -55
HB	Impact of depts. COVID-19 easements	0 - 55	N/A
JSA	Impact of depts. COVID-19 easements	0 - 16	N/A
CA	Impact of depts. COVID-19 easements	0 - 13	N/A
ESA	Impact of depts. COVID-19 easements	0 - 6	N/A

Benefit	COVID-19 Impact	Range of additional overpayments (£m)	Range of additional underpayments (£m)
PC	Impact of depts. COVID-19 easements	0 - 8	N/A
AA	Impact of depts. COVID-19 easements	0 - 2	N/A
BSP	Impact of depts. COVID-19 easements	0 - 3	N/A

For UC, analysis was carried out on the impact of the Self-Employed Income Support Scheme (SEISS) grants[53]. For the purposes of UC these grants were treated as Self-Employed income and should be declared monthly along with any other Self-Employed income and expenses. The latest data the department holds on SEISS grants received was matched on to our sample. However, this only covered the period July to September (1,447 claimants out of the 2,747 sampled). From this analysis it was identified that there was £70 million of missed overpayments. Extrapolating this up to the whole sample and carrying out sensitivity analysis shows that the potential range of missed overpayments could lie between £70 million–£200 million. This range is within our confidence intervals for UC self-employment fraud this year, so no adjustment was made.

For PIP, analysis was carried out on the 4 month delays to Award Reviews (AR) due to COVID-19. These ARs are reassessments of claimants PIP awards and can result in a change to a PIP claimant's award entitlement. Analysis was carried out using existing published data on PIP around numbers of AR delayed and the likely changes to their benefit claimants would have following the AR (PIP data can be found at GOV.UK in the Personal Independence Payment statistics to January 2021).

However, for overpayments this does not take into account that:

- some cases will have the result of the AR overturned at appeal (which was around 11% of all ARs in 2019-20)
- we would normally remove from the PIP headline overpayments any overpayment where the claimant would not be reasonably expected to know to report an improvement in their functional needs (Not RETK). This is usually a substantial proportion of the total (in 2019-20 the department reported PIP overpayments of £190 million, however there was also £420 million that had been removed from the reported overpayments due to Not RETK).

If we assume that the proportion of Not RETK removed is similar to last year for overpayments, then both the overpayment and underpayment estimate ranges are within the respective confidence intervals for PIP from 2019-20, so no adjustment was made.

For HB, analysis was carried out using the SEISS data and merging on to the Housing Benefit caseload. Similar to UC, these grants are treated the same as any earned self-employed income, however on HB the need to declare these is less clear cut. Creating a robust estimate for the impact of SEISS grants on Housing Benefit is challenging. Due to the data we have available, the top of the ranges shown in the table are highly unlikely scenarios that all SEISS grants result in an overpayment or an underpayment. We are confident that the true impacts lie in the bottom halves of each of the ranges. However, even using the full range calculated by the analysis, the values lie within the respective confidence intervals for HB from 2019-20, so no adjustment was made.

Also for HB, as well as ESA, PC, CA, JSA, AA and BSP, analysis of new claims to benefit was carried out. This estimated a range in which the additional fraud and error due to easements lies. New claims were used because easements on these benefits largely affected verification of identity

53 If you're self-employed and have been impacted by COVID-19 you can apply for a SEISS grant. The scheme was started in April 2020 and eligible claimants could have applied for one of these grants every quarter in the last financial year. These grants are calculated at 80% of the impacted person's 3-month average trading profits. They are paid out in a single instalment and capped at £7,500 in total.

at the start of a claim, rather than change of circumstances during a claim. For each benefit, the range was within the respective overpayment confidence intervals from 2019-20, so no adjustment was made.

For more information on these checks and others carried out please refer to the National Statistics Background Information and 'Methodology note at GOV.UK

Surplus profit or loss for Universal Credit claimants

If a claimant is Self-employed on UC, then any surplus profit or loss is rolled over to the next month. These surpluses are not checked as part of the benefit review process. This is due to evidence only being requested for the most recent assessment period - evidence for the surplus would be from previous assessment periods. In a "normal" year the department does not think this would have too much impact as surplus losses would only have a monetary effect on cases within their first year of Self-Employment, after this the Minimum Income Floor (MIF)[54] applies. However, the effect of COVID-19 will have increased the impact of this omission in two ways.

- Claimants may have large SEISS grants in a previous assessment period, but we would not know about these. If the SEISS grant was large enough, then this could mean that they are ineligible for Universal Credit in the assessment period measured. Analysis done on first half of the sample suggests that at most 0.7% of claimants had, in previous assessment periods, a SEISS grant large enough to stop eligibility in the current assessment period and had not already had a whole award error recorded based on other evidence.
- The removal of the MIF also compounds the impact of this omission. As previously stated, surplus losses would only have a monetary impact on cases who started their self-employment less than a year ago due to a MIF being applied to people self-employed for more than a year. Since this has been removed on all cases due to COVID-19 easements, the number of cases whose award entitlement could potentially be affected by a rolled forward loss has increased. Unlike the impact of the removal of the MIF on awards and errors within the sample (which is quantified within the F&E narrative on page 108), the impact of its removal on this omission cannot be robustly estimated.

'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. Prior to 2019-20 we 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 £530 million of expenditure in 2020-21. Had all of these cases been instead classed as fraud, then the total monetary value of overpayments would rise from £8.4 billion to £8.9 billion, and the overall overpayment rate would rise from 3.9% to 4.2%.

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).

54 The Minimum Income Floor is an amount of earnings that will be taken into account if the level of income of a self-employed person drops below that specified amount.

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[55]. State Pension accounted for £101.2 billion of expenditure in 2020-21, just under half the total expenditure on all benefits.

We are currently undertaking a full fraud and error review of State Pension to feed into the 2021-22 estimates. This will provide updated estimates for fraud and claimant error from the last exercise in 2005-06.

In the estimates of fraud and error for 2020-21, rates of overpayments and underpayments for claimant fraud and claimant error from the last review (in 2005-06) are applied to benefit expenditure in 2020-21 to estimate the monetary value of overpayments and underpayments.

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 2020-21, 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.

No cases were selected in the State Pension sample from the new Get Your State Pension system. The numbers of cases on this new system are very small in comparison to the caseload as a whole. The assumption was made that the Fraud and Error present on these cases is the same as those in the legacy system.

For State Pension there has been two minor methodology changes since last year. For more information on these please refer to the National Statistics Background Information and Methodology note at GOV.UK.

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 1803 transfer applications. 83% of these have resulted in transfer payments. At 31 March 2021 there were 55 cases outstanding. The liability for these cases is estimated to be in the region of £2.6 million.

European Social Fund (ESF) repayments

The ESF Audit Authority is required to provide opinions on the 2014-20 ESF programme. This is largely based on the level of errors identified during the audit of claims submitted by projects to the Managing Authority of the ESF England programme (on behalf of DWP). If this exceeds the EU-defined 2% tolerance error rate, the audit opinion is defined as 'qualified' by the ESF Audit Authority, with the risk that the EU can impose a financial correction. The 2019-20 rate was 3.2% (1.2% for 2018-19) which triggered a financial correction of £3.710 million for the variance between the actual error rate and the tolerance rate of 2.0%. Therefore, a risk remains that the 2% error tolerance level may be breached in future years. The total self-correction loss figure was £3,710,156.05.

55 In addition to the usually measured official error, the Department will also be measuring fraud and claimant error on State Pension next year. These results will be published in the May 2022 publication.

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.

Compensation recovery

We recognise recoveries from insurance companies for compensation claims made by benefit recipients. Once the recovery is made the insurance company has the right to mandatory reconsideration or appeal within a set time period. If the reconsideration or appeal is successful recoveries are refunded to the insurance company. Analysis of existing data suggests that it is reasonable to recognise a contingent liability of £4 million for successful mandatory reconsideration or appeals. 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. In some early stage cases the legal challenges include numerous arguments that require a decision to be made by the Courts. In these cases, until further rulings are received a reliable estimate is not always possible. However, there will be underpinning analysis done by the Department to support a number of estimates based on a range of different scenarios.

However, further disclosure of the details of the cases or the ranges is not provided as, in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), the Department considers that the disclosure of values for any legal contingent liabilities could be expected to seriously prejudice ongoing litigation. As at 31 March 2021 the Department is aware of 5 cases it considers to be a contingent liability (as described in note 1.14), four of which can be reliably estimated to £1,434 million.

20. Related party transactions

We sponsor the arm's length bodies listed on page 148. 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, Cabinet Office, Northern Ireland's Department for Communities, the Ministry of Justice, Department of Health, Her Majesty's Courts and Tribunals Service, Home Office, HM Procurator General and Treasury Solicitor, the Scottish Government and HM Treasury. We also have transactions with other public bodies such as local authorities.

No minister, board member or other related parties has undertaken any material transactions with the Department during the year. A register of interests for our board members is available on page 136, and a list of ministerial board members' interests are published on GOV.UK.

Details of remuneration for key management personnel can be found in the remuneration and staff report within the accountability report.

21. Events after the reporting period

There have been no events after the reporting period.

The Accounting Officer authorised these financial statements for issue on 14 July 2021.

Annex 1

(This information is not subject to audit)

Disaggregated information on arm's length bodies

Our departmental family is shown on page 148 within the Accountability report, the following bodies are those within our accounting boundary for 2020-21 that contribute to the departmental group.

	Total operating income	Total operating expenditure	Net expenditure for the year (including finance)	Permanently employed staff		Other staff	
Department				Number of employees	Staff costs	Number of employees	Staff costs
BPDTS Limited	(82,694)	82,694	-	919	60,796	54	6,853
Health and Safety Executive	(76,578)	226,223	168,147	2,432	146,647	161	10,468
The Pensions Ombudsman	-	8,693	8,693	105	6,688	2	162
The Pensions Regulator	9	97,241	97,250	640	53,906	151	7,539
The Money and Pensions Service	(21)	139,389	139,368	356	26,181	51	8,968

Also included within the departmental family are:

- Industrial Injuries Advisory Council (staff and costs are included in our core department figures)
- Social Security Advisory Committee (staff and costs are included in our core department figures)
- Disabled People's Employment Corporation (GB) Ltd (entered voluntary liquidation in 2017, this is still in the process of being carried out and so remains on our designation order)
- Remploy Pension Scheme Trustees Ltd is registered on Companies House as a dormant company. The pension liability belongs to DWP and is shown in Note 17

The following are arm's length bodies of DWP outside our accounting boundary:

- Office for Nuclear Regulation
- Pension Protection Fund
- National Employment Savings Trust Corporation

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